Friend of Another (9/20/98; 19:03:15 Msg ID:43)

The Markets!

To All: It's an interesting corner that the Euro people (BIS) have put the US government and the dollar into. As the only reserve currency, the dollar must fall in value in order to reflate the world economy. But, a week dollar is exactly what the Treasury doesn't need with the upcoming Euro. Now, all Europe has to do is wait and watch as the markets do their dirty work! If the dollar stays strong, the countries in crisis will sink even lower. In doing so this will create a US trade deficit never before seen in modern times.

It is no accident that most of the economies in crisis are many of the chief trading partners of America. It's also no accident that they all are IMF/Dollar advocates. Meaning, they hold little Gold and much US treasury debt as local currency reserves. The US will be forced, by deteriorating market conditions, to lower the exchange value of the dollar. But, if Greenspan lowers local interest rates, Europe will begin to dump the dollar. For them, they don't need the dollar as a reserve currency anymore! They will hold a small amount of it only as an currency exchange intervention vehicle.

With this new definition for the dollar it will be required to carry a good interest rate. They have the Dollar in a trap that will force the Fed to lower it's value through the foreign exchange window. All the while pushing interest rates up or holding them steady to protect this reserve currency.

This isn't a strange twist as it happened once before during the 70's. Only this time a new world reserve currency is coming online, giving many countries a choice for the first time. I think China can't wait to unload it's US treasury holdings for the Euro.

I agree with Another's last post (in the archives) about the vintage wine. Gold is that reserve vintage that many people kept trying to open before it's time. By the end of the year, the currency wars will bring this fine wine to completion.

Once it goes above $360 some major defaults will occur, changing the entire aspect of the market. Add to this the introduction of the Euro and the old US Dollar gold market will disappear. Some investors are buying gold for the Y2K problem. I thing the Currency Wars will destroy the markets long before Y2K does it's deed!

Also, I am very excited to hear of this USAGOLD FORUM. I think myself and Another will have much participation with this new discussion group! It will, no doubt, be followed by many Gold investors. Who knows, perhaps even a Central Banker or Government leader? Thanks FOA

Friend of Another (9/20/98; 20:09:53 Msg ID:48)

TO BNACD:

We continue to watch the BOJ to see if they are selling US Treasury debt. I don't think that is going to happen. They will buy gold, they will talk a great deal, but they can't sell US debt held as reserves. Why? From the beginning Japan has tied it's future to a US dollar world. They built their economic engine by trading with America using a dollar surplus mode. From a USA viewpoint, that's a balance of trade deficit in American dollar currency. It was always a week Yen (in real terms) that created the demand for goods made in Japan. The huge balance of payments surplus, held by Japan in world reserve currency dollars gave them the reserve assets to grow their economy. As governments manipulated currency exchange rates (known as the

dirty float) for the benefit of an IMF/Dollar reserve system, this action gave Japan an enormous advantage in trade and finance. As this has gone on for over twenty five years, Tokyo could not help but represent a bloated financial system. Today, they have reached an end that no one ever thought would come; the dollar reserve system is ending.

As one might expect, Japan having received the largest return for supporting this system, will now suffer the largest loss. They simply do not know how to play a different game. The Yen will one day fall with the dollar. Will the BOJ buy enough gold through the BIS to offset the complete destruction of their financial system? They will no doubt try, but I doubt their is enough gold out there to make a difference. At present valuations, all the gold held by Central Banks is worth what, 300 billion dollars? If we doubled or tripled it the amounts would make but a small speck compared to the loss of the second largest financial system in the world.

You see, the current supply and demand for gold as a commodity or weather one CB is buying or selling some of it today is really a non-event compared to a changing World Financial System. For the regular citizen, gold priced in the many thousands will have little effect compared to oil priced at $200 or $400 a barrel!

My friend, we are coming into changing times as never before. It will be here, on the USAGOLD Forum that we will follow these events. As Another would say, "We watch this new gold market together, Yes?"! Be assured, he will post here as soon as this site is known to be open. Thanks

Friend of Another (9/20/98; 20:16:24 Msg ID:49)
BMACD:
My last post was to your 18:29. Also, I somehow double posted? Because not many are here, perhaps we willtalk for a while. I expect Another will send something if able. I will reply to your 19:30. Thanks

Friend of Another (9/20/98; 20:48:44 Msg ID:51)
BMACD:
Here are a couple of items I read from someone else:

"The China Daily published a special report from the Chinese state planning commission that outlines a plan to reallocate foreign reserves ratios away from U.S. dollar holdings. It recommends reducing U.S. dollars as a percentage of reserves from 60 percent to 40 percent. This suggests U.S. dollar sales of $28 billion. The report went on to say that China should prepare for a weaker U.S. dollar on grounds that the U.S.(as a net debtor) consumption boom has created a Bubble."

Also:

"CHINA MAY BE FORCED TO TURN RESERVES INTO EUROS: ECONOMIST BEIJING, Sept 3 (AFEC/AGENCIES) - China may be forced to switch much its enormous foreign currency reserves into the new Euro if the dollar falls in the future, a leading economist was quoted as saying Thursday. While there has been widespread speculation over a devaluation of the Chinese yuan, state development planning commission economist Wang Jian said China would have to watch for any fall in the dollar when elaborating its economic policies, the official China Daily newspaper reported. Wang said the US economic boom of recent years was a "bubble," caused by a massive influx of foreign capital, which could burst when the Euro is introduced

on January 1. China has around 140 billion dollars' worth of reserves, with about 60 percent denominated in dollars, the China Daily said. It also has around 60 billion dollars of US treasury bonds. Wang said China would reschedule its reserves so there was around 40 percent in dollars, 40 percent in the Euro and 20 percent in Japanese yen. China currently also has German marks, Swiss francs and yen reserves. The Euro is to be launched with 11 European members from January 1 next year. The government has insisted in recent weeks that it does not intend to devalue the yuan, inspite of the Asian crisis which has undermined its exports, and that it was ready to use its huge reserves to maintain the official parity. "

I think the question of the Euro will be answered by the actions of the official government Central Banks. For a citizen living in Europe and using the Euro, it will become the best of all worlds. Not much different from the American using dollars to buy goods (in discounted real terms) from Japan or any other third world country. Only, now the shoe will be on the other foot with the USA trying desperately to sell it's goods to Europe for EUROS. This will be another strange twist as many/most of Americas foreign goods producers will, by then have stopped using dollars as reserve assets.

The outcome of a change in reserve currency is mind numbing. For the small person outside of Europe, they should "Follow in the Footsteps" of others. The holding of physical gold can and will be considered holding a currency asset as will the holding of Euros. However, the Euro will not come remotely close to the appreciation of gold as valued against all things. The ECB and the BIS will make it that way. You sir (or Ms.) will see this come to pass. Thanks

Friend of Another (9/20/98; 22:02:45 Msg ID:53)

BMACD

Before I continue, I want to thank Mr. Kosares for creating this Forum. This effort by USAGOLD will reward many readers with interesting discussion and debate about the future of gold in the world society. Michael, thank you!

Also:

BMACD: In reply to your 20:48. Hashimoto made the comment, but what position do we find Mr.Yen in now? I think it was a comment created by political need at the time. What would happen if Japan sold (dumped if you will) their US dollar reserves on the world market and/or brought Gold with the proceeds? Even if the Federal Reserve purchased some of the debt, it would no doubt drive down the value of the dollar. But this action would not help their economy as they still operate worldwide in a dollar reserve system. The dollar price of gold would rise, but not enough to liquefy their financial burden. In short, they still have to sell goods and services to the world, in order to raise their GDP. This will not happen if the Yen appreciates against all other currencies!

As you can see, this is the box they are in. It is also the predicament many other countries are in that operate using the dollar as a reserve currency. For many of them, a rise in the dollar price of gold will not help them, yet. Gold has not been brought to the forefront as a true currency reserve asset. It will when the Euro is created. At that precise time these economies will have a new market for their goods and they will accept payment in a new reserve currency.

Until this reality becomes apparent, the world financial system will continue to slide

down the dollar reserve slope. This slide will create the illusion of a economic deflation, but then isn't the dollar really an illusion also? Thanks

Friend of Another (9/20/98; 22:12:19 Msg ID:54)

ALL:

To some of my friends I say good day and to others good night. Will return for more discussion and thoughts. Thanks

ANOTHER (9/22/98; 07:00:04 Msg ID:79)

Aragorn III (9/21/98; 16:07:21 Msg ID:71)

Mr. Aragorn, Your write offers good thoughts. I also often question why a person would want to hold the "silver for the little person"? Indeed, the gold can be divided into very small parts and still it holds the good value. I think the silver issue comes from the same view point that gold should not be "up valued" against paper currencies. It has always been seen that an official reset of the gold price is "the bad thing". Always, it is "at all costs do not raise gold price"!

The political Western stand is "Give the citizens silver and let that price rise, but, keep the gold low and we purchace it for our well being". It would seem that those of the "democratic power" want to hold the gold for "insurance" (as Mr. TYoung rightly does) and never allow it's good effects to pass to the "little person", as you say. Perhaps we do still see the "human nature" at work with silver. Persons are always attracted to the leverage argument in any investment. Again, the western analysis uses the past dollar performance of silver to make the point of "it will rise at faster rate than gold". I think, if the past economic and monetary performance was to continue, this could be true. However, we come to the end of this era. The changing of a monetary system for the benefit of removing "debt load" does also require the changing of rules for past game!

History will be written as this: "we now know that in times of major financial change, real gold increases in value and holds that value far greater than any paper gold derivative" also " no other form of commodity (silver and platinum included), even food, was valued as gold". Even in times of past war, soldiers and citizens were found starving for food, but still, gold was found in the pockets, not food!
Thank You

ANOTHER (9/22/98; 07:36:39 Msg ID:80)

Goldfly (9/21/98; 21:37:48 Msg ID:77)

Mr. Goldfly, Perhaps your question will be answered in the future we now approach. However, for today, if we place ourselves in the land of Russia at the entrance of the "once most strong bank". What price do you offer for gold to replace the lost savings account? It would seem that in the process to return a portion of your wealth, that does represent a "lifes productive efforts", any price for gold would be as "the bargain".

I do admit that it is not the good position for ones family to be in, as others will also bid for this opportunity to gain gold. Tomorrow, when you and your neighbor use Euros to purchase the gasoline, a much smaller supply of gold will be divided by the dollars in existence. Few will concede that gold could be so high, as at present, "dollars price gold". But few have known a time when "Gold priced dollars"! Thank You

ANOTHER (9/22/98; 11:15:31 Msg ID:85)

REPOST:

My post to Mr. Aragorn is lost? Will send again if able.

Friend of Another (9/22/98; 15:21:04 Msg ID:92)

TO: RAINMAN (9/22/98; 10:19:25 Msg ID:83)

Rainman, We do disagree on this reserves issue! To make my point I'll start with my most solid concept and work forward. First, people are the real backing for any currency/money. It doesn't make any difference if circulated money is gold or if circulated paper currency is backed by gold and silver. When no one will use it or accept it, money it is Not! All the gold and silver in the world could be stamped into coins and if people are not willing use it, it can't be money.

You have heard this called the confidence factor. Well, I think a persons confidence in money is built after money is seen working, not before. We are not born with this confidence, it comes only if money continues to buy goods and services at a constant price, over time. People will accept fluctuations in the buying power of money, but that tolerance has limits. Once currency starts to fluctuate in it's purchasing power or exchange rate, citizens begin to require other types of backing for their money in order to maintain confidence.

This backing, to maintain stability comes in only two forms that I know of. The currency can be turned in or exchanged for real items held by the government Treasury as backing (gold?). Or, the Central Bank can purchase the currency in the open market using Exchange Reserves as Backing. The obvious, well documented problem with this comes when the government doesn't have enough Backing to maintain confidence in the currency. As in the case of the dollar, they have created more currency unit obligations than they have Exchange Reserves Backing to defend it with. If the need arises. I know that you already fully understand how this works.

My point? Modern digital currencies are today defended in the open market with Currency Exchange Reserves, not Gold. Most countries call their gold reserves. But, no country today classifies it's Gold as Usable Exchange Reserves . The Euro will!

Of the 40 to 50 Billion in reserves that the ECB will hold to defend the Euro, some 15% will be Gold Bullion. Unlike currency reserves that will be sold to purchase Euros as defense, gold reserves will be added by selling Euros to buy gold from the EMCBs. At present, the dollar has only one competitor for reserve currency status on the world stage, gold.

The dollar has been made strong in a low gold price.

To compete with the dollar for world reserve recognition, the ECB will add Euros to the EMCB (European Member Central Banks) to replace their gold. The EMCB will then be free to purchase gold on the open market, using no longer needed US dollar reserves. Remember, the Euro will be the main currency reserve of Europe. The ECB will not have to sell it's currency dollar reserves as they are a small token amount for balance. The roaring price of gold in dollar terms will now make up the lions share of Real Reserves backing the Euro!

In this context, the ECB will have no problem using the new dollar gold valuations to cover any dollar commentments of it's overextended members. Now my friend, you

have my view! Perhaps you now understand why some natural resource countries value gold today at a Far higher dollar price than currently exists! Thanks

Friend of Another (9/22/98; 15:32:46 Msg ID:93)

LOST POSTS?

To All: I was going to reply/debate some other points but we have lost the prior posts. If anyone can repost, I will surely copy them first. These things happen! Thanks for the Forum Michael, it's still a great place!

Friend of Another (9/22/98; 18:01:45 Msg ID:96)

Aragorn III (9/22/98; 16:13:17 Msg ID:94)

Aragorn, I doubt that the common man will feel there is gold in the Euro. He will know it but not fully understand it. The currency confidence factor comes from a strong positive exchange rate, much like that enjoyed by the dollar today. The average European will buy from the USA in the same way that Americans buy bargain goods from other countries. Using an overvalued dollar makes one feel as their is no inflation, even though there has been massive dollar currency inflation over the last twenty years (the real cause of price increases when the exchange rate is allowed to balance a negative trade deficit).

As for the Euro being a clean, unmanipulated money system? Of course not! There will be all kinds of problems, but they don't carry the debt that the dollar does after all these years of reserve currency status.

The Euro will be the lesser of the two evils. Perhaps by a factor of five. That is also why many major investors will hold gold as a proxy for Euros. Not to mention that it will increase in value a great deal. What exchange rate for gold in Euros? I think it will be more of a free market type system, but Another thinks $6,000 in todays dollar buying power. We shall see. Thanks for the consideration! I wanted to reply to your first posts but lost them? FOA

Friend of Another (9/23/98; 07:06:03 Msg ID:102)

The direction of gold.

TO ALL: I think we now are now in one of the best periods for gold ever to occur. You have every hedge fund, trader and producer ready to short/sell into any major rise in the dollar price of gold. They will be wrong, this time!

During the lows a short time ago, major CBs were buying gold in small amounts through the BIS. All of the small sales announced by other CBs were taken in with ease. The BIS did not make a public announcement that these buying banks were behind this coordinated effort driven from the BIS. Many years ago this would have been the case. This time they will not want to start a panic with the Euro about to commence operation. Am I correct with this view?

We should see each pullback in gold stop at a higher price. These pullbacks will be used by major buyers to complete their acquisitions of gold and hence the distribution of dollars. Well before the end of the year, many will look back and understand that we will never see these dollar prices for gold again, ever! The same forces that confounded the efforts of gold theorists to explain the drop in price, will now confound them again. The next 18 months or less will give rise to this metal in a way that will have gold bull analysis calling for a large pullback. It will not happen. We will run through $400, $600, $800, $1,000 and on. Each time a pullback occurs,

massive buying will ensue. For guidance, look to the US balance of trade deficit and a fast changing negative exchange rate for the dollar to chart the course.

Also, as this unfolds, look for the US Federal Reserve to raise interest rates solely for the purpose of defending the currency. A currency with a future that no longer holds resurve status. High rates will be of little help, much in the same way that Canada, Mexico, Brazil, Korea and others have raised rates to no avail. Some would call this an extreme view? From what I understand of this era, it is an extreme view for extreme times. Perhaps what Another has told me is true, "many are to comfortable with familiar habits of finance to understand the potential for change". We shall see! Thanks

Friend of Another (9/23/98; 19:21:21MST - Msg ID:120)

WELCOME!

Welcome Tyler Rose and Aloha Pu`ukani, I have seen these names before! TYoung, I agree with you that it would be really nice to have the archives so we could read them back in time. Aragorn III, that was some post! Good to see people writing their views for everyone to see. Questions are nice, but you can not follow a market properly without seeing it through everyone's eyes, both large and small. In this light these discussions make markets become real life events, impacting our real living habits through time. Not just a moving graph line on a computer screen. For the future, myself and a few others truly do think that these monetary changes will not only be something we see, but will be something we will feel in our homes. Our families and neighbors will have to make adjustments to account for the very events that we chronicle here. Thanks of considering! FOA

Friend of Another (9/23/98; 19:37:43MST - Msg ID:121)

Tyler Rose (9/23/98; 19:09:59MST - Msg ID:119

Tyler Rose, I don't think we are going back in time to a gold backed currency. Even as Aragorn III (id:112) spells out the possible correct way to divide the metals for one, he also shows that it is an undertaking that requires political agreement by most countries / Treasuries. An insurmountable task, for elected officials. I can't add to his post, but I can show more to think about! Unfortunately, the future for the Euro will most likely present an evolving monetary system that we in the audience must watch as the play unfolds. No doubt, if the world financial arena becomes bad enough, Europe could evolve back into a Gold Standard. They have been there before but human nature being as it is, this is not where they want to go.

The one positive aspect is that the Euro will become a major transactional currency for a larger functioning gold market. To unseat the dollar gold will have to be brought back as a true currency evaluation tool. Much more so than it is today.

Following these lines we can see that the world value of gold will have to increase many times in order to create a large enough pool of value to be of use in measuring the billions of currency obligations outstanding. Just as none of the governments, that supported the old London Gold Pool never wanted to re-value the gold price upward in their currencies, they will now be forced to accept an open gold market evaluation!

I fully expect a soaring gold price in US dollars to force the American Treasury to implement foreign exchange controls for it's currency. They will never accept the public vote of no confidence that gold will deliver. Note that none of this can take place during the time that the World gold market transforms from being a dollar

settlement system. This was a function of the dollar reserve currency status that is soon to end. That transformation will be part of a financial panic that witnesses the default/liquidation of billions of dollar/gold assets, built up over many years. The trading of gold in dollars will stop for some time as these loses are worked out. Only after this debacle will gold be able to naturally trade in Euros exclusively.

I know this doesn't address all of your reflections, but I thought it needed to be put forth. I think all of this will be well discussed as events begin to play out. We shall see. Thanks

Friend of Another (9/23/98; 20:25:45MST - Msg ID:125)

BC (9/23/98; 19:08:38MST - Msg ID:118)

BC, Hello! Will they be at greater risk than central banks with larger gold reserves? Yes and no. It depends on the productive capabilities of the country. I think we must remember that gold (in a goldbug interpretation) is money, not part of the goods and services it is traded for. If a country has something the world wants, the world will deliver gold to their door to pay for these productive efforts. The world may also deliver currencies acting as money. As long as we have an open market gold valuation to keep the paper money honest, any productive country can develop a positive balance of trade. This can create a surplus that could be used to add gold to the national treasury.

A nation selling it's gold cheap is no different from one that sells it's trees, land or any other real thing at two low a price. They made a mistake. To correct this they may also repurchase these real things with productive efforts. The whole argument of gold, currencies and debt comes from cheating by the Central Banks with a dirty float of exchange rates. In progression this leads to over creation of the currency by it's treasury. Further on, the real purchasing power of the national currencies can never represent the true productivity of the country. A better answer/reply to your question would be: In the future a CB with gold has a better chance of covering it's past mistakes than one that doesn't. A lot of past mistakes with too little gold does put them at risk. That risk being that the citizens will have to produce more for less. Thanks

Friend of Another (9/23/98; 20:47:25MST - Msg ID:127)

bmacd (9/23/98; 20:11:08MST - Msg ID:122)

bmacd, one last thing then I have to go. Canada (your home country) is a good example for my last post to BC. They are a fine group of hard working people, in a country full of natural assets that the world wants and does buy. Yet, by allowing their government to gamble with their currency in a effort to stay in a Dollar/IMF world monetary system, they are going broke! In time they would look like Russia if this system doesn't change. By selling their citizens gold, the stage is set for them to, again, dilute another productive part of the economy. That being to tax and/or grasp for the gold mines of the nation to minimize the CBs past mistakes! I think this is a real possibility that is never discussed by the industry in front of stockholders. Goodday

Friend of Another (9/24/98; 06:29:33MST - Msg ID:133)

Possible large default in gold paper? LTCM

Thursday September 24, 6:50 am Eastern Time LONDON, Sept 24 (Reuters) - Gold rose then paused in early European trade on Thursday as bullion dealers sniffed a possible recovery in prices and looked to New York for guidance. London and Hong

Kong dealers said another factor lifting prices was market talk that a U.S. hedge fund was covering short gold positions.

Friend of Another (9/24/98; 06:39:18MST - Msg ID:134)
Pete (9/23/98; 21:26:13MST - Msg ID:131)
Pete, Looks like you are on top of the market news! Haven't seen you in a while. Another read most of your old posts. Here is a partial copy of my (FOA) last post on the old USAGOLD Another (Thoughts!) board. The full write is still there in the archives.

Another had told me that a large default in paper gold was coming, real soon. I didn't have a clue who it was. Now we have a BIG clue!

(COPY AS FOLLOWS)
9/3/98 another archives
Michael, I'm looking for a large default in the paper gold market. With the major CB only buying now something is about to give as the most extended shorts can not cover. A default is most likely part of a game plan to get the ball rolling. This spike in gold will no doubt crush the dollar. The next few months will offer the last period of time to roll out of dollar assets at a good price. Of course, all of this is my opinion from and for the most part, Another's.
(END OF POST)

Friend of Another (9/24/98; 06:58:47MST - Msg ID:135)
MORE TO: Pete (9/23/98; 21:26:13MST - Msg ID:131)
Pete, To answer your questions: Yes, this is only a very, very small tip of the iceberg. Many of these people are short the gold paper market and they are the ones in the know, at least we are told? And just look who is in the rework group: Goldman Sachs, Merrill Lynch, Morgan Stanley Dean Witter & Co., Travelers Group Inc. and UBS AG will make up the committee.

Pete, I wonder how many tons they move in world gold markets! The change in motion by the BIS, concerning gold and the Euro is going to play them right into the European game plan! Read a few of the last (Thoughts!) archives at USAGOLD. I may reprint some of the things written here the last few days, it begins to tell the story that is before us. The Fed will push money like mad for now, but they will be raising rates like mad a little later as the dollar falls off the charts! Keep up your analysis, as you see things some of us don't catch. All minds don't work the same and it helps to mix Gray Cells in different portions. Thanks

Friend of Another (9/24/98; 09:31:38MST - Msg ID:138)
ARCHIVES?
AUBUG and TURTLE, I did the smart thing this AM and saves yesterdays Noon to Midnight posts. If anyone wants me to I will post the entire discussion at another time. It was quite a bit. Turtle, Pete is a knowledgeable poster I have seen on Kitco. To bad we lost it all, some of it was about what is happening now! I will repost one item I presented earlier. Thanks

Friend of Another (9/24/98; 20:31:48MST - Msg ID:156)
COMMUNICATION PROBLEMS!

All: I am having major link problems as my feed is thru the caribbean/bahanas into Florida (USA). Am told the Hurricane is the problem? Will return ASAP.

Friend of Another (09/26/98; 14:43:15MDT - Msg ID:189)

Forum Open?

I see the Forum is open. I'll check my system and hope to be back here in an hour or less. I think there is more to discuss now than ever before.

Friend of Another (09/26/98; 16:42:37MDT - Msg ID:192)

System working.

My link is up so I will be able to post. I'll start with a reply.

Friend of Another (09/26/98; 17:00:37MDT - Msg ID:193)

Goldfly (9/24/98; 21:05:32MST - Msg ID:159)

Goldfly, "By the end of this year" is laying it on the line"? I hope you didn't think I meant that gold would go to $1,000 by the end of the year! It could, under the right conditions. We will most likely see it begin a climb past the $330 / $340 area. Remember, if it gets past $360 before the Euro comes out, it would create a panic that could destroy many of the shorts. As you can see, a large portion of them are Hedge Funds! These same funds are big into currency trading. The disruption in the financial arena would , as Another has shown, be catastrophic! You wouldn't have an official gold market to buy from! Another has not sent me a reply yet, but later on we may get some discussion from him. FOA

Friend of Another (09/26/98; 17:32:18MDT - Msg ID:195)

Victoria (9/24/98; 17:34:06MST - Msg ID:150)

Victoria, Welcome to the discussion group! It has taken a while to reply with the bugs in the Forum and on my end.

Many disagree with a physical gold only investment. Another has spent an enormous amount of time, writing how the times will be different in this era.

I think most of the diversion comes in where investors can not envision gold going up in price all that much. Most don't feel they can create a meaningful return through holding bullion only. The slant is always towards the leverage of mining companies. Most think they will be able to exit these securities and move to physical after some of the future rise in price is complete. That's good if we continue to progress into another economic cycle typical of the past. However, the American economic system is about to change in a way few can follow. The small person will come out far ahead of the large investors by holding onto gold through thick and thin.

As for the large Gold resource countries becoming more powerful? That's a good question that I would like to see others, including Another commit on. It gets right into the politics of money! Will oil rise with gold? I have to agree with Another, oil in dollar terms is going to go up out of sight. But then again, the dollar is also going to go down out of sight. I think these very items will get a good amount of coverage right here as time goes by. Thanks

Friend of Another (09/26/98; 17:43:47MDT - Msg ID:197)

ET

ET, The swings in the markets (all markets) will get larger untill the average investor

cannot stand it anymore. Remember, during the great German monetary inflation their stock market went wild, even by today's standards. Today, the people in the know, know the risk! They are playing the same game, with the same mindset of a currency holder. I can get out before anything goes wrong! The problem for them now is that they think the markets will stay open while they cash in, it won't!

Friend of Another (09/26/98; 18:31:32MDT - Msg ID:200)

Ph in LA (9/25/98; 10:09:42MST - Msg ID:175)

YOUR PARTIAL QUESTION: "Would it become impossible and/or difficult for citizens to repatriate funds/assets held outside the country? It seems hard to imagine the chilling effect "currency controls" would have saying that holding gold outside the country under such circumstances might be unwise, too."?????

Ph, The possibility of FXC (Foreign Exchange Controls) is very real. This topic has been discussed in several well written books spanning 25 years. In a way, the closing of the gold window in the early 70s was a form of FXC. Anyone outside the country could no longer get their gold because too many dollars had been printed to cover the gold in the US treasury.

Today, to many derivatives have been printed (paper gold is one of them) than can be covered by the outstanding dollars! The US Federal Reserve either prints a load of dollars to cover this contingent or the system falls apart. If the Fed prints, the Americans get inflation. If the Fed doesn't print, the world financial system, based on a dollar reserve currency, starts to implode and foreign holders of dollar assets try to exchange these for their local currency. To do this they must take the dollar home to the USA for exchange! During this exchange, if the dollar loses to much value in the exchange rate, these foreign holders just SPEND THEM in America!

Again, the US experiences price inflation, only this time it's during a global deflation in dollar assets. To stop this chain of events, this time the US Treasury closes the dollar window. It's usually a last effort to hold the banking system together. The gold window was closed by holding gold at a low price valuation and not selling any of it. The dollar window will be closed by buying dollar currency at a rate so low as to stop most major holders from exchanging. This usually brings a two tier market , dollars inside the country worth more than outside the country. For some time, all dollars outside the US were called Eurodollars! Will we see these Eurodollars exchanged for Gold ???? In some countries, the CBs already have. Thanks

ANOTHER (09/26/98; 19:41:45MDT - Msg ID:201)

TYoung (9/24/98; 18:46:57MST - Msg ID:153)

YOUR POST:
"I mentioned to Another the other day that I thought derivatives would cause loss of confidence in the US$ and asked what he thought would be the cause. Well, looks like derivatives are at the forefront. I was really just pitching a high fast ball to a high fast ball hitter.... Another...but I'd still like a comment. Yes? Tom"

Mr. Young, while in the US I have seen your new fast ball hitter! A good eye has he, and a fine person. His composure and stature as in play, is the image of a true American to many from afar. Sir, I will swing for your pitch as my view now becomes clear. This LTCM, they stand in the open for all to see. This "Noble House" holds no resources above or below the ground and many now ask "how this palace of paper could stand"? To this I add "how will they deliver the real items they owe"?

Others have built their fortune holding the debt of these traders. And now Default will follow default and all will look to settle for real things that become short in supply. Sir, the confidence in this dollar was purchased with "the greed of men". Soon, this "backing of greed " will lose the support of oil. For the value of a world currency is not made from the "fools gold" found in a gambling den. Thank You

ANOTHER (09/26/98; 21:57:35MDT - Msg ID:203)

Pete (9/25/98; 10:06:55MST - Msg ID:174)

YOUR POST:

ANOTHER & FOA-THINGS TO COME?

My Dear FOA,

Thank you for your prompt reply. If only some(NOT ALL) posters at Kitco were as courteous and gentlemanly as yourself and ANOTHER, Kitco would be much better off. IMVHO. Their loss is USAGolds gain. My views are very simple minded. I have not the brainpower or ability to dissect every little nuance in the markets and therefore try to analyze as best I can. My thinking is that the current currency crises occuring throughout the world was and is unsustainable. The FRB is between a rock and a hardplace. The strength of the dollar has to be decreased to help most currencies before a world wide depression took hold. In other words something has to be done before the dollars strength destroyed the world economy. My 1st thought was that the FRB would be forced to devalue the dollar by a rate cut. My 2nd thought was that this would be a temporary solution. The derivative markets have been in a no lose, win situation for several years due to such things as the yen-gold carry trades which in time were carried to extremes. That these would eventually default because the dollar would have to reverse course soon. Once this reverse happens, many highly leveraged derivatives would be caught in a squeeze that would put the dollar in jeopardy forcing the FRB to again change course and defend dollar by rate increases which in turn will tank the equity and bond markets. As you stated in a recent post that you and ANOTHER expected a major default which will mean the beginning of the end for the dollar. The recent hedge fund bailout is as you say only a small tip of the iceberg. More will surely follow as sure as day turns to night. Your prognostications such as a Jan 1988 post?(Can't find it for now) that some on Kitco used to trash ANOTHER predicting that a rush to cover may be difficult to contain and predicting that the price of gold would be $320-$360 by year end was and is right on as of now. Also your post on Jan 10, 1988-21:03 predicted with no uncertain terms that the BIS would not allow the price to go below $280 has also held to date within acceptable parameters. I am still trying to determine in my mind why a concerted mean spirited effort was made by certain posters on Kitco to so desperately squash your input and what their true motives were? We will watch closely as events unfold, yes? Thank you for listening to one of a simple mind who has as much faith that gold will triumph in the end as I have in God. Pete

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Mr. Pete, This LTCM, it begins the beginning of your increase in wealth. As Mr. TYoung has spoken, I do add that; "these boys of summer have struck out"! This game will never be played beyond your shores again. As I write, all that hold the debts of America ask, "of what form does the collateral take"? The dollar is represented as the "gambler's tool" and of little use as a builder of wealth. This Euro, it does hold at least, "the pretense of respectability".

Sir, what you have written, it is done well. Follow this change of weather as it is at the door, perhaps it has entered your home as the new season for gold. Even I, myself will add flavor to this new gold market. Of the "mean spirited ones" you

speak? They are seen in all the world as "boys that curse the wind, but a strong wind has no ears". Thank You

ANOTHER (09/26/98; 22:00:47MDT - Msg ID:204)
I will be gone for a time.
Thank You

Friend of Another (9/27/98; 08:35:40MDT - Msg ID:209)
el St.One (09/27/98; 03:25:04MDT - Msg ID:206)
St. One, _____ It's the same story for any financial operation, if the economic cycle repeats itself. Everything will work out fine. I have been forced to rethink any investment direction because of the input from A (Another). History shows that we get caught the worst when the times change. The banks are no different. They are run to make profits by people using the established architecture. Foreign currency accounts are not provided for customers with the intent of creating a vehicle to protect against changes in the national law (read that established architecture). If FXCs are implemented, your account is voided to some extent? Foreign currencies are just like your dollars, the bank doesn't hold them in the account. It's loaned out and the bank Credits you for the money. With FXCs they cannot import the real thing, even if asked to by a customer. Even if they could the new exchange rate would destroy your purpose for holding the account in the first place. That's my view on it? If anyone can show this to be incorrect, please do? FOA

Friend of Another (9/27/98; 18:11:12MDT - Msg ID:213)
Ph in LA (9/27/98; 11:39:16MDT - Msg ID:211)
PH, I may have sent you (and others) the wrong signal in my reply to el St. One . In your post you noted:
"Yet you also said yesterday to el St. One "...the new exchange rate would destroy your purpose for holding the (foreign currency) account in the first place."

You must read that statement in context of St One's question. At least as I understood it. My thoughts to him were from a standpoint of having an account in "a bank in the states"?? See his post (Msg ID:206). My explanation was directed towards a person that wanted to hold foreign currency in an account "in the states"! Does this make more sense? Ph, I thank you for giving me your interpretation of this. It has been one of my greatest problems, trying to refine some of Another's message. Many people have picked it up out of context without receiving a better "English" explanation! Sometimes I don't get all of it in the first read. As time goes by, events have made it more understandable. On this Forum, I am able to explain in the company of very polite interesting people.

Also: It is clear to me that this Forum is not for the use of only a few. It is for ALL thoughts and the understanding they impart. I consider myself but a guest in this grand hotel! Thanks

Friend of Another (9/27/98; 18:15:20MDT - Msg ID:214)
TYoung (9/27/98; 15:29:10MDT - Msg ID:212)
TYoung, That post was excellent!

Friend of Another (9/28/98; 13:53:09MDT - Msg ID:224)
Goldfly (9/27/98; 19:47:36MDT - Msg ID:219)
Goldfly, --------- I don't mind being nailed down on price predictions. It's just that in

the past I haven't had a time parameter. Read my post of (9/24/98; 09:38:18MST - Msg ID:140), them add to that what Another said in his (ID:203) post that he would add flavor to this market. Now I feel we can say that gold is going to start moving, now! After today's action, I can see someone is adding that "flavor"! My direction on gold? We will be through $300 tomorrow and be in the $320 range in a week or so! It won't stop there now that the BIS has blocked the funds from covering by buying any new large supply. I don't want to see it, but I think we will break that $360 level before the end of the year. Before the Euro comes out. Also, all the movement in the price of oil this year has been little more than posturing before the long process begins to remove oil from the dollar standard. We shall see? FOA

Friend of Another (9/29/98; 08:44:25MDT - Msg ID:232)

BMACD:

bmacd,--------

Everyone all agrees that gold is a political metal. Having been used as real money (both in coin form and in paper receipt form) for thousands of years, it's natural human nature for governments to try and control it. It's nothing new and for generations, investors worldwide have come to expect it. Political structures will always manipulate whatever form of money is being used at the time. Today, they rework paper money on a grand scale no one could have ever believed only 30 years ago. People get very nervous as gold was worked over this last decade and fear to hold it through this process. Yet they hold paper currencies that, on a world scale, have been engineered to degrees that make the current gold markets fluctuations look normal! The same investors that have held Yen in 1990 at 64, then watched it go to 120 in 1995, and finally back to 72 in 1998! Now mind you, this is a major currency, not gold! We can also see it in reverse as American citizens held dollars in 1990 that would buy 156 yen, then in 1995 would buy 83 yen and back to 138 yen in 1998!

Bmacd, ----------

observe all the paper money today as it swings wildly on the exchange market. Those swings translate directly into major swings in price for every item traded in the world economy, not just gold! You may not see these price changes directly on the goods purchased as the fluctuations are absorbed through producers profits. But they are real never less. The market price for gold is not absorbed by anyone as it delivered directly to the buyer. But, then again, gold is also money so it is normal for it's exchange rate to change, just as any other currency does (Yen?). The notion that investors will not buy gold as it's exchange rate changes is ludicrous. In 1995 did Americans stop buying Yen when it suddenly became expensive with one dollar able to only buy 83? No. But it went up in price almost 100%. How could anyone afford it? You see, today we know gold is a major currency because it's being manipulated to no end, just like the rest of them.

What does all of this have to do with your question of the IMF? If gold is going to $170 in dollar terms, it's because the political powers want it there. It's a currency, and will be moved up and down. It doesn't fluctuate in simple commodity supply and demand terms. If it did we would have seen it much higher in all currency terms years ago. Trading of gold, on and off official markets dwarfs not only new mine supply but is even larger than all existing stocks. LBMA, trades a million ounces a day! And that is only what is seen. The IMF could sell it's gold currency assets in the same fashion that it could sell Dollars, Yen or Marks. A ready market exists.

If gold is a currency to today's political movers and shakers, we need to see it in a

different light. To understand gold, is to grasp that not all world entities want it to fall further in dollar terms. Just as government CBs battle over currency exchange rates, they also form opposing sides on gold valuations. Western investors may not view gold as an asset to evaluate the worth of circulating paper money, but many resource countries do! The value they place on a currency is directly related to how much gold it will buy. This view is not lost to ECU nations either. It's easy for them to see that the number of American dollar assets worldwide takes the valuation of the US gold holdings into the many thousands and makes the current illusion of gold in dollar terms a fraud from manipulation. They also know that the US gold is held in the Treasury, not the American Central Bank, and therefore does not represent any form of backing for the dollar.

Perhaps this is the reason that the Euro gold reserves will be held by the ECB (not the national treasury as none will exist for that entity) as part of the foreign exchange reserves that DO / WILL back the new currency. It's also easy to see that the reserve gold currently held by the EMCB will find no home on the dollar market as they will have too many dollars as it is. Even if Western analysis think the Euro will not fly, it's still a fact that it will be the reserve currency for the ECB and it's EMCBs. In the coming years they, the EMCBs, will be in need or more Euros for their expanding economy and the way they will get them will be to sell gold (at a much higher rate from today) to the ECB. This need for Euro money will be driven by countries that wish not only to sell products to Europe, but also to retain the Currency as a Foreign Exchange Reserve. In much the same way that dollars are retained today, nations with a balance of trade surplus with Europe will end up with extra Euros, the same Euros purchased with gold by the EMCBs. That gold will make the Euro a truly well backed strong currency in world eyes. Especially if the dollar price of gold is soaring!

Back to the IMF: That gold is the only remaining link that the dollar has to metal. It is also out of the US government's control. I believe Arabia has some control over the IMF and it's gold as they are major contributors of assets. Perhaps someone could correct this view? As Another has told me. "If the IMF sells gold, a good deal for someone , yes? Yes!

Also, a thought? If the dollar is the current world reserve currency and all dollars circulating outside the US are called Eurodollars. Then, If the Euro becomes the new world reserve currency, will all Euros outside Europe be called,,,,,,,,,,,,,,,,,, Dollareuros? Thanks FOA

Friend of Another (9/29/98; 11:29:42MDT - Msg ID:238)

Good to see you back.

Rainman,---------- Nice reply! You bring up exactly the kinds of political posturing that is affecting all investment markets. Not just gold. I think I can offer a timely reply to each of these items. Hope to post later today. Thanks for the consideration. FOA

Friend of Another (9/29/98; 18:27:57MDT - Msg ID:243)

My view.

Dec. comex gold did not make through $300 today, but it came close. Slowly the liquidity of physical supply, that was so available 24 months ago, is now drying up on world markets. The lease rates have not risen much simply because many of the Bullion Banks now understand the risk and don't want to supply leased gold for the purpose of covering the bad bets of others. In this process, the demand for borrowed

gold falls away

From the beginning gold was sold down to give strength to the dollar. As the process continued, funds, large traders and investors arrived on the seen with their own oversupply story as the reason to sell. We were told that gold was no longer an asset and it would fall in value for the rest of time! Now that they have told their story and made their sales, the true gold market is about to speak. It's not a story of oversupply or undersupply. It is a story of market need for a currency evaluation tool. A way for governments not supportive of the dollar to show it's true value through gold.

Some of these short traders have already started to cover. But it will not be until gold moves into the low $300 range that they grasp how tight the market will have become by that time. It has taken years for this selling to build and it will not be covered in a few months. Perhaps many of them will have to be bailed out as LTCM was? We shall see.

Friend of Another (9/29/98; 19:48:29MDT - Msg ID:247)
USAGOLD
I was creating a reply to rainman and found USAGOLD here. Let me read your post and I will reply. Thanks

Friend of Another (9/29/98; 20:20:46MDT - Msg ID:252)
USAGOLD (9/29/98; 19:04:04MDT - Msg ID:244)
USAGOLD, ---------- Your words:
"Would the Swiss central bank in a case like this be forced to lend UBS gold to pay their creditors, or face the prospect of Europe's largest bank going under?"

Michael, In the circumstance you describe, no CB would set the precedent of supplying gold to cover a gold contract (not of their making) that has failed! They may find themselves in a position of not having enough gold to cover all possible claims. This would also imply that it would be legal to use a nations gold in this way. It may not be.

I think, the major players on the receiving side of these gold contracts only deal in paper that would force the CB (or any supplier of gold) to perform in the event of a Bullion Bank failure. More often than not, the problem for the bank would be to collect the currency that was created from the proceeds of a gold loan. If that has been lost then they must purchase the gold back from the entity that it was sold to. If that is an option! Or the lender of the gold (CB) could extend the contract, however, once the contract is found to be in nonperformance, it all goes up in smoke! A mess indeed! Thanks

Friend of Another (9/29/98; 20:33:16MDT - Msg ID:256)
TYoung
Did you expect gold to cross $300 today? Or did it do as your tea leaves predicted?

Friend of Another (9/29/98; 20:36:51MDT - Msg ID:257)
BMADC
If the dollar falls to low how will Mexico sell to the US? Perhaps this is as it should be. The dollar worth less than the peso!

Friend of Another (9/29/98; 20:46:40MDT - Msg ID:261)
bmacd
Speak of manipulated markets, look at Japan! They have taken rates down to nothing and still no recovery. Is this the same fate for the USA?

Friend of Another (9/29/98; 20:50:34MDT - Msg ID:262)
IMF sell gold?
Only if the right people ask for some supply. You can bet no one will know who buys it. All the attention will be on how gold was sold and it isn't even an asset anymore!

Friend of Another (9/29/98; 20:54:36MDT - Msg ID:263)
Again Mexico?
Not long ago the whole world was at risk if Mexico didn't get help! Now they are small peas in a big pod. Just remember, the world is selling gold because no one needs it. That is all the citizens need to know. But I think TYoung knows better, Yes Tom?

Friend of Another (9/29/98; 21:14:34MDT - Msg ID:269)
bmcad: Japan?
I know people there, they are in a bad way. The World press does not do a good job of telling the story. They do not compare apples to apples when it applies to living standards. People in Japan have far less space in the home. Often they count their savings in a retirement plan as ready money. It isn't! I must travel also. Will complete my reply to Rainman tomorrow. thanks

Friend of Another (9/30/98; 07:21:11MDT - Msg ID:275)
TYoung
It looks as though we will have a rough day in the equity markets. Perhaps the quarter point drop in rates was not only a political move for LTCM, but also a market move to create a default situation for the derivative players. Once they are taken out, and their short positions received by new owners (banks), rates will begin to increase. This would certainly bail out these short positions, now held by the largest and most connected bank entities. No matter how it works out, the American dollar economy is about to be shaken as never before. I'll be in and out during the US market day. Good luck

Friend of Another (9/30/98; 09:39:46MDT - Msg ID:280)
RAINMAN (9/29/98; 11:01:17MDT - Msg ID:237)
Rainman,
Nice reply! You bring up exactly the kinds of political posturing that is affecting all investment markets. Not just gold. I think I can offer a timely reply to each of these items. Hope to post later today. Thanks for the consideration. FOA Rainman, You offer a different view of the present predicament the world finds itself in. While I do not hope to show where your thoughts are wrong, we may attempt to see this through different eyes. Not yours or mine, but others.

Your words: "You assume in your post that the EMCB will eventually purchase GOLD in the open market . Isn't that wishful thinking?"

No sir, I would call it thoughtful thinking. The EMCBs (European Member Central Banks) are the CBs of the eleven nations that will join in monetary union. They hold

a good deal of gold that was left over from previous monetary wars with the New World, America. You are correct that they lost that war in 1971 when the US closed the gold window. However, that was yesterday. My friend, the generals of lost wars have long memories. In those days countries wanted off the dollar hook more so for national reasons than financial. We now know that, compared to today, the dollar in 1971 was in great shape! The leverage of third world debt was nothing as compared to the current dilemma. The push to get gold in exchange for dollars, in that time, was precipitated by a belief that the present world currency crisis was to occur back then. Perhaps by 1978? What the history of world economic finance succeeded in teaching them was that they were wrong in their expectations of dollar debt EXCESS! I'll get back to the question of gold buying in a minute.

Your words: "The US was able to export financial calamity to the world without paying the cost for years."

Absolutely correct! With the collapse of the gold wars, there was simply no competing currency that could function as the dollar in a reserve status. The oil countries saw this almost immediately and proceeded with the " Beruit Resolution" to allow them to compensate for any loss in purchasing power by the dollar. It would seem that even though America won the gold war they were still receiving "incomming" from other nations! Even so, the world was forced to accept the dollar. They didn't like it then and I can tell you, they like it even less now! ----------
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Your words: "Nothing would prevent the US in this kind of circumstances to issue a new $ which would be exchanged at par domestically but on a different ratio (if anything at all) externally."

Rainman, I read your words as a jump to present time. What you speak of is Foreign Exchange Controls (FXC) for the US dollar. I wrote a piece to PH in LA and others about FXCs. The only way the US would ever enact these controls would be in the event of a national economic emergency. For the last twenty + years to present America has run a Balance of Trade Deficit.

In other words they send dollars out of the country as they buy everything in sight as imports. It's the same thing you speak of above "able to export financial calamity to the world ". Without the ability to export dollars at a high exchange rate (read that manipulated strong dollar) for the benefit of US citizens, the American economy would revert back into a regular economic system. In other words, FXCs would block the very thing that keeps inflation low and the GDP running at a high rate. Never the less, in an economic emergency (the dollar coming home because it is no longer needed as a reserve asset) FXCs would be enacted because the resulting inflation would be ten times worse than without it!

Your words: "Most central bankers don't think in the same terms as most do on this site. They don't foresee the demise of whatever remains of the world financial system."

Well, I know someone that has the brain of a Central Banker and they are very concerned about the orderly progression of the world financial system. They are pragmatic in their belief that a currency system based on the dollar has indeed reached the end of it's ability to expand! What we are witnessing today shows that the world dollar debt load has reached it's limit and must be dealt with. In the current system, if the debt cannot expand, new money (purchasing power) can not

be increased. No, the press will never print these views of CB leaders. But that is the nature of the political game. Always has been, always will be! Most Europeans have come to expect it and work and live around it. It's just the system.

As for what to do about the dollar? Back in 1980, the Europeans started the birth of the Euro. It began as the ECU (European Economic Unit). Much of the world has waited for this Euro in a period that seems like forever. During this time the world dollar remained the only game in town, and in consequence the only way to keep the economy alive. So the dollar debt was expanded in degrees no economist could have ever dreamed of. In fact, most of them thought the end was reached back in 1987! Boy, those were the good old days! We come to today, traveling on the back of a derivatives nightmare that from the beginning was the only, last way to expand debt further. It is done and none too soon as the Euro comes out in 1999!

Your words: "Moreover , W. DUISSENBERG more than any other , holds GOLD in extreme contempt. It was only under intense pressure from FRANCE , ITALY and GERMANY that he accepted to include any GOLD in these reserves. He was instrumental in engineering the sale of NETHERLAND CB 's GOLD in the last 2 years."

Rainman, --------you have hit the proverbial nail on the head. Yes, France Italy and Germany did apply pressure on the new ECB. But, that is the point, the ECB unlike the Federal Reserve that is controlled by a single power, will be controlled by three countries of different economic and financial purpose. This will create a balance never before seen in a world Central Bank as it controls the world reserve currency! Forget all the talk and conjecture about an independent ECB. That's just for show. The European citizens are far to knowledgeable of political motives to ever expect an un-manipulated Euro.

Still, the direction is clear, to appease a thinking populous the Euro can not act like a dollar. It will have debt and problems, but those will be neutralized with the initial demise of the dollar as a competitor. W. DUISSENBERG ? He's a good choice. Read his story of remarks over the past few years. I think the World Gold Council web site has a lot of it. He does have a slant towards gold and the EMCBs didn't have to push all that hard for it. Most of the squabble was public posturing anyway. He sold off the Netherlands gold to other CBs that in turn sold it to more important clients that they needed for Euro support. Mr. D thinks his country will prosper without gold in the Euro environment more so than other members. We shall see.

Your words: "Most of the bureaucrats who make a living from European institutions, including the ECB, hate GOLD to the same extent. Thus I don't see an open financial war being started with the US on such a controversial asset."

I think you give these bureaucrats more power than they have. Europe has far less of them than the US and they certainly don't have the political lobby support. They are just like everyone else, they talk and think their pocketbook. Presently gold has no influence on them as the entire region is functioning on a dollar standard. Sure they talk of selling gold, but they only look at it now as a way to raise money to pay debt. When the Euro begins and the economy strengthens because of a strong currency they will again talk their wallet.

I can hear it now, "Lets keep gold for our countries because we can see how the dollar has crashed in gold terms." and "We need to expand out currency base to increase out pensions so lets issue more Euros to the EMCBs for gold".

Rainman, I agree that the ECB will be just as bad as the FRB in the US. It's just that they will be further back in the time cycle of currencies. I have only so much time here on earth so I accept the notion that was told to me, "live with it" !

As for starting a financial war with the US, it's was already started long ago when they took the first steps to create what would obviously be a major block currency. The only difference today from 1971 is that the US dollar is tapped out to the limit! Again only time will resolve the outcome of this viewpoint. The same applies to the question of US armed support for Europe? My opinion is that if the US does have to intervene it will be because they want to save the world financial system! The New Euro financial system!

My thoughts: As I have said before, the ECB will use newly printed Euros to buy gold from the existing stocks in the vaults of the EMCBs. That gold will be added to the present 40 to 50 billion in "exchange reserves" in the ECB to back the currency. In this process the EMCBs will receive what they really need for the future as all trade converts into Euro settlement. There will be demand for this currency so the only exchange intervention that will be necessary will be to sell Euros! Any dollar assets collected will be sold in the open market as dollar reserves will be useless for backing. More likely than not, these dollar sales will be seen as sending the currency home to the originator. If inflation or FXCs become a problem, then the dollar will be used to purchase gold on the open market, if there is one. There is more to it than this and I will ask Another to Chronicle these events for us as we proceed.

Your words: "However , no CB GOLD reserves in the US or EUROPE will save the system "

Oh yes it could. Remember, money and debts are but an illusion in human minds made real with ink on contract paper. People may be ignorant of high financial affairs, but stupid in the ways of real wealth they are not. Trash the entire paper currency system today and the basic human instinct from thousands of years of history would return. They would revalue gold and issue currency behind it on a pay as we go basis. Yes it would be the same old currency play, but after a world economic debacle none of the present politicians would be in power. Life goes on my friend. Thank you so much. I invite your discussion as events unfold. FOA

Friend of Another (9/30/98; 10:36:43MDT - Msg ID:282)

Pete (9/30/98; 09:18:30MDT - Msg ID:278)

Hello Pete,----------
Yes, I think you read it about right. It's chock full of political intrigue. For some time, Another has posted that dollar rates were about to be taken up, in his opinion, to defend the currency against the coming Euro. At this late stage of currency war preparations, it's world economy be dammed, the battle is about to begin. The LTCM group knew this, so they bet the farm on higher rates.

Pete, these people, at this level of power are not stupid. Gamblers, yes, stupid no! They work on real knowledge, not a traders guess as the press has portrayed them as doing. Problem is that their bet was as large as most countries and it would have caused a further CB embarrassment had so much money been made on an inside decision. I think they talked of lowering rates first to destroy their capital, then later took them over on the news. When it's done, rates will rise. That's why these major players are now selling off the Dow Jones on a rate cut, they know what's coming.

Their position in the old LTCM portfolio will be sold off with a big profit, just as their old management had bet it would. The obvious portent from all of this is that the US economy is about to take a hit of unimaginable proportions from a currency war fought during a collapsing world economy. Wow! My best financial advise? Forget gold, buy a super fast computer so you can access this site later on! It's going to get real interesting! Thanks

Friend of Another (9/30/98; 10:50:02MDT - Msg ID:284)

Ph in LA (9/29/98; 21:09:44MDT - Msg ID:268)

PH,---------- I read your post about M-Lynch. It just shows what a house of cards this equity market has become. And brokers tell clients to buy the real value? If this system ever starts to unravel, it will take down everything. Yes, I do believe the physical gold market will close in due time. Perhaps assets in Spain will retain value? Do you have an opinion?

Friend of Another (9/30/98; 10:55:56MDT - Msg ID:286)

USAGOLD (9/29/98; 21:08:45MDT - Msg ID:267)

Michael, thanks for the notice. I hope it helps people see the world in a different light. It did for me. FOA

Friend of Another (9/30/98; 18:54:41MDT - Msg ID:295)

All:

PH in LA,---------- thanks for the kudos! That was nice. Perhaps by looking both ways we will not be run down by the train that's coming. By the way, as you know Spain is one of the EMU countries that will join in Jan. If you have assets or contacts there, could you update us as to how people are taking it? Always good to hear all sides. RAINMAN : on Market Rap with Bill Fleckenstein, September 30, 1998, he had a interesting report

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"Golden development... Moving on to the gold market, the Belgian National Bank, governing council member of the ECB (European Central Bank), said "The bank has no need or desire to sell gold in the future to satisfy reserve restructuring."

The "in the future" part of the phrase is interesting because in the past the ECB commentary hasn't mentioned this. Another bullish development for gold. Bills page is at:

http://www.stocksite.com/features/contrarian/rap/

ALL: -------- This was part of the latest from WGC. I think the lease rate action will work in reverse as the Bullion Banks also draw away from servicing their clients. They (BBs) may not want to borrow gold (acting as the dealmaker) and risk having a contract go bad. This action would push lease rates down for a different reason, "no demand from the middleman"! ??? So, the action in gold rates, up or down may signal a bull move from lack of liquidity?

"In spite of the short covering, lease rates jumped, with the one-month rate climbing from 0.4% a week ago to 1.7% amid reports that central banks were beginning to exercise a good deal more caution over the quality of their immediate counterparties, the bullion dealers, and the ultimate beneficiaries of leased central bank gold, the short sellers. http://www.gold.org/Pages/Home1.htm

Friend of Another (9/30/98; 19:10:56MDT - Msg ID:296)

BC

Bc, ----------That was some post! If Mr. Greenspan is trying to signal something it will not be seen by the regular wall street boys! But, you can be sure that the major world investors are moving their assets before the change takes place. America has never fought a currency war from this position. Everyone still thinks the US military might has something to do with a paper fight, it doesn't. Look at Russia, a huge military nuclear power! But they lost the financial war without a shot being fired. Could AG be sending up the white flag before the fact? I doubt it.

Friend of Another (10/1/98; 04:53:53MDT - Msg ID:298)

PH in LA (9/30/98; 22:44:55MDT - Msg ID:297)

Hello PH, ---------- as I write this today the sun is shining not only on me but the gold market as well. The Comex Dec contract is up $2.00 US to $301.00 in after hours trading. It is my understanding that some entities are inquiring about for physical gold (not paper) to return leased material. Some of the old deals are in default? It makes perfect sense because, if the leased gold was sold to someone else, it's gone. What is left is the money from the sale and that may have been gambled away. Without the money or the assets that money purchased, there is no collateral to stand behind the lease contract for the security of re-acquiring gold. It's default time. Also, any and all derivatives that may have been used to leverage these assets further, such as gold OTC options, futures contracts (both on and off exchange) and LME paper is now floating with no coverage! In other words, these items are worthless unless the physical gold they are suppose to represent is purchased to cover. As TYoung would say "it's a whole new ball game". ---------- Your thoughts about LTCM come into play here. I don't think they actually sold gold short as the rumors say. These people only used the cheap cash, supplied by others, (3% rate?) from these sales to leverage themselves. As to the political motives for the Fed to kill them? PH, it's not that they were not the only fund to do this. All of these management's copy the profile of a well connected winning operation. You may have already heard that several other funds are in trouble and it is spreading with the rally in 30 year bonds! The truth is that the FED had lost control of this market because of the size of these investors. It was either kill them or risk a total meltdown later on, as opposed to a partial one. We shall see! Look's like Another rough day in the markets! Thanks

Friend of Another (10/1/98; 09:46:51MDT - Msg ID:301)

Will return later.

Jayne,---------- I haven't received anything from Another for a while. Think things are heating up so we will wait and see. ----------All: I am called away for perhaps six days. It would be good for me to continue to read and post during these turbulent times, but urgent items must be addressed. Please continue to add your thoughts to these pages as I look forward to reading them later. Thanks, FOA

Friend of Another (10/7/98; 21:24:38MDT - Msg ID:438)

To All

USAGOLD and ALL: I have just returned. With the world markets creating havoc daily,I must attend to other items before posting. Another has sent several replies and a
Thoughts! post dealing with the conclusion of the meetings. In a day or so I should

catch up and participate in these discussions. thanks
FOA

Friend of Another (10/8/98; 07:24:37MDT - Msg ID:443)

Is the position of LTCM in the clear?

ALL: A quick note for today. There are several stories that LTCM (and most other hedge funds) are covering their short positions. They are not! What they are doing (as the NY
Post article below shows) is further hedging in the paper gold markets to attempt to control the coming (huge) loses! That will not work as the BIS has changed the rules. Read my old post to Pete below:

Pete (9/23/98; 21:26:13MST - Msg ID:131)

Pete, To answer your questions: Yes, this is only a very, very small tip of the iceberg. Many of these people are short the gold paper market and they are the ones in the
know, at least we are told? And just look who is in the rework group: Goldman Sachs, Merrill Lynch, Morgan Stanley Dean Witter & Co., Travelers Group Inc. and UBS AG will make up the committee. Pete, I wonder how many tons they move in world gold markets!
The change in motion by the BIS, concerning gold and the Euro is going to play them right into the European game plan! Read a few of the last (Thoughts!) archives at USAGOLD. I may reprint some of the things written here the last few days, it begins to tell the story that is before us. The Fed will push money like mad for now, but they will be raising rates like mad a little later as the dollar falls off the charts! Keep up your analysis, as you see things some of us don't catch. All minds don't work the same and it helps to mix Gray Cells in different portions. Thanks
---
There truly is not enough physical gold to cover these positions. We are heading into a total default event that will also impact your ability to buy real gold in a timely fashion. It will also impact the ability of the mines to function during this phase. The length of occurrence, that this pre-default period will span is unknown. We may enter into turmoil for a year or so? I believe the story of LTCM covering shorts (see below) is an attempt to calm the markets. We shall see! Michael, (USAGOLD) I sent you an E-Mail the other day that they were only using the money os sold gold, not short gold themselves! Now the cat is out of the bag!
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http://www.nypostonline.com/business/6373.htm

LTCM'S GOLD PLAY: THE LONG AND THE SHORT OF IT

By JOHN DIZARD

WHEN the Long-Term Capital
Management bailout became public
last month, there were stories
circulating in the market about a
gigantic short position it had set up in gold.

In other words, LTCM had borrowed a
lot of gold in the hope of buying it back later, ideally at a lower price.

Gold people believed that as this short position, which they believed amounted to hundreds of metric tons of gold, was covered by purchases, it would add fuel to the runup in the gold price.

I decided to check this story with LTCMs p.r. firm and one of its people dutifully reported back that Long-Term had no gold position, long or short, and that the rumor had been started in an attempt to hike the gold price.

So I dropped it.

Now, based on extensive reporting among gold market participants, I have come to the conclusion that Long-Term did not tell the truth.

I wouldn't have minded if they had said no comment, but outright lying is something else again. So my advice is not to take these people's word in the future.

A Long-Term spokesman reiterated his previous statements on the fund's gold position - or rather lack thereof.

According to my sources, by August Long-Term had borrowed about three hundred tons of gold. That's a lot, about $3 billion. After borrowing the gold they sold it in the market and used the proceeds to finance other positions, such as one in the Australian dollar.

Why do this?

If they wanted to borrow, why not go to one of those overaccommodating creditors and plain borrow dollars to invest in securitized Antarctic commercial mortgage forwards or whatever other weird stuff they believed in that week?

Because the rates on borrowing gold have been incredibly low - around 0.63 percent (annualized) if you borrowed it yesterday for a month or 1.61 percent (annualized) if you borrowed for six months.

Usually, one-month loans are taken out

by speculators, and six-month or longer
loans are taken out by gold mines who
are going short gold in this manner so
as to balance out a long position that
they have from their mine production.

The problem, of course, is what
happens when the gold price goes up?
Gold has been in a bear market for 18
years, but theoretically, some day,
maybe now, the price in dollars will start to turn up in a bull market.

Mines don't have much of a problem,
because they can cover their short
selling out of what they produce. But a
hedge fund has to buy back gold, and
do so from a market that could turn
jumpy very fast.

Now apparently LTCM bought
out-of-the-money calls to hedge their
short position, which means that if the
gold price went up a lot, then they had
the right to limit their losses. But it didn't eliminate all their risk.

I understand that J. Aron, the gold
trading arm of Goldman, Sachs, has
been able to cover all or most of the
LTCM short in private transactions, with the intention of limiting the effect on the
already stronger gold market.

So the Long-Term gold episode may
be drawing to a close.

What market participants have begun to
learn, though, is that the real danger to the system doesn't come from the
relative value hedge funds themselves,
which are in truth a very very small part of the financial system, but the banks and
brokers who have been playing
hedge fund on a much bigger scale.

That's why the prices of companies
such as Bankers Trust, J.P. Morgan,
Merrill and Lehman have been marked
down so far.

How many of them have been doing
what is known as the gold carry trade?

Friend of Another (10/9/98; 21:40:53MDT - Msg ID:478)

POSTING?

ALL:
I will (all things willing) be posting and joining the discussion on Sat. 10. Perhaps

starting during your 17:00 MST.. The days have been busy with thought. It is my loss that I have not had time to read your posts, but I will before then.
Regards FOA

ANOTHER (10/10/98; 16:38:31MDT - Msg ID:487)

Is the Yen door closed?

"Gold has walked this path before, many times. Now, the way home is blocked. All watch and ask, who are these that must follow a yellow guide? "

The G-7 have closed the Yen carry trade. Think you now, long and hard! To close a contract in Yen, it does create the loss, yes? Yet, a close with gold requires the supplier.
In which direction will the billions move? Free money was supplied to the greedy by nature. Now these gentlemen will perform a task written by others. Truly, only fools would think gold is offered without purpose. For the price of free paper currency be high when returned as real gold! We watch this new gold market together, yes?
Another

ANOTHER (10/10/98; 16:47:10MDT - Msg ID:488)

THOUGHTS!

Jayne (10/1/98; 07:35:38MDT - Msg ID:300)

Your question:

"To Another:
The NY Times and other papers ran an article on S.A calling on US oil co. to help them develop the kingdom's vast energy reserves. Saudis "desperately need capital to invest in their oil sector to keep the oil flowing" etc. How does this fit into your postings. On 10/19/97 part of the post Only one oil state counts, Gold very important to them, etc... Of course, I am assuming that S.A was the one oil state. Also, I believe you posted S.A. has enough oil for our parents, parents, grandparents. etc.. What is the real story behind this article. What and why does S. A. need US Oil Companys help. How does this fit into the US economy today with the oil for gold deal thats soon to end. Thanks by the way to Another, USA Gold for "book on Another" forum, etc. I've learned so much in such a short period of time."

Jayne,
You have seen the "business of oil" continue all of your days. It will also continue for all the lifetimes of those that follow you. This "business of oil" will always search for capital and expertise for it is this constant search that brings the results of "oil flow". However, we do not confuse the "conducting of business" with the "need for stable currency"!

Oil in the ground walks the quiet path and speaks with the modest voice. The power of this wealth brings not the need for confrontation, as all know this commodity could become a "currency" in and of itself, if needed.

The troubles we find today are troubles of a "paper currency nature" that brings to the forefront the need for low priced oil. Yes, you may extrapolate the order of confluence in this way; "paper currency created thru the creation of debt" then

"always the continuation of more debt to expand business and commerce" then " the limits are reached for world trade to repay this paper debt" then "a further creation of debt for the creation of paper money with purpose only to save banks and governments" then "the need for raw commodities (oil and others) to be priced unfairly low for the continuation of business and debt payment"! Today, if oil was priced fairly, in real terms, the dollar/IMF currency structure would not stand.

The basic engine for Western commerce is run with energy, energy from oil! The "wealth of nations" is based on the continuation of business, for it is this commerce that
makes valuable the paper assets (currencies included) held by citizens. This is a common knowledge, little held by western thinkers. They say that it be the paper assets that give value for the purpose of trade. I say, a simple person does stand at the river edge and know from where the waters flow! If the current paper economy does destroy "the business of oil" then, this currency system will destroy itself. It does so today, as a low gold price in dollar terms does balance the value of reserves in ground, but the promise of good "future oil flow" is questioned if paid for in more debt. For as before, when this currency was expanded with "business as backing", today, the lack of alternatives forces the creation of dollars in the gamblers house! I will not hold the notes of a fool for the future of my country. I see our future with a currency from the "House of Europe" that will be used in payment for this future search for oil! You see, this "business of oil" it does continue, yes? Thank You Another

Friend of Another (10/10/98; 17:26:55MDT - Msg ID:489)
EURO?
online.

Friend of Another (10/10/98; 18:15:59MDT - Msg ID:490)
Goldfly (10/10/98; 13:30:49MDT - Msg ID:483)
Goldfly: Hello!
Your question:
Who (besides Saudi Arabia- obviously) is collecting on the gold payments? I don't think we should look at these as payments. Because it is a free open market, anyone can
collect, that's true. But, most don't, not yet! If any large buyer began buying outright, the market would rocket. I think, much of the gold is contained in the form of paper
commitments. The actual gold still rests in the CB vaults. If it was ever officially signed over it would show up on the asset statements of the Euro CBs. (the answer to your "who is supplying gold) That's one of the reasons they don't want gold to rise yet, as the Euro is not available to offer as a repurchase vehicle.
This arrangement is most likely the main reason that the Euro will be a success, no matter what. Without a new reserve currency, the one major oil producer would immediately reprice oil in terms of a small fraction of gold plus payment in ANY major currency. The ensuing run on gold would cause every world oil producer to join in on this
price set. Only fools would step back and watch their oil sold off for (at the then existing exchange rates) virtually nothing.
We shall see! FOA

Friend of Another (10/10/98; 18:24:39MDT - Msg ID:493)

MORE!

Goldfly,
The rest of your questions are good, but they are asked outside the context of what will be occurring during that time. A poster on Kitco (I think his handle was AllenUSA) once did a superb job of explaining the dynamics of oil pricing during a currency collapse and gold revaluation. I'll see if I can find it so as to offer it in his words.
thanks FOA

Friend of Another (10/10/98; 18:51:39MDT - Msg ID:494)

Virginian (10/10/98; 18:17:18MDT - Msg ID:491)

Virginian,
Welcome! Your observation of gold shows how different the market is today from the past. That's one of the reasons we cannot expect the past history of gold (from 1970s to
present) to be a guide for the future. Truly, that era was very good for an investment in gold and the business of gold mining. Today, gold should not be an investment. History
shows that stock equities (gold mining included) or any form of paper wealth do very poorly during massive currency destruction. I think, gold bullion should be purchased as a
currency only!
Yes, gold stocks will move up and down in a tradable fashion for the time being. However, when the real currency wars start, much of the current trading arena will close
from default. During these extreme times, FXC (foreign exchange controls) will no doubt, include gold as a currency alternative. Physical gold purchase, contrary to most analysis, will be encouraged in America as an alternate form of wealth (401-K or retirement savings) because it will redirect money from going into the Euro. It will, of course be at a much different dollar price from today!
I hope gold does not go up until the Euro arrives. To date it is still in control. But, the Asian (and China) problem have come onto the stage much more quickly than anticipated. I expect it will rise through $320 in a week or so, but $360+ would be a disaster. We shall
see. Thanks for the thoughts. FOA

Friend of Another (10/10/98; 19:42:23MDT - Msg ID:499)

My Thoughts!

Michael (USAGOLD),

I saw your Market report on 10-08-98 with the reprint of Reuters "Dollar could followFootsteps of emerging countries". Alfons Verplaetse (BIS) told it as he saw it. Isn't it strange how the perception of an alternative currency has moved so slowly for so long. Now every investor is trying to access the impact on their assets. We have never in modern history seen a move from one currency system to another. The rush to establish a Euro position will shock the financial system far more than the oil embargo ever did.
Because the majority of wealth is still held in dollar terms, the loss in dollar assets may prove to be The Event of the next 100 years! I think, with the support of oil producers, Europe may become an island of economic prosperity, even greater than the American experience. The next several years will prove the value of real assets

for anyone outside the Euro arena. It will appear much to the typical American, looking in as it appears to the
typical Mexican looking across your Rio Grand border. Many analysis think this could never happen! The same was said of Russia, Korea, Asia and even Japan in the late 1980s.
A dynamic period lies before us! FOA

Friend of Another (10/10/98; 20:37:33MDT - Msg ID:507)

PH in LA (10/10/98; 19:17:02MDT - Msg ID:496)

PH in LA , Hello!
The $360 question is a difficult one to explain. I'll try. If you remember, after the Gulf War, gold began a strange (not understood) drop through the first part of 1993. About mid to late 1993 a group out of Asia began buying gold, real gold. It may have been a legendary trader out of Hong Kong or some other group in China. It was thought that they had understood the implications and reasons for the falling dollar price of gold. Their
buying drove the price into a range of approximately $365 to $390 for several years. At one point this buying of physical and paper had leveraged them into a cornering of the
market to some extent! The offtake was incredible. This is where the political intrigue comes in that I am unsure of? This buying (and leveraging) threatened to unhinge the
delicate balance of valuing oil in dollars, through gold. Even though the buying was done with real money (paper not credit) and much of it was based in the hand over of HK to
China, if allowed to continue, it would have driven gold sky high. With the EMU still in trouble with no commitment to price oil in Euros, a run of gold could have evoked a
reprise of oil in gold terms. In early 1997, the BIS (the Euro group portion) came to some agreement about the Euro and oil. In return, the BIS smashed the Asian economy and
unleashed much of that gold. Few people grasp this, but I offer that if the BIS could take down Russia, a world nuclear superpower, Asia was no problem. It is at this point that we begin to understand the real power of a union of oil and the Euro (BIS).
To answer your question, a run in gold past $360 would mean this union has split and a firestorm of economic destruction was at the door. After all, it is oil that has backed the dollar these last many years, waiting for an alternative reserve!
PH, I cannot possibly begin to discuss this in one day, so I hope this helps. Thanks FOA

Friend of Another (10/10/98; 21:21:42MDT - Msg ID:510)

Jayne (10/10/98; 19:38:34MDT - Msg ID:498)

Jayne, Hello to you, also!
I must address something here. The book, "In The Footsteps" was written by Mr. Michael Kosares, not Another. I have seen only minor parts of it, sent to me by others. I
am also 95% sure Another has not seen it, but I cannot be sure. Michael has used his many years of experience to interpret the Thoughts! message and I am told it was done very well. As time marches on, no doubt world events will make it a worthy reference.
Your question of payment for oil, in what? I don't think that the exact day of Jan 01,1999 and the official start of the Euro will change all things. We will more likely

see the
beginnings of a progression of events, moving the world economy away from US$ based settlement. A good many analysis have picked up on the Another line of reasoning and are
predicting a rise in gold for 1999. I don't think they understand what is before us as they are advising clients to hold US treasury bonds and gold stocks. That should prove to be a confounding combination for anyone looking for safety. In much the same way as investors invested in gold for a trade, then found that the markets did not move with
historic supply and demand features.
Even Pete (a poster here), may bet the farm on a Euro proposition. Pete, please, allow only ten or twenty percent of your acres of corn for gold, it will be enough!
Jayne, if you have gold bullion, then do as TYoung, watch and learn. Even the strong Mr, Young will swim with a strong ocean tide, as will we all! Thanks for your thoughts!
FOA

Friend of Another (10/10/98; 22:25:40MDT - Msg ID:516)

turbohawg (10/10/98; 21:06:04MDT - Msg ID:509)

turbohawg, Welcome!
I would like to build on Goldfly's and PH's posts.

Much of the oil produced today is high cost in dollar terms. Even now many producers make little profit. This fact is not lost to the middle eastern suppliers as they are able to pump today with large profits. True, they posture their loss of market share and show how they are going broke, but they have reserves that can supply twice the current daily
amount if needed!
To understand what is about to happen, one must see that in hard currency Euro terms, oil is going to drop in price (economic depression or not)! Yes, far below what the
marginal producers can supply for. They will indeed have a choice, sell oil in plunging US dollars, or not sell at all in Euro terms as it will be below their high dollar production cost! Much of the worlds inefficient goods production is a result of maintaining the high dollar production cost oil supply. This is retained for the purpose of creating a strategic oil supply for the benefit of American Dollar stature.
You see, the eastern producers always could supply the world, if only the world would pay in an honest currency! Falling oil prices in Euros will create a tremendous need for the world to sell goods to Europe to receive Euros. Oil purchased with Euros as a result of commerce and trade will drive the world economy in a way few envision.
America will find that they must trade with Europe as only oil purchased in Euros will allow for competitive pricing of goods and services. You will see a hyperinflation of the
dollar standing next to a full deflation of production costs in Euro/Gold terms. A new world indeed! FOA

Friend of Another (10/10/98; 22:47:06MDT - Msg ID:518)

Time to go.

Thanks for the discussion. I will be back to read everyone's posts at another time.
Good Day All

Friend of Another (10/11/98; 07:58:16MDT - Msg ID:521)

Pete (10/10/98; 23:36:19MDT - Msg ID:519)

Pete,
What is shown here is the blueprint or chart of intentions. The changing of a world currency system is a tremendous political event. I offer the course and bearing that was set. It will be the captains of state that must sail the ship. The winds and currents may blow us far from the plotted journey, but the port of call remains the same.

I will use your questions in parts to explain.
Your words: --------"On the one hand you say that the Asians were purchasing gold in amounts that were disrupting the price beyond what someone expected thereby the BIS
destroyed their economy so that they were forced to sell the gold they had been accumulating and to put a stop to the acceleration of price above $360/oz. On the other hand you have been stating that recently the price has been plunging below production costs and BIS reserve valuations by the actions of the iceberg(Banks, brokers, funds) use of derivatives. "
Pete, In the currency world everything moves on perceptions of how current events will impact future flows. The same was happening back then. The Euro Group had never
thought that Asia would become such consumers of gold. They had always brought throughout the years, but never in these amounts. Something had changed. The Euro CBs had wanted to bring gold into the $320 - $360 range and keep it there until the new currency arrived. Remember this was the range they brought it to by early 1993 (check your charts for clarity). In this range the dollar looked good (gold could be purchased in long term commitments) and most importantly, much of the world production was still online. Mine production was important as that (in theory anyway) was what fed the replacement of loaned out CB gold.
You had on one side Super rich Asians (including the Central Bank of China) buying gold because they didn't want to be caught in a Euro world holding Dollars. On the other
side we found oil money that were waiting for a clarification of Euro policy, regarding gold. Any rise above $360 (prior to Euro launch) was seen as a loss of control that would create an every man for himself atmosphere.
That was then, a period from mid 1993 to late 1996. In early 1997 the Euro CBs attempted to lower gold and it touched off a buying spree that was unheard of! The lower
it was sent the greater the buying. Even LBMA had to openly show what was happening. Eventually, the BIS worked with China to control Asia by including them in on the Euro sphere. China had / has little use for it's Asian neighbors and the American Political / Dollar influence on the region. Besides, all of Asia was long sense hooked on a US trading partnership. You remember the APEC conference in Seattle. The American economy had "bet the farm" on the Pacific rim and turned a cold shoulder to Europe. Jump to the present and we witness the "Master Plan", as Another calls it. The BIS smashed Japan and it's neighbors and has left them holding a ship load of Dollar assets only months before a Euro launch!
That sector of the competition is done for. Now all that remains is to control the traders and speculators that have jumped onto the "Yen carry / Gold carry trade in the mistaken notion that gold is about be phased out of international finance. Well, you can see the results. They forced Mr. Greenspan's hand into crushing these players. I can tell you he never, ever wanted to lower rates as a dollar crush will be the result (it has started)!

I have jumped around a lot here, but I think you see why the influences on gold creates an atmosphere of confusion regarding "intent". Actually, some other things have happened in the last few days that will come out soon. I hope Another will lead the way on this in that I may commit on them. It's extremely interesting. Thanks Pete, I will be watching and posting here. FOA

Friend of Another (10/11/98; 20:57:50MDT - Msg ID:532)

Secret deal on $US-yen dive ???

David Linkley,
The drop in the dollar against the Yen does make one wonder what happened? We had almost every Major hedge fund in the world positioning into derivatives trades that would benefit from a rise in US rates and a further fall in the Yen. Billions (some say trillions) placed on bets that used low cost (almost free?) gold and / or low cost (almost
free?) Yen to raise the gambling money. Speculation in the American markets had reached a level equal to the Japan bubble and the Fed lowers rates?? Yet the Yen carries rates of .25% +/- with it's banks going under and every investor worldwide runs into this currency in TWO DAYS to drive it up???
It makes one think that a door needed to be shut very fast so as not to let something out?? Well, the somethings are now locked in nice and tight with a lot of wealth needing to change hands to close the bets made with that, free money! You know, LTCM was a well connected group that many others emulated for the very reason that they were, well connected. Now, it first appeared that these gentlemen were reprimanded with lower US rates because they acted so boldly. In some quiet circles it is still seen this way. But the speed of the event makes me think that the Hedge funds positions were correct as was the information they acted on. Was some leverage applied to Mr. Greenspan and Mr.Yen to
force a quick resolution of their problem? Perhaps a problem of larger scope and importance was seen over the horizon?
This I do know. To cover the open gold positions will require far more than simple option strategies as loss hedges! We may enter a pricing storm for gold that will see it's value literally all over the map! The possibility of the large up and down moves may wreck many portfolios that have strayed from the simple action of buying plain physical bullion, without leverage. I offer this as a fair consideration for the simple investor / saver. We shall see. FOA

Friend of Another (10/12/98; 06:26:22MDT - Msg ID:537)

http://www.spokane.net:80/news-story-body.asp?Date=101098&ID=s464856&cat=

Note: This is part of an article about Russian imports. It also has a bit about the new gold coin. I place it here as a thought about how gold can take the place of other metals (silver) as money. The new Russian coin will have a gold content of about $6.00 US. As we see here they did not use silver for there was no need to do so. Gold can be placed into coins in amounts of a few cents US if needed for small exchange. Food for thought?

October 10, 1998
Russian imports plunge
Financial crisis means consumers can't afford most imported goods!
Leslie Shepherd - Associated Press

(partial reprint)

"The Kommersant business newspaper said Friday it had learned one proposal under consideration: minting a gold coin to raise money to pay overdue wages and pensions, as well as debts on government bonds.
Kommersant said 22 tons of the Central Bank's 550 tons of gold reserves would be used to raise 5 billion rubles, or about $316 million.
The coins would have a face value of 1,000 rubles, or about $63, and 5,000 rubles. But they would contain only 10 rubles (63 cents) and 100 rubles($6.30) worth of gold respectively, the newspaper said."

Friend of Another (10/12/98; 21:04:17MDT - Msg ID:549)
http://www.bahraintribune.com/busi.asp?Art_No=189
Note: Will India and China become the next major consumers of energy?

Tuesday, October 13, 1998 Bahrain Local Time 5:46:23 AM

Gas producers pin hope on India and China

Gulf gas producers have seen their traditional markets eroded by economic turmoil in Asia and hopes for a recovery in the next decade are pinned on India and China. Asia was until last year seen as the major market for Gulf liquefied natural gas (LNG) producers like Qatar and Oman. But most Asian clients have since been hit by economic crises that have stalled or even reversed growth.
Expectations that demand for gas from these markets would absorb increased output from Gulf states have not materialised, said analysts at a Middle East gas summit which opened in Abu Dhabi yesterday.
"The industry has turned upside down as the effect of Asia's economic and financial crisis have filtered through the energy sector ... "The list of potential new buyers is now effectively reduced to two: India and China," said Chris Holmes, senior downstream and gas consultant
with Gaffney, Cline and Associates' office in Singapore. South Korea, Thailand, Japan, Taiwan, Singapore and the Philippines have all experienced slowdowns in demand that range from slight growth in the case of Taiwan to negative
demand for South Korea. Middle East gas producers, which account for a third of the world's proven natural gas reserves, are also facing stiff competition from Asian producers like Indonesia, Malaysia and Australia.
"Demand growth in traditional LNG has all but stalled and exploitation of new markets has been painfully slow ... The industry faces a somewhat uncertain future," Holmes said.
Amid the gloom, Korea in particular is of concern to Gulf LNG producers.
Oman has agreed to supply Korea Gas Corp. (Kogas) with 4.1 million tonnes a year (mty) for 25 years from 2000, while Qatar's Rasgas has a 4.8 mty sales commitment to Kogas from 1999. But further deals may be a long way off. Korean LNG imports have risen from 1.7 mty in 1987 to 11.6 mty in 1997 and some were predicting a further growth to 30 mty by 2010. – AFP

Friend of Another (10/12/98; 21:10:56MDT - Msg ID:550)
Mr. James Turk
USAGOLD,

Yes, I will have some words about LTCM as seen by Mr. Turk. His analysis brings up a point for discussion. More in the AM of CST. FOA

Friend of Another (10/13/98; 04:55:12MDT - Msg ID:553)

NEWS

Tokyo profit-takers ignore bank rescue

by LACHLAN COLQUHOUN in Hong Kong

MORE progress on Japan's bank rescue plan went largely unnoticed by investors today as they took profits after yesterday's strong rally among Tokyo stocks.

An announcement from Finance Minister Kiichi Miyazawa that a new bank recapitalisation Bill would inject 43 trillion yen into weak but viable banks, in addition to the 17 trillion yen already planned to protect depositors, kept the bank rescue on track, but the fragility of the market was emphasised by the profit taking.

Having seemingly won Opposition support to inject public funds into ailing banks, leading figures from the ruling Liberal Democratic Party said the government is now pondering injecting money into healthy banks.

On the market, firmer bank shares could not stop the benchmark Nikkei from dipping around 2% in the morning, but although the losses were pared the index was still in negative territory, falling 312 points, or 2.3%, to stand at 13,243. The index spiked more than 5% yesterday in one of the best days' trading this year.

Some brokers attributed the profit taking to investors raising cash to fund shares in the £10 billion float of mobile phones operator DoCoMo, which makes its debut on 22 October. Among active stocks, shares in Daiwa House fell around 2% after the company said it expected to post a 10 billion yen first-half loss, compared with a 14 billion yen profit last year. Canon made sharp gains, adding 5% on reports it had won a new printer contract with Hewlett-Packard. Exporting blue chips, such as entertainment giant Sony, were clipped back after yesterday's gains.

In Hong Kong early gains were erased by profit taking after a four-day rally saw the Hang Seng index breach the 9000-points level yesterday for the first time in months. Easier local interest rates

and Wall Street's resilience helped sentiment at the outset, but nervousness over the poor economic outlook capped any continuation of the rally. By the mid-session break, the Hang Seng had fallen 1%, or 89 points, to 8944.

Market leader HSBC held on to its gains, however, staying unchanged at HK$156.50, while the rally on property counters ran out of momentum. In company news, conglomerate First Pacific denied media reports it was pondering the sale of its banking subsidiary FPB Banking.

Elsewhere, markets moved in a narrow range with a lack of direction from Japan and Hong Kong. In Seoul, the Kospi added just over a point to 353, with bank counters Korea First and Seoulbank going limit-up, or 8% higher, after the government said it would buy most of the banks' bad debts. In a sombre warning, credit rating agency Moody's described the country's bank system as "technically insolvent". Shares gained ground in Taiwan, the Composite adding 50 to 6971 on the back of firmer hi-tech shares on the US Nasdaq market.

Thailand's SET was barely a point firmer at 291, while Jakarta's Composite was virtually unchanged at 308. Singapore's Straits Times was 0.7%, or eight, down at 1009, while Malaysia's Composite fell three to 386.

Reassuring comments about financial caution from News Corp chief Rupert Murdoch at the company's annual meeting today saw the shares put on 1.3% in Australia. The All Ordinaries edged 12 points lower to 2488.

Russian losses hit Frenchbank jobs in London

Boris Yeltsin has joined the list of those including Robert Maxwell, the Italian fraudster Giancarlo Paretti and two shareholders in the ill-fated Long-Term Capital Management hedge fund, who have caused France's Credit Lyonnais to lose money by the truckload.

The state-owned bank has confirmed that its Central and East European fixed-income desk in London has been shut down, with the loss of around 30 jobs. A spokesman would not deny

reports that this was linked to losses on Russian GKOs, which collapsed in value when Moscow defaulted.

Previously, Credit Lyonnais chairman Jean Peyrelevade has said that provisions of Ffr4.2 billion (£450 million) for the first half were due to the Russian and Asian crises, and that apart from GKOs, the bank held practically no emerging market debt securities.

Credit Lyonnais representatives head the French delegation negotiating with Russia over GKO restructuring, usually a sign that a bank has a great deal at stake in the talks.

Credit Lyonnais would not comment on whether further redundancies were planned in London.

The French government won a special ex-emption from Brussels subsidy rules to allow it to prop up the bank with a £13 billion rescue package. The quid pro quo was that the bank would be almost en-tirely privatised less than a year from now. However, that timetable now looks hard to meet.

Friend of Another (10/13/98; 10:51:03MDT - Msg ID:556)

My Thoughts!

USAGOLD,
I read Mr. Turk's article posted on your The Gilded Opinion page. It is a fine work of analysis of the gold market. If I may, a point of discussion can be brought up by viewing his thoughts from a different perspective.
Michael, from your earlier post this was pulled:
"In the course of our conversation the subject of LTCM's gold short position came up and he said in his understated, scholarly way that if LTCM's 400 ton loan position were
defaulted on that the central bank or banks which made the loan would have to consider the loan "a sale into the market" since they are unlikely to get their gold back. I asked Mr. Turk the same question I asked ANOTHER a while back. "If you are a central banker lending gold, what do you take as collateral (since gold is the ultimate collateral, all other collateral is inferior.)" Turk answered. "You take nothing. It is an unsecured loan."

"You take nothing. It is an unsecured loan." ! With this statement in mind, I begin.

As Mr. James Turk stated, " like big tail-fins on 1950's Cadillacs. An era has passed"! Yes, I agree entirely. We now swiftly come to the conclusion of an era that has brought gold into the monetary forefront as never before. Gold has been fought over, pushed, shoved and manipulated in the 90s the same way as most major currencies. The only items missing during this quiet war was the an extreme increase

in value that the investing public
must have to validate that gold is in use! As often quoted, "If the price isn't rising, no one must want it or need it". Truly a paradox of thinking in our time.
The facts, as presented by the World Gold Council (WGC) show that in 1997 only 406 tonnes of gold were actually sold from the vaults of the world Central Banks. This amounts to only 1% of all the gold reserves held in reserve. It is very important to note that the major countries that sold gold (Canada, Belgium, Holland, Portugal and a few others) made up the majority of this 1% reduction, if not all of it! They also are the source of most of the 5% of the Central Bank reduction in holdings during the last 10 (ten)Years!
To better place that last sentence in correlation with the current gold lease / lending market is to grasp that these banks, Canada, Holland and the lot, did actually sell their gold, not lend it. They don't want it back! Using this line of reasoning, then, if these countries made up the bulk of gold sales that represented the total reduction in Central Bank reserves, what gold was sold that represented the lease / lend deals?
Much of the conjecture amongst analysis in banking circles seems to center around one major point. A point that without acceptance, destroys the entire argument that gold
leasing sales are what have destroyed the market. That point is: "of the gold still held in the Central Bank vaults and carried on the books as reserve assets, some it was has sold
off and replaced with leasing paper"! Please correct me, but a bank may mobilize any asset for return and list it that way on the balance sheet. However, to list Physical Gold, that is not a paper asset, as present when it is not is "Fraud"! To do this on a scale that the present gold leasing market suggest is happening, would amount to a gross violation of BIS accounting standards. To view this in a better light I will use a phrase that Another has posted here:
"a simple person does stand at the river edge and know from where the waters flow".
To continue: The central purpose behind the Yen Carry trade and the Gold Carry trade is to place liquidity into the world financial structure. This action was made necessary by the failure of the US dollar to function any further as a money creation vehicle. In these last days of the dollar, worldwide debt as denominated in dollars has
ceased to expand and is indeed contracting. This is a natural event that occurs in the latter time cycle of un-backed paper currencies. This contraction was expected to complete the fiat money cycle back in the late 1980s. It has been the Central Banks, lead by the BIS that created ingenious ways to expand liquidity until another currency system could be introduced. In these 1990s, the Yen / Gold Carry was one of those ways.
Much of the Gold lending dealings is more a function of paper contracts than actual gold sales. Using my "water flow" point above, if that much gold was actually sold out
into the industry, we would have seen major reductions from the gold asset side of the Central Banks. The true purpose of the leasing (not all of it , just most of it) was to create cheap money that could flow into other aspects of the economy and help perpetuate a boom, worldwide. As seen in the LTCM debacle, a little money in the right hands can be
multiplied into billions of new found liquidity. Now consider that some have stated that the gold loan contracts amount to 8,000 tonnes or more! Another has said that they, if actually closed out as gold deliveries would amount to over 14,000 tonnes! Suddenly we see where the money has come from to gun the world asset markets. A market of

trillions!
So, why are they called gold loans if the gold isn't used? The point is the gold is used. It is the final commitment or backup if the deals fail. When a hedge fund (or mine) cannot repay the "cash equivalent" of the gold or "the gold itself", then the Central Bank, as the
originator of the deal must deliver Real Gold or PAY IN A HARD CURRENCY!
One of the things that Another has been guiding us to for over a year is that the current gold deals amount to an all out corner on the CB gold supply. The major people that are on the other side of these Gold Loans (lets call them what they really are: currency loans on a worldwide scope that is backed, ultimately with much of the CB gold) will call for this gold that was already paid for over many years! The intent of the Euro Group CBs was to have these loans self liquidate in a normal fashion. If they did not them they would pay the equivalent of the gold owed in Euros! A function, in actually, of issuing Euros for
already sold gold! Furthering a pending proposition between the ECB and it's EMCBs.
Now, my friends, you understand why a Euro price for gold of $6,000+ (current rate), if in effect a year or so after that currency debuts will create a reserve currency of
tremendious debth and holdings worldwide. It will be a welcome development. With the dollar falling from reserve status and the total default of dollar based gold contracts,
physical gold will be an "investment for a lifetime" as Another has said! The demand for gold as a currency reserve by governments and as a currency alternative by citizens, will amount to more metal than exists.

I credit Another with most of this input. It is his wish that these thoughts be discussed by all, for all to see.
Thanks FOA

Friend of Another (10/14/98; 08:45:05MDT - Msg ID:566)
Euro use to gain?

Euro signals new life in bond market

by ANTONIA FEUCHTWANGER

With the birth of the single currency less than three months away, the euro-denominated Eurobond market is showing signs of activity after the summer's turmoil interrupted its expansion.

Investor presentations begin today in Paris for Mediocredito Centrale, the development bank of Italy, which plans a debut issue in euro, while Daiwa Securities has taken advantage of an apparent vogue for the euro in Japan.

Daiwa's 100 million euro bond, denominated in the ecu basket currency until one-for-one conversion to euro on 1 January, was for the Kingdom of Denmark. It was announced earlier this week but

according to the International Insider service was sold by Daiwa the previous week. Daiwa, which has just refocused its London operations mainly on Japan-related activities, underwrote and sold the entire deal itself.

Carol Hird, syndicate manager at Paribas, which has a strong presence in euro Eurobonds, commented: "Some Japanese institutions are very concerned about how to account for the legacy currencies (such as the French franc and Deutschmark which are joining the euro). They would like to go straight to the euro."

She added: "A lot of reports about the euro have got through to savers on the street in Japan, who are now very interested. At the beginning of this year the market for ecu/euro bonds was very small but it has grown fast." The yen's bounce back last week has helped make the euro relatively cheap. Warburg Dillon Read this week increased its 100 million euro issue for America's GECC to 200 million while the bank is currently making presentations for a 175 million euro issue for Generalitat de Catalunya, a Spanish regional authority.

Paribas itself is advising Mediocredito Centrale on its still unformed plans to issue bonds in Europe's new single currency. The Italian bank is effectively State-guaranteed but its rating is A1-/A. In most European countries, according to Paribas, its debt is zero-weighted for capital adequacy purposes, which is attractive for bank investors. The bonds could be fixed or floating rate. Mediocredito lends to small businessses and development projects, sometimes subsidising other banks' loans to growing companies. It has a 41% stake in Sicily's largest bank, which has depressed its rating thanks to worries about credit quality in a relatively poor part of Italy.

This Is London

Friend of Another (10/14/98; 10:13:46MDT - Msg ID:567)

Items.

ALL:
I must apologize for the poor placement of some wording in my post MSG: 556. My time was in short supply.

Also: Someone (perhaps PH in LA) asked about Mr. M. A. Armstrong's various reports and my thoughts on them. I think we will see the many of the world

economies that base
their future on a trading relationship with the USA fall into a major depression. Perhaps much as MA suggests?? As for his views on gold and the Euro:
I add that the nations that have created this new currency have been around far longer than the thoughts of any analysis. The gold market will also outlive the negative
predictions put forth by some.
The latest Oct. 9th work offered by MA has this statement: "The Euro has effectively been wiped off the face of the earth." I direct you to my last news post of Msg #556. If the Euro is wiped out then someone did not tell Japan!
Mr. Dallas Guns Msg #560:
You write: " Why is this the only place were this theory is being discussed? Wouldn't many more know the same as you and another?"
Dallas, in the 1970s few thought that gold would go to $800+ US and it was discussed openly by how many? Even less saw oil at $40+US or a Dow of 8,000+. The history of
world major events are filled with actions that were impossible to foresee, yet some record was always found of people that did not discuss the event but did anticipate and prepare for it. Today we see the birth of a new currency that was thought to be dead (and openly discussed as finished) yet somewhere, somehow a very large group of people were working diligently to create it. Don't assume
that your media and elected officials will always keep the public informed of impending events. Especially if those events could undermine their power.
You write: "If you are as sure as you say, why not bet the farm"?
I have learned a great deal about conservative living. And I learned it from some world class wealthy people. It was put to me this way:
"If you have a nature to bet the farm and you win, the winning will not change your basic negative character of farm betting. In time, you will bet all of it again! Conversely, if you do very well with an appropriate investment decision (with your family in mind), the
winning will reinforce a positive character of prudent wealth building. This you will carry for all your days."
Dallas, trading some of your currency (yen? mark? dollars?) for another currency (gold)is not investing! It is the prudent use of playing the history of gold against the history of paper money. It has worked for others for thousands of years and will work for you.
Thanks for the consideration. May we will continue this as time allows? FOA

Friend of Another (10/14/98; 10:38:30MDT - Msg ID:570)
REPLY?
Tyler Rose and Bottom$, I will reply later during the Noon - Midnight section when I have more time . Thanks
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Also: correction to my last post: "I direct you to my last news post of Msg #556" should be #566! FOA

Friend of Another (10/14/98; 19:39:14MDT - Msg ID:576)
Tyler Rose (10/14/98; 10:17:22MDT - Msg ID:568)
Tyler Rose,
To answer your question we must travel a distance. ----------
Some of the confusion with gold loans in general stems from the fact that there are thousands of them. They exist in every shape and fashion. The terms Gold Loan or

Gold
Lease are generic. Just as when we speak of an automobile in public, it is of little use without knowing the make and model. The term Car covers a broad means of transportation.
Some gold deals are real in that the gold is sold and transported to a new owner. The borrower must literally pay back gold to the lender. However, as you may know, a
contract between parties can be written in any matter that is agreeable. In a gold deal, a lender may ask to be paid back in the cash equivalent of gold in any specified currency.----------
Some deals do not even involve central banks, as they are written by private holders of gold. In these transactions, currency profit may not be the purpose. My point is only to
show that there are many variables. ----------
Another has written before of the absurdity of Central Banks lending gold at a few percent. They stand on the roof tops to proclaim how smart they are to receive a return on
an otherwise sterile investment. Yet, any fool can see that it is not a true business transaction in the usual sense. The point of my post was to show that by using official
statistic on Central Bank gold holdings, the majority of the time they have not sold the gold involved in lending deals. If it was sold, it would have been removed or the title to it transferred. Therefore, the lending deals are only currency loans denominated in gold. The money actually generated in these deals is created by the Bullion Bank or another entity has supplied it. In this matter the CBs have used their gold as leverage many times over to create a massive new money supply. In reality, if the Hedge Fund / Leverage Community ever started to fall apart, a huge portion of the CB gold would be termed "deliverable"
from default. ----------
Tyler, you know and I know that the world gold market would be shut down long before they ever, ever deliver that much gold. What will happen is that much of the current financial leverage, that is heading into it's last days, will be covered by delivering Euros as partial payment. When gold begins trading again at a new value (of perhaps
$6,000 US present buying power) in Euros, it will be easy for some of the defaulted holders of loans (oil and others) to be made whole in currency. With this in mind, some
entities with huge natural resource reserves have used them as collateral to originate the money used in a 1% CB gold loan. It is almost like selling oil for gold, don't you think?
With a gold valuation that high, the Euro will become The Hard Currency for the 21st century.
Now, to your question: A gold loan by a Central Bank to a "Financial Operator" (hedge fund and others) in indeed an unsecured loan! They have loaned their gold as "backing for
the deal" and must supply it if a default occurs. If they have loaned it to a Mine entity, they will have a right to claim the mine assets in a default. Therefore, a mine loan is not unsecured. Not a pleasant thought for the holders of gold stocks during a worldwide currency crisis!
Much more to it than this. I hope others will write their thoughts on the oil / gold /leasing markets. There is a lot of room and tremendous tolerance for diverse views.
Thanks FOA

Friend of Another (10/14/98; 19:47:44MDT - Msg ID:577)

Bottom$ (10/14/98; 10:34:11MDT - Msg ID:569)

Bottom$,
Hello! ----------
Do you remember when gold jumped from $40+ to $800+ in a decade or so? Prior to that the world monetary authorities had enough gold in relation to circulating currencies that they could control it's price by actually selling it into the market. (why they didn't just revalue it's price to $1,000+ and continue on is another story we will cover
here some day)(it covers why they took the dollar off the gold standard to raise the price of oil). When they stopped selling gold's price jumped. Today, they don't have that much gold in relation to the incredible amount of money and leverage out there. In fact, as I just discussed with Tyler Rose, instead of selling they are using it to build onto the money supply. Few understand that the price of gold is dropping during this era for
several reasons. Besides being used to offer gold cheaply in dollar terms. it is being used to make the dollar strong by creating liquidity. A function the dollar stopped performing
five or six years ago. They can never sell gold into the market again as a means of controlling the price the way they did in the 70s. ----------
Another sent in a fine piece once explaining how the the currency inflation in dollars was already present. More than enough to drive gold sky high. Just because the goods
prices don't reflect currency printing doesn't mean it isn't already present. He said something to the effect, " your chickens have already rousted, only now you find they
have come home"! When the dollar is removed from reserve status, the American economy with all it's deficit problems will be subject to all the troubles other nations now
have. In this atmosphere gold will increase in real term value many times over. You may also add any amount to that figure for future price inflation. Thanks FOA

Friend of Another (10/14/98; 20:12:03MDT - Msg ID:579)

PH in LA (10/14/98; 12:23:00MDT - Msg ID:572)

Ph,
Please read my post to Tyler Rose and Bottom$. It may cover some of the things you bring up. I think, the term hard currency has been convoluted during this era of fiat currencies. You are right in that many refer to any currency as hard if it can be traded in the open market. In the future the Euro / Dollar conversion rate may be so far from
today's reality that trying to price it now is out of the question. You mentioned in another post that real assets will always be worth something, somewhere. True for the USA but they have so much currency represented worldwide as debt that even without the adverse effects of Foreign Exchange Controls, evaluating real assets in dollars will be, at best a computer's job.
Did you see my News post about the interest by Japanese in the Euro. The times are indeed changing. Thanks FOA

Friend of Another (10/14/98; 20:50:40MDT - Msg ID:581)

bmacd (10/14/98; 20:11:03MDT - Msg ID:578)

BMACD,
Do you own ABX? I remember when they were nothing back in the 80s. Then they

and NEM started the revolution of gold loans! In 1995 or so everybody loved ABX as they were hedged. You were protected if the gold price dropped, so they thought. Today, many investors use the notion that Barrick has fallen less than others as a good reason for
them to have bought the stock. Nice thoughts but that was not the original premise for buying it. ----------
Here we have the top gold mining company in the USA, with an operating cost at rock bottom in some of their holdings and hedged for years with high priced gold. All of this
and it's stock falls! What is going to happen to the regular mines when the gold price goes up only a few hundred dollars before the market is shut down and a full scale currency war
destroys all equity markets? Sure, OTC gold may trade, but will these mines be selling gold out into the public when the governments are shutting down for lack of treasury
funding? BMAC, I don't think brokers sell these securities as investments in the context of future times. Mines are sold today as regular business ventures with a view that the past 20 years offers a framework for the future. The true facts are that even the last 60 years doesn't offer a historical example for the gold finding business. It's present structure is but a new niche in an evolving financial landscape. A landscape that may cascade onto the
dreams of many mine investors that thought they were gold investors.
Having said all of this gold stocks will, no doubt go up 600% next week. My loss Bmacd, hopefully not yours! Thanks FOA

Friend of Another (10/14/98; 21:46:26MDT - Msg ID:585)

Tyler Rose (10/14/98; 20:19:54MDT - Msg ID:580)

Tyler Rose,
The "3rd party Who" that you refer to is indeed the billion marks question! Ever notice how all of the gold sales often state who sold the gold. The public statement deliberately poses the sell side of the equation because the seller can be known. If they printed it as a gold buy, then the buyer would be listed and the public left in the dark about the seller.----------
They do the same thing with the gold lending markets. -------Think about it.-------
When the Dutch sell gold, we know it because their vaults have less gold to be reported. But when they lease gold, nothing ever leaves the vault?? Example: We know that in a gold lending deal, say, $300 million dollars are created and given to someone to play with. Party #1. We know that a Bullion Bank obtained $300m but don't know where? If no CB vault had $300m in gold (one million ounces) removed then the money didn't come from a
gold sale. Now the contract can still be called a gold loan because it requires one million ounces of gold to be repaid. It didn't require that one million ounces be sold to create the money! Now, don't you think that a bank , operating in a fractional reserve environment, would be willing to create capitol by holding any 3rd parties collateral (in this case even dirt would due) for 1/2% to 1% plus fees and no risk whatsoever? You see, the CB gold only backs the deal. It's not sold in the event of default, it's delivered! Using fractional reserve banking, I wonder how many loans could be made with the same million ounces of gold? As to who are the 3rd party investors that helping to expand liquidity by really buying gold with in-ground reserves at a cheap price? When the dollar starts to come off the oil reserve standard, we will all find out. I have to go now. Be back to read the
thoughts of others.
Thanks FOA

Friend of Another (10/15/98; 05:22:12MDT - Msg ID:588)

NEWS

NOTE: The last sentence shows that the Japanese view
Europe as a stable enviorment.

Japanese restructuring 'crucial to end Southeast Asian turmoil'

MANAMA: The Japanese economy is likely to remain sluggish during the next year, although prospects of recovery look good after that, according to a leading Japanese economist.

The Asian financial crisis will widen the US trade deficit, causing lower growth over the next two years, said economic adviser to the president of the Bank of Tokyo-Mitsubishi Kazuteru Tanaka.

He was the speaker yesterday at a luncheon-talk organised by the Bankers Society of Bahrain.

The event was held at the Regency Inter-Continental Hotel.

"Most of the Asian countries have been struggling very hard to regain a growth path," said Mr Tanaka.

"This will depend on how quickly Japan is able to achieve a growth path and Japanese recovery depends on stimulation of domestic de-mand."

However, the Japanese economy continues to remain sluggish, with Government projections at a negative gro-wth rate of 1.8 per cent for the current fiscal year, ending March 1999.

This would mean two consecutive years of negative growth, with the previous fiscal year recording a negative growth of 0.7pc.

"It is apparent that the Japanese economy is still in recession," said Mr Tanaka.

"The sentiment of consumers and corporates is defensive yet, so it is really the government's responsibility to change that sentiment.

"This is not going to be easy because of two big burdens in the form of the bad debt problem with the banking industry and the need for restructuring industry, both of which are connected very closely."

Accumulated bad debts have eroded assets of individual banks and, despite their setting aside 40 trillion yen to combat this, the economy remains sluggish.

However, the current Japanese government had brought in new rules and regulations to tackle systemic problems and these should bear result in the future, said Mr Tanaka.

The policies, supported by continued fiscal help from the government could

mean a return to positive growth after the next fiscal year.

However, Japan would not need to go into the market to finance the banking industry's problems.

"We are the biggest net asset holding country in the world, with $1 trillion in assets," said Mr Tanaka.

"Our GDP totals $4 trillion a year, second only to the US which is $8 trillion."

On the effect of the Asian crisis on the world economy, Mr Tanaka said the US economy would see lower growth rates for the next two years.

"Until recently, the US economy was the anchor of the world economy," he said.

"The US has enjoyed several years of positive growth with low inflation, better corporate profits and full employment.

"But something is changing and the US economy could have a soft landing."

The European economies would remain stable, despite the German exposure to the Russian crisis.

By INDIRACHAND

Friend of Another (10/15/98; 05:29:04MDT - Msg ID:589)

NEWS

S African gold empire in £6bn London move

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by PATRICK HOSKING

THE sprawling mining empire of South Africa's super-rich Oppenheimer family is moving to the London stock market with a planned £6 billion listing early next year.

In a painful blow for the Johannesburg Stock Exchange and a coup for London, Anglo American Corporation said today it was taking over its sister company Minorco and listing the combined group in London, where it will immediately enter the exclusive FT-SE 100 club of blue-chip companies.

Anglo American plc, as it will be called, is also moving its head office from Johannesburg to London.

It will be a mining colossus - the biggest producer of gold in the world and a major force in diamonds, platinum and coal, as well as holding a 21% stake in FirstRand, South Africa's largest banking group.

In a dramatic bid to simplify its cat's cradle of cross-shareholdings, AAC said it was taking operational control of a host of subsidiaries where it has only minority control, buying assets from another Oppenheimer vehicle, the De Beers diamonds business. The restructuring goes much further than anticipated and gives the new AA full access to the international capital markets as well as the prospect of a flood of new shareholders, who until now have shunned it as a South African company.

"It's a huge step away from the old conglomerate thinking," said one adviser on the deals.

AAC, which has been hit by the savage downturn in the commodities market, said it hoped the deal would narrow the discount to net asset value at which its shares trade. However, in early trading in Johannesburg, AAC shares were marked down 1.5% to 194 rand.

Under a scheme of arrangement, AAC shareholders will be offered one new AA share for every AAC share they own.

Shareholders in Minorco, the Luxembourg-based AAC subsidiary which owns non-African mining assets and industrial businesses, will be offered one new AA share for every two Minorco shares. There is also a cash alternative of $16 a share, which compares with a price of around $13 before the bid was tabled.

The Oppenheimer family, which owns 8% of AAC and a controlling interest in De Beers, supports the restructuring.

Cazenove and Warburg Dillon Read are advising on the London listing and restructuring, while Morgan Stanley is providing advice to the independent directors of Minorco.

Although its primary listing will be in London, AA will have secondary listings in Johannesburg and other markets.

Many of its largest businesses will continue to be run out of South Africa, but main board functions will take place in London.

Advisers to AAC, which is chaired by Julian Ogilvie

Thompson, distanced the deal from the move to London of another South African miner, Billiton, whose share price has halved in the past year. They stressed that unlike Billiton, AAC was raising no new fresh capital."

"Dramatic political change in South Africa, together with an easing of controls on capital, has led to this major step in bringing together the assets and resources of AAC and Minorco," the two companies said.

Among the side deals, AAC is acquiring the 43% of Amcoal it does not already own and is tabling an offer for the 48% of industrial holding company Amic it does not already own.

Friend of Another (10/15/98; 05:40:44MDT - Msg ID:590)

NEWS

NOTE: This is old news but in light of the Hedge Fund problems I ask; "if these people start buying gold, how in the world will anyone else be able to cover at today's prices"?

Liu Shanen, vice director of the Gold Economic Development and Research Institute of the State Metallurgical Industry Bureau, recommended that the People's Republic should increase its gold reserves from the current level of 397 tonnes or 3% of total foreign exchange reserves of $140.5 billion to between 1,000 and 1,500 tonnes, between 6% and 8% of external reserves, "to prevent financial risk." The reasoning behind this recommendation is apparently the belief that China should cut its holdings of dollar-denominated foreign reserves to guard against a possible fall in the dollar on the introduction of the Euro, the single European currency, at the beginning of next year. China currently holds about 60% of its external reserves in US dollar-denominated assets, including about $60 billion in US Treasury bonds. "Compared with cash, gold is stable and safe," Liu Shanen said. He also recommended that the Chinese government should ease controls on buying and selling by individuals in a bid to boost what he described as "non-governmental" reserves. Liu Shanen pointed out that China ranks third in global consumption of gold and fifth in mine production, but only twelfth in terms of its official reserves in gold.

Friend of Another (10/15/98; 05:54:29MDT - Msg ID:591)

NEWS

NOTE: A very good article that we should discuss! I thank the Fiend's Superbear site for this.
http://www.fiendbear.com/

U.S. News 10/19/98
Does the buck stop here?
A falling dollar signals new danger
for the U.S. economy

BY PHILLIP J. LONGMAN AND JACK EGAN

Whether you were a middle-class investor trying to preserve the value of your 401(k) or the world's most powerful central banker trying to forestall global depression, reading the financial pages last week was often a disorienting experience. "It's probably wise to put your newspapers in your in-box and leave them there for about a week," Federal Reserve Board Chairman Alan Greenspan suggested in a speech to a group of business economists.

Yet Greenspan could hardly fault the press for the worried headlines he himself was helping to write. In the very same speech, he warned: "We are clearly facing a set of forces that should dampen demand to an unknown extent in the months ahead. We do not know how far it will go or how much it will affect consumer spending. It's a time for monetary policy to be especially alert."

In times past, even a hint of pessimism from Greenspan has often bolstered financial markets, as investors surmised that a gloomy Fed chairman would surely want to lower interest rates to stimulate the economy. But adding to last week's confusing headlines, this time Greenspan's gloom created nothing but more gloom, as investors focused on mysterious new forces that seem to be undermining all conventional wisdom about how the global economy works.

The yen also rises. The most dramatic case was the news out of Japan. For more than a year, the consensus view has been that the main culprit in the worsening Asian crisis is Japan's banking sector. In recent weeks, fears about the contagious effects of Japan's banking mess became so acute

that American Embassy officials in Tokyo characterized the problem as a national-security threat to the United States.

Then last Wednesday, Japan's ruling Liberal Democratic Party submitted long-awaited bills that would provide 10 trillion yen ($85.5 billion) to recapitalize the country's banks. The proposed bailout would be hard on Japanese taxpayers, but it's just what the doctor ordered. The Japanese stock market skyrocketed 6 percent, and the value of the yen appreciated by a stunning 17 percent against the dollar. But within a day this tonic would create weird and debilitating side effects on the world economy's tattered nervous system.

It turns out the hedge fund boys, those secretive tycoons of the new economic order whose bets on currency fluctuations increasingly determine the fate of nations, have been wagering big time on an ever weaker yen, which until last week seemed like a no-lose proposition. The idea was to borrow yen at low interest rates (less than 1 percent) in Japan, convert them into dollars, and then lend the proceeds out at higher interest rates elsewhere. So long as the Japanese economy kept faltering and the yen kept falling, these "yen carry" deals were immensely profitable, since the loans could be repaid with ever cheaper yen. But when the yen started to strengthen on the supposedly good news that Japan was finally getting on top of its banking crisis, these highly leveraged deals began to unwind, creating widespread panic.

A bad bond bet? It remains to be seen whether the sudden fall in the value of the dollar against the yen will be enough to cause a hedge fund or two to collapse the way Long-Term Capital Management nearly did two weeks ago. Julian Robertson's Tiger Management, which has one of the biggest bets against Japan, has lost about $1.8 billion, or 9.2 percent of its value, so far this month. Meanwhile, many banks and even some industrial companies are vulnerable as a result of their own yen carry deals. And because of the size of all these lost wagers, even unsuspecting homebuyers and conservative investors in Treasury bills will soon be feeling the aftershocks.

Last week, long-term U.S. Treasury bonds started to plunge in price as their yields climbed back to over 5 percent from recent lows of around 4.69 percent. The weakening dollar was a major reason.

Until recently, the Japanese in particular had been huge buyers of U.S. Treasury notes, and a good thing, too: With the U.S. savings rate now a microscopic 0.2 percent, the American economy desperately needs such capital from abroad. But as the dollar weakens against the yen, U.S. financial assets suddenly are worth a lot less in yen and therefore far less attractive to Japanese investors.

Before, the greatest threat posed to the United States by the Asian crisis was thought to be lost exports; now it's clear that the agent of contagion can come directly through the world's deeply intertwined financial system. Last week, the U.S. dollar also reached a 21-month low against the German mark. The modest drop in short-term U.S. interest rates announced by the Fed on September 29 and the expectation that further reductions are coming were the main reasons for the greenback's decline. Lower U.S. interest rates tend to reduce the appeal of U.S. bonds to foreigners, who are able to earn higher returns elsewhere.

This reality highlights another assault to the conventional wisdom that occurred last week. The more volatile world markets have become, the louder the cry has been for the Fed to cut short-term interest rates to keep the U.S. economy humming along. Yet a new dynamic now seems to be appearing whereby a cut in short-term interest rates, to the extent it leads to expectations of a weakening dollar and a corresponding fall-off in foreign investment, creates higher long-term interest rates.

Cash is king. Reinforcing this trend was a huge increase in risk aversion among investors. Suddenly, even long-term Treasury notes no longer seem a safe enough investment, and more and more investors are moving into short-term notes or even cash. "This wasn't just a flight but a fright into cash," declares John Krey, senior currency analyst for Standard & Poor's MMS unit. According to Morgan Stanley Dean Witter economist Stephen Roach, "Lenders across the board are risk averse, more so than anytime in this decade. The change in the last month, and especially in the last two weeks, has been as dramatic a shift" as any he can recall. In Roach's view, "A credit crunch is where we're headed."

If this dynamic continues in coming weeks, it could create the same vicious cycle in the United States

that has undone so many other nations since the Asian crisis began. At the very least, mortgage rates, which are pegged to long-term rates, might not keep dropping if foreign investors continue to be scared off by the prospect of a falling dollar. Refinancings to take advantage of lower rates would also dry up. "So far a silver lining for many individuals has been the money put into their pockets when they have refinanced their mortgages," notes Henry Willmore, chief economist for Barclays Capital in New York. "A continuing fall in the dollar and a backup in long-term yields might take the bloom off that source of prosperity."

To Robert Brusca, the chief economist for Nikko Securities, the New York-based division of the Japanese brokerage, the fall in the dollar presents the Fed with a "two-edged sword," making it harder to pursue a policy of lowering interest rates to stimulate the U.S. economy because it risks driving the dollar lower. And at a time when the United States is faced with record trade imbalances (on the order of $15 billion to $20 billion a month), a lower dollar could scare off foreign investors, making it harder to finance those trade deficits. "The U.S. is not in a position to be savior to the world," notes Brusca. "What we're seeing is that the U.S. economy has its limits."

A cheaper dollar does have a bright side, to be sure. As President Clinton pointed out last week, at least it will give U.S. steelworkers some relief by raising the price of imported steel. And a cheaper dollar also makes the dollar-denominated debts of hard-pressed countries like Thailand and South Korea easier to repay and relieves pressure on such troubled currencies as the Brazilian real. But as the dollar weakens, foreign countries have a harder time exporting to the United States, as their goods becomes more expensive to Americans. That's one reason Japan's Nikkei average closed at another 13-year low last Thursday following a huge surge earlier in the week, with the loses concentrated now among such major exporters as Toyota. And to the extent that the weaker dollar is symptomatic of a weakening U.S. economy that requires more and more easy money to keep growing, the development is decidedly bearish.

All these trends were enough to prompt J. P. Morgan to issue the first forecast by a major financial institution of a U.S. recession in 1999. If that proves true, Greenspan may want to put off

reading his newspapers for more than just a week
or so.

With Matthew Miller and Steven Butler in Tokyo

Friend of Another (10/15/98; 06:20:55MDT - Msg ID:593)

turbohawg (10/14/98; 22:41:02MDT - Msg ID:586)

turbohawg,----------
I hope the Dow doesn't fall any further. At this moment there is a whole group of not only Hedge Funds, but major international banks that are even or just under water. Look
at my News post #591 and see the part: ----------
-
"Yet a new dynamic now seems to be appearing whereby a cut in short-term interest rates, to the extent it leads to expectations of a weakening dollar and a corresponding
fall-off in foreign investment, creates higher long-term interest rates."----------
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This kind of unconventional market action is going to undo even the conservative financial players. As I said before, it is going to drive a large contingent of the world capitol into "Euro Assets". If the Dow does fall before the Euro launch, much of this money will go into the EMU basket of eleven currencies regardless of the perceived risk. It will
be the lesser of the two evils. As the dollar falls, gold will unfold into it's new image as a
Euro proxy whereby the Euro becomes the transactional currency for gold settlement, not
the current dollar. It should be an unfolding event, not a crisis run into metal. However, if
the current leverage crisis forces the default of much of the gold carry trade, the spike in
gold that closes the market will ensue. That's the part of Another's Thoughts I don't like.
We will see. Thanks

Friend of Another (10/15/98; 14:00:45MDT - Msg ID:594)

This rate cut will mean a dollar cut also!

The Federal Reserve cut rates! I think we can now truly say goodbye to the dollar! This
move should begin an extended period of dollar weakness. After the initial positive shock
of this action passes, the world currency system will be faced with few alternatives for
safety. BMACD, your gold stocks must be going up. Good luck . FOA

ANOTHER (10/15/98; 22:06:54MDT - Msg ID:602)

Thoughts!

Mr. Kosares, The new day we begin from a dark long night. The Greenspan, he has seen the end of his dollar as king! See now, how the assets are removed from the back of this
weak beast. It was planned for this time, from years that have passed, how these last days will show a new direction. Your Federal Reserve does now see this new war

as a "battle
fought while in retreat"! Indeed, this retreat will become evident as "rates that rise" over a dollar "that does fall"! Gold? You have seen the small sales from small countries? I have waited, with patients, for large sales as some say would surely come. From the time of the Belgium deal, this year early, gold is offered no more. A US dollar price below $280 held the BIS as "the bank with no teeth"! A "one tooth cat" they are not, as this bank does mate with the great tiger of the orient. The last meeting in Hong Kong did
change that world. Both now have the large hunger for gold and consume it as I write. In Europe, my friends the Swiss, they speak of selling yet buy with both hands and both feet!
This new day for gold, it be right indeed!---------- ---------- " the world does float upon
the ocean of dreams, when the wind of our mind blows full with a truth redeemed" Another

Friend of Another (10/17/98; 07:13:18MDT - Msg ID:615)

Where is gold headed?

ALL: Gold looked as if it would drop last week, but it didn't! I think it even bounced off
it's 220 day moving average (a good sign for Technical Analysis) on Friday. Why is it starting to move up now, at the end of this year? This night (MST) I will offer further reasoning to go with my earlier posts. Those writings dealt with how the Central Banks
lent gold but never sold it! Now Another has opened the door (in his last post) for some
analysis as to where gold is going and how soon. It should be interesting. Thanks FOA

Friend of Another (10/17/98; 21:33:27MDT - Msg ID:632)

THINKING!

All: If we step back to review the gold market throughout this last year, it offers a surprising glimpse into an orderly process few thought possible. We have read many times
how this market was in a supply and demand deficit and it was the Central Banks that
were filling the void of un-supplied gold. Some reasoned that if it wasn't for this new supply the markets would have been much higher by now. No my friends, that just is not
correct! Granted, there is much more gold being consumed than is being mined, but it
wasn't the CB that were supplying most of it. Yes, last year (1997) all the CBs on average
did actually sell off some 400 tonnes +/-, and that was NET sales, not leases. But the
question remains, who supplied the other 700+/- tonnes that made up the total deficit? If
the CB vaults lost only 400 then how could their lending action be identified as the source
of the new supply?? The answer is, it didn't! But I have gone to far, let us back up. By far, the largest amount of gold lending / leasing is a paper product made possible through the LBMA. This group of Bullion Banks and brokers (perhaps the Bank of England also) trades some 30 +/- million ounces of gold a day. A day! Some of it

may be
physical and some of it paper, but all of it Very Liquid! With a ready Gold CURENCY market of this size, there is simply no problem raising paper currency capitol by shorting
paper gold. If you have the correct backing. I am assuming the reader has read my posts
#556 and #585 and much of the Thoughts! of Another.
If an entity can produce some form of collateral along with a Central Banks agreement
to back the gold loan with gold, then a Bullion Bank has little problem supplying cash by
shorting paper gold. The CB does not have to move or sell his gold and receives 1% or
2% for a signature on the general agreement. The BB collects fees and any arbitrage that
may result. The "entity" (for poster Tyler Rose, that's the 3rd party) obtains little in the
way of return on this investment except for one obvious point. That being, that they will
receive the benefit of any net gains on the repayment of the gold loan, in physical gold,
after the financing is paid. This works because all of the risk is upon the middleman, the
Bullion Bank. Now considering that the BB hedges it's part of any gold risk (increase in
price) in the derivatives market so that in the completion of the deal if gold rises in price
this increase is, as stated above, delivered! As one might reason, the 3rd parties in these
contracts (the buyers that are never reported by the media) are banking on but one thing, a
huge increase in the dollar price of gold! In the event that the BBs are defaulted by current
events or total market failure, it will then be the Central Banks (as ultimate signers of the
General Agreement) that will deliver Real Gold from their vaults!
Now, back to my original point: Much of the extra gold that has been supplied to the physical markets to cover the supply deficit has come from private holdings. Truly, gold
doesn't come out of thin air and neither the CBs or the mines were offering enough of it to
satisfy demand. Yes, as much as that flies into the face of accepted analysis, these private
Western Holdings were being sold even as the total gold market, including CB holdings
was being cornered by a market that, as Another said long ago "is not as before!
Not all of these maneuverings are done by major 3rd parties. Lately, a good deal of it is
done by traders and financial operators that are naturally attracted to action. These people
will get cleaned out by defaults simply because they don't have anything to offer the world
as a means to force delivery. I think it's called "no ace in the hole". However, any

financial
power that has reserves that the economy needs will be supplied or paid in an acceptable
currency if necessary. If we think long enough on this we can see that perhaps next year,
much of the derivatives carry trade will be forced into default. In this meaning, default is
having to pay, not in kind, but in Euros.
But what will trigger this major break in the action, so as to start the ball rolling? It has
already happened. When Asia started to fall many, many months ago, that was the signal
that the first domino was falling. With the Euro expected to arrive in1999, it was time to
break the Asian gold buying (this does not include China as they will be part of Euroland)
and at the same time begin a long term breakdown of the dollar. A destruction that would
carry on for several years. Most of those years have passed.
What of tomorrow? The gold loans will now become harder to repay as the money that
the loans created is destroyed. The Central Banks, that largely stopped backing new loans
earlier this year, have now completely stopped for fear of having to deliver their gold
before the Euro is available. This time period for them has been one of also having no ace
in the hole. From now till the end of the year, they will begin calling in loans (pulling their
signatures) that are now seen as unnecessary. As England is not part of the eleven EMU
nations, look for the LBMA to be seen as carrying heavy risk from default. If the
derivatives markets fail, they will lose what risk hedges they have. This risk should begin
showing itself in the dollar price of gold anytime. With China buying to rid themselves of
dollars preEuro and the Swiss now buying to cover a huge mistake, the market should be
bumping up to $350/$360 by year end! Remember, the Swiss are also a nonEMU
country! thanks FOA

ANOTHER (10/17/98; 22:03:52MDT - Msg ID:636)

Jayne (10/17/98; 20:13:41MDT - Msg ID:624)

Jayne,----------
My wisdom? It is but a small part of a large life. One should not offer to lose so much
for so little. Your words consider not that life is more the value than wealth! The
thoughts of all persons come and go with the morning air. Yet, one must breath the
wind to live a full life. I offer you the air of history that proves the corruption of men.
A corruption you will partake in, with or without a bet of life. Thank You

ANOTHER (10/17/98; 22:37:26MDT - Msg ID:637)

PH in LA (10/17/98; 13:35:54MDT - Msg ID:622)

Mr. PH,----------
The Greenspan is of the BIS in spirit by day and silent by night. For many days have

passed from the time that this bank was of one mind! Two factions are they that hold for
control. The Euro Group is the stronger hold now. The Federal Reserve does fight "the preparations" you speak of. It is to no avail. It was said before, this money war is for the American world a "fight in retreat". In my time I have not seen the USA as on the "Level eye" with the BIS. Perhaps they worked together during the war (ww2), but that was
then. This dollar, it will not die the easy death for many a strong person does still stand for this country. This is as it should be. We watch this new gold market together, Yes?
Thank You

ANOTHER (10/17/98; 22:57:24MDT - Msg ID:638)

Unomas (10/17/98; 13:52:31MDT - Msg ID:623)

Mr. Unomas,
It is unfortunate for such persons to hold the "paper stocks" during this time of history! Always the "good investment" for "the good times" they are. The future before us will change this thought for many the children of children. Every season has the special feel to the skin and this winter will bring the sand storm as not before. It is not our place to change this weather, rather to wear the correct garments. I have always found the winter,
it does change much to quickly for the traveler with all clothes. These traders will not move with the speed of sand and will find no shelter in paper skins. If the gods be gracious, these seasons will change slowly, yes? Thank You

ANOTHER (10/17/98; 23:20:56MDT - Msg ID:639)

Aragorn III (10/16/98; 15:40:56MDT - Msg ID:612)

Mr. Aragorn, I read your write and this you say: "The modern use redefined the value accordingly". I can add not a word to this post. Your age is 100+, yes? Perhaps I am wrong, your wisdom, it is to die for!
Are you of the world that will use the Euro soon? I think this dollar and Euro will also find the value "redefined"!

I will be gone for a time.
Thank You

Aragorn III (10/16/98; 15:40:56MDT - Msg ID:612)

A final thought for all...on the notion of gold value over time relative to all things--particularly a fine suit for a man equating with one ounce. Just let it go. While some things do correlate well for periods of time, history may bear false witness when looking toward things to come. This is a world not as before. I offer this simple, real-world example. There was a time, not long ago, when gold panners in Columbia were frustrated with the abundance of hard grey "pebbles" that would litter the final washings of their gold. They heavy nuisances were discarded with disdain. Today we value platinum a bit higher than they would have imagined. The modern use redefined the value accordingly.

So it will be with gold. It is very important to remember that these are not the days of the pharaohs, the kings, or the czars. There are more people ALIVE today than the sum total of all who have lived and died before us. Economies have grown geometrically while the supply of real money (gold) has failed to keep pace. The price of everything in terms of gold actually decline over time. This has been obscured during the modern geometric growth of economies because the world has

been detatched from a gold standard for the casual observer. As the pendulum swings its return, many will indeed be surprised that all things priced in gold have become so very much cheaper. This is good. The excess production of your youth (measured in gold) will not abandon you in your old age as a fiat currency is want to do. To express this in dollar terms for those who cannot detach their view from this measuring standard--if the U.S. reacted intelligently, naturally, and did not cling tenaciously to the current structure, they would peg the dollar to gold. Under this arrangement an ounce of gold would be priced at many thousands of dollars while a gallon of milk would remain at only two dollars. If the U.S. does not peg to gold, and they fight the stubborn fight, the dollar would be worthless relative to all things. Gold would be priced at many thousands and food would be priced beyond your best guesses.

Friend of Another (10/19/98; 07:07:44MDT - Msg ID:655)

News!

Rate-cut uncertainty
undermines pound

by BEN LEAPMAN

THE Bank of England will wait two more weeks before deciding whether to make a further cut in interest rates despite feverish City speculation about emergency measures.

The prospect of an unscheduled rate cut was today continuing to undermine the pound, after weekend Press reports suggested that the Bank's monetary policy committee was about to go into emergency session. However, the MPC is understood to be sticking to its timetable on which the next rates decision is due on 5 November. On Friday a Bank spokesman denied that an emergency meeting was taking place that day. The nine members of the MPC are all in regular contact because they are overseeing the creation of the Bank's quarterly Inflation Report and forecasts, due to be published on 11 November.

Sterling today fell half a pfennig to Dm2.757, barely above its 18-month low, although it rose a third of a cent to $1.705 versus a slumping dollar. Attention was focused on the Bundesbank, which will decide on Thursday whether to cut German interest rates following cuts in America, Canada and Britain.

The Bundesbank is thought likely to resist pressure to cut, but it could change its mind if the mark rises sharply enough to hurt German exporters. Today the dollar fell three-quarters of a pfennig to Dm1.6165, threatening to fall below 1.60 for the first time since January 1997.

This Is London

Friend of Another (10/19/98; 07:52:55MDT - Msg ID:656)

VERY GOOD SPEECH!

ALL: Prior to the USAGOLD Forum we had posted an excerpt from another meeting of
the American Enterprise Institute. They are located in Washington D.C. and are very active in discussing world affairs, including a separate section devoted to New Atlantic
Initiative (NAI). This is a brief introduction to a meeting held in Istanbul, May 1-3, 1998.
Please read all of the preamble to this speech given by Mr. Michael Portillo. The speech
also follows and is extremely timely to your investments decisions if your thinking involves
politics. They are located at http://www.aei.org/start.htm

• NAI holds annual congress in Istanbul, May 1-3, 1998.

On Thursday, April 30, 1998, the United States Senate voted 80 to 19 (with one abstention) to ratify an amendment to the North Atlantic Treaty that will allow Poland,
Hungary, and the Czech Republic to join NATO. The following day, the European Parliament met to decide which member-countries would qualify to join the European Monetary Union on January 1, 1999.

The same weekend the New Atlantic Initiative, headquartered at the American Enterprise Institute in Washington, D.C., in association with the Turkish American Association in Ankara, held its annual congress in Istanbul. Turkey, a NATO member, is a country of "vital interest and concern," NAI executive director Jeffrey Gedmin remarked, "and we wanted to underscore Turkey's importance as a valuable member of the Atlantic community."

More than 400 distinguished political, intellectual, and business leaders from more than
twenty countries participated in the Congress of Istanbul. In plenary and breakout sessions, speakers and delegates tackled issues of democracy and Islam, European Monetary Union, NATO enlargement, free trade and the transatlantic marketplace, and
security in the Balkans and the Middle East, among others. Delegates received written
greetings and words of support from British Prime Minister Tony Blair, U.S. Secretary of State Madeleine Albright, former British prime minister Margaret Thatcher, Polish Deputy Prime Minister and Minister of Finance Leszek Balcerowicz, former U.S. secretary of state Henry Kissinger, U.S. Senate Majority Leader Trent Lott, and Speaker of the U.S. House of Representatives Newt Gingrich.

• NAI hosts Michael Portillo ---------- Will European Monetary Union Fracture the
Atlantic Alliance?

Former British defense minister Michael Portillo unwaveringly answered yes. In keynote remarks delivered Wednesday, May 27, at the American Enterprise Institute, Mr. Portillo argued that the single European currency has nothing to do with economics. Rather, it is an essential part of a new European state–one that is potentially less democratic, more hostile to the Anglo-Saxon economic model, and decidedly at odds with America over matters of security and foreign policy. Speaking at the NAI's annual congress in Istanbul, Mr. Portillo warned that "it would seem to me foolhardy to abandon our very long-established alliance with America, in the visionary hope that Europeans can find a satisfactory common outlook which has eluded them until now." Jeane Kirkpatrick, director of foreign and defense policy studies at AEI and former U.S. ambassador to the United Nations, and Richard Perle, a resident fellow at AEI and former U.S. assistant secretary of defense, also spoke at the May 27 lecture.

Extract from remarks made by the Rt. Hon. Michael Portillo to the----------
---- New Atlantic Initiative Congress of Istanbul--
---------- May 2, 1998----------

Speaker Gingrich was not the first, but he is the most recent, to point out that Europe's headlong rush to monetary union looks perilous. Processes that took more than a century in the development of the United States are being squeezed into a few brief years. In America a nation was created, with much discussion of what should be the balance of powers between states and union. In Europe we have reversed the logical order of nation building, and the visionaries are trying to create a European state by creating first the attributes of a state, such as a single currency, long before the balancing competences of Europe and its member states have been defined.

As Mr. Gingrich has pointed out, a single currency where we do not have a single labor market brings particular dangers. Europe contains many different economies, with different cycles and varying speeds. Any one of them is prone to recession, but in a Europe where there are different currencies, any state can, by adjusting its currency and interest rates, provide itself with a natural stabilizer. The idea of applying a single exchange rate and a single interest rate to such diverse economies is economic madness.

But there is a simple explanation. The justification for the single currency has almost nothing to do with economics. It is the essential foundation for a new European state. In fourteen member states that logic and ambition are openly avowed and applauded. Only in Britain, where the idea of a single European state is viewed with widespread public hostility, do politicians pretend that the single currency is about completing the European single market, with virtually no political implications at all.

Fortunately, Dr. Helmut Hesse, a member of the directorate of the Bundesbank is more honest and tells us straightforwardly that "monetary union is the last step in a process of integration that began only a few years after the second world war in order to bring peace and prosperity to Europe." Of course it is, and that is why any querying of the pace of monetary union or the validity of the convergence process strikes Britain's European partners as mere pedantry and obscurantism. Our partners are on their way to their federal destiny and nothing can stop them.

You have to take seriously their visionary idealism. Nationalism, they argue, caused the wars of the past in which millions of European and thousands of Americans have died. Abolish the nation states and you have eradicated the cause of conflict. You have to take it seriously, but you are not obliged to agree with it.

It is true that extremist nationalism has been a root cause of past wars. But there is no reason to believe that abolishing the nation states, by creating a European state to replace them, will do away with nationalism. Yugoslavia and the Soviet Union should sufficiently tell us that. In any case, past wars had complex causes. They were started by tyrants who capitalized upon a sense of national grievance – some piece of territory or some population that yearned to be reunited with the motherland.

One of the worries about the single currency is precisely that it will lead to less democracy and new causes of grievance. The central European Bank will make decisions on interest rates for all countries participating in EMU. As Dr. Tietmeyer, the Bundesbank President, has remarked candidly, it is an illusion to think that member countries could then retain national autonomy over taxation and labor market issues. So the political decisions most critical to the economic life of people in the member states, decisions affecting their wealth and the rate of unemployment, will be in the hands of the ECB. But of course that body is not democratically accountable. No one will vote for it, and it will not be under governmental or parliamentary control in the way that national central banks normally are.

Imagine what might be the impact, once we have a single currency, on people in a part of Europe suffering from recession. The substantial barriers to free movement of labor prevent them from seeking work elsewhere in Europe. They cannot vote to change the policies that have made them jobless, because those policies are made above the level of national government and beyond democratic control. They will be able to see that other countries are faring better, and that whilst the single exchange rate and interest rate may suit their neighbors, it is crippling job opportunities at home. That will

produce a sense of grievance, a source of bitterness between peoples in Europe, and a sharp reduction in democracy.

Of course, in theory the democratic deficit can be filled by boosting the status and power of the European parliament. In my view that will not do. Democracy has to operate within a society of shared values and experience, otherwise people will not feel
that the parliament for which they vote is representative of their interests. The United
States, despite its size and ethnic diversity and thanks to its historical experience, has
such a shared set of values, and they are regularly articulated by politicians and by the
people. Europeans evidently do not share a set of values, and you will not be able simultaneously to convince Greeks and Irish and Swedes that they are adequately represented in a body drawn from such politically diverse places.

Some of the differences show up in the very dissimilar national approaches to foreign policy. To the frustration of America, European nations have disagreed sharply on most critical issues in recent years: the Falklands War, South African apartheid, the Gulf War, subsequent policy towards Iraq, Bosnia and the Great Lakes area of Africa. Now it is proposed that Europe should have a common foreign and security policy, and
one can imagine a cheer going up in Washington at the prospect of at last hearing Europe speak with one voice.

That might be the wrong reaction. America needs to consider what such a common policy might look like, and all the evidence so far is that is would not be pro-American,
and indeed might be anti.

For those intent on building the new European state, the creation of a common foreign
and security policy is essential. Along with EMU and a common border, it represents a
critical attribute of a sovereign state. Given the diversity of actual views in Europe, common positions could only be arrived at by majority voting. So far only actions in pursuit of positions already arrived at by consensus are to be subject to majority voting.
But it is the clear intention to move further.

Those European countries offering support to the United States in recent times, over Libya or Iraq for example, have been in a small minority. Under a common foreign policy decided by majority voting, they could be outvoted, and they would have surrendered the option of adopting an independent national position.

For the United Kingdom, and maybe others, that is a dismal prospect. The UK has a long history of joint work and action with the U.S. in diplomacy and military action. We
share many values in common and agree on foreign policy stances much more often than not. Demonstrably, we have agreed rather less with our close European neighbors. It would seem to me foolhardy to abandon our very long-established alliance

with America, in the visionary hope that Europeans can find a satisfactory common outlook which has eluded them until now.

Frequently, the only policy position on which it might be possible to achieve a majority in Europe, would be inaction. The policy paralysis that has gripped Europe in the past would be institutionalized, and America would lose any European voice of support in its global role of combating tyranny.

Bad though that seems, things could actually be worse. Those who look forward to European political union tend to favor the prospect of a European political bloc which follows policies which are distinctive from America's Some of those who promote the idea of a common European foreign and security policy undoubtedly wish to see a reduction in American influence in Europe. That has been a recurring theme in the decades following the last war. There have been calls to replace NATO or reduce American influence within it. The more America has been needed, the more that dependency has been resented.

Those who dream of a Europe free from American influence and rid of U.S. forces also look forward to the emergence of Europe as a new power in world affairs that can be a counter-balance to America. For those reasons I would expect a common European policy to veer between being un-American and anti-American.

I fear that there are those building the European state who hope also that it can offer an alternative economic model to the Anglo-Saxon world. There is much talk of social Europe. It is a code for maintaining much higher levels of public spending and a much bigger role for the state than has become the norm in today's world. European governments tend to be much more statist and corporatist, and they feel unable to adjust to a competitive world which tends to place more emphasis on the encouragement of enterprise and a reduced role for government in the economy. They cherish the hope of building a Europe big enough to resist the competitive pressures of the outside world.

In Britain, and a number of countries in Europe, large parts of public opinion are unconvinced by the arguments for political union. But a lethargy is undermining them. The most effective argument which is wearing down their resistance is that European political integration is inevitable, and cannot and should not be resisted.

What is needed is an alternative. We must explain that countries need not travel down the route to the extinction of the nation states of Europe. People in Europe are being led to believe that the only alternative to political union is isolation. This is absurd in a world where the nations of the world are increasingly united in their approaches, with an

ever-larger number of liberal democracies, an increasing acceptance of liberal economics and with technology linking our peoples ever close together.

Friend of Another (10/19/98; 08:16:37MDT - Msg ID:657)

Hallmarking of gold shows big increase!

MANAMA: Gold hallmarking figures have dramatically increased this year, as compared with the past two years, it was announced yesterday.

Bahrain Assay Section head Abdul Khaliq Al Bosta said 1,018,493 individual gold pieces, weighing 7,295,352gm, were hallmarked from January to September this year.

This figure, he said, showed an increase of nearly 10 per cent when compared with the same period in 1996.

"This March we recorded an all time high of hallmarking over a million grams of 140,943 individual pieces, which is a growth of 31.3pc when compared with the same period last year," said Mr Al Bosta.

"Over the last month, in preparation for the Wonders of Gold Exhibition, the Assay Section has been busy, working extra hours to cope with the influx of Bahraini gold. We anticipate figures for gold hallmarking this month to be the highest yet," he said.

The Wonders of Gold '98 Exhibition, under the patronage of Prime Minister Shaikh Khalifa bin Sulman Al Khalifa, is due to take place at the Le Royal Meridien Hotel from October 28 to November 2.

It is being organised by the BPMB, in co-operation with Bahrain International Exhibition Centre.

Bahrain Promotions and Marketing Board (BPMB) acting chief executive Robin Marriott said the rise proved that jewellers were working very hard and looking forward to booming sales during the upcoming exhibition.

"The increase in figures is largely due to the success of the gold exhibition and the high standards of Bahrain's gold hallmarking legislation.

"Bahraini hallmarked gold serves as a guarantee to shoppers, that what they are buying is genuine quality. All jewellery on display at the exhibition and sold in Bahrain has to be hallmarked," he said.

Friend of Another (10/19/98; 08:18:58MDT - Msg ID:658)

Arabia and South Africa!

Bahrain studies pacts to bolster South Africa ties

MANAMA: Bahrain and other GCC states are exploring the possibility of signing agreements with South Africa, to promote bilateral trade and investment.

South Africa is keen to forge ties with new partners, in a bid to become a major player in international trade and investment, said Counsellor, political, at the South African Embassy in Riyadh Ashraf Suliman.

He was speaking on the sidelines of a seminar on South African-Gulf Connection: Investing towards a new millennium, held yesterday at the Bahrain Chamber of Commerce and Industry.

The event was organised by the South African Embassy in Riyadh, in conjunction with the chamber.

Chamber president Ali bin Yousuf Fakhro said he hoped the event would be the start of a series of similar events in Bahrain and South Africa, to promote bilateral trade and investment.

"Our relations with the Gulf have been booming since 1994, when the African National Congress (ANC) government came into power," said Mr Suliman.

Gulf states and South Africa recognise a need to enter into an equal partnership, which would benefit all concerned.

"With Bahrain and Kuwait, we are discussing a treaty for avoidance of double taxation and for investment protection," said Mr Suliman.

He said draft treaties had been exchanged with both countries and negotiations were currently underway.

With Saudi Arabia, South Africa is set to sign several treaties later this year.

Two-way trade between South Africa and Saudi Arabia had reached one billion Saudi riyal (BD10 million) and the country was South Africa's biggest trading partner in the region.

The agreements to be signed, during a visit to Saudi Arabia by South African deputy president Thabo Mbeki, will include an overall co-operation agreement, a memorandum of understanding (MoU) on oil, a defence co-operation agreement, a trade and investment agreement and a sports and culture agreement.

In addition, the chambers of commerce of the two countries will also sign a co-operation protocol.

Chief executive of the Government-owned promotion body Investment South Africa Rafiq Bagus said South Africa was a member of the World Trade Organisation (WTO) and was committed to international trade practices.

Objectives of the government's economic strategy was to achieve a growth rate of six per cent and create 400,000 jobs per annum.

This would be done through deficit reduction, phasing out of exchange controls, reducing inflation, rationalisation of tariffs, restructuring of state assets, reduction of corporate and personal tax and enhancing global competitiveness.

Inflation was currently hovering at 8pc to 10pc and the budgeratry deficit had been reduced to 10pc of gross domestic product (GDP), said Mr Bagus.

He said the country's economy, which was in the past focused on import substitution, was being re-oriented towards an export economy.

Mr Bagus said crime in South Africa was being adequately dealt with and the Government was committed to eradicating crime.

The two areas in which crime has increased is crime against women and crime against children, he said.

By INDIRACHAND

Friend of Another (10/19/98; 20:36:09MDT - Msg ID:672)

PH in LA (10/19/98; 11:02:04MDT - Msg ID:661)

PH, I'm glad you read the article from AEI presented in my #656 post. I like your last sentence "Pointing out the rigors of the journey is a coward's argument against embarking on the journey altogether."

That is so true! Has no one studied world history? It seems that every country has traveled
a difficult road during their creation. Need we use American History as an example? Also,
every one of them have experienced turmoil during their existence. Why then, do the analysis see that the rocky road ahead for Europe as a prelude to failure? If every country
that experienced political, labor and financial troubles failed because of them, no nation
would exist! ----------Some how, I feel that Mr. Portillo is trying to show
that the EMU will come about in spite of all of the obstacles, because it is more a political / nationalist union than financial! I say nationalist in respect to the European urge to go their own way and not be part of the United States as a monetary offspring. I
agree that it will fracture the Atlantic alliance. It is this fracture that so impacts the middle
east oil interest if only because Europe is closer and where America is an ocean away.
---------- One can see that much of his speech is from an English vantage point
knowing full well that England may never enter the EMU / Euro world. However, reading
closely we see the very European notions being analyzed. Those notions are real and projected outright in Europe today. If they produce a solid Euro it will pull in China, India
and the Middle East (oil). With Asia, South America, Canada and Mexico headed for total breakdown, the impact of a new European Powerhouse upon the US dollar would be
colossal! While traders worry about a few dollar change in gold, they lose sight of the financial missile coming straight at them. FOA

Friend of Another (10/20/98; 07:26:21MDT - Msg ID:677)

E- Mail question sent to USAGOLD!

Another,
You said on July 19,1998, "The US Federal Reserve will now have little
choice but to raise interest rates as the dollar currency inflation of past years moves from
"paper assets" into real things."

We hardly see this to be the case in recent weeks. Would you please care to comment.

David L.B.

David,---------- I would like to comment on this. You may already well know that
currency inflation and price inflation are two different things. If your statement of "We
hardly see this" is applied to price inflation in the USA today, then I totally agree. In years
past the great inflations that occurred in nations with dominant currencies were not subject
to markets that were worldwide in scope. Those inflations (currency inflation and the
resulting price rise) were played out in a more local arena. Even the most recent example,
the German inflation, did not have the moderating influence of a world economy
marketplace as today. In that time, large increases in money assets were quickly followed
by increases in the prices of goods and services. They had no real means of exporting their
money asset inflation to other countries (sending currency out of the nation to be held as
asset reserves or to buy goods for import) in order to negate a domestic price rise. Gold,
as part of the world monetary settlement system helped to block that path.
----------Current examples of money inflation and the resulting price inflation
such as in Mexico, Brazil, Korea, etc., all have resulted because they too can not export
their money assets on par with other currencies. The exchange rates, almost like gold,
block their path. However, we must understand that these are not major currencies much
less world reserve currencies. The dollar of present operates in a world currency system
without gold, that allows this currency to be exported without restraint. Any attempted
exchange rate adjustments implemented to block this movement (dollar falls and the Mark,
Yen, etc. rise) runs head on into a loss of trade with the America. The result is a dirty float
of exchange rates in that most Central Banks artificially keep the dollar flowing out of the
US because they have on viable alternative vehicle to base trade values on.

---------- Using this line of reasoning, we can see how a
massive inflation of dollars over many years has built up. When something does come
along that blocks that outflow of dollars and even causes it to reverse, the dollar will
plunge on exchange rates and bring home all of the past buildup of price inflation. Indeed,
the dollar and it's price inflation will look much like Mexico and the lot. As you have seen
lately, they always raise interest rates in Mexico and Brazil in an effort just to keep the
currency in use. In like mind, so will the Federal Reserve raise rates as needed with little
regard for local economic conditions. If the Fed can lower rates, as they just did, for a
non-economic purpose (to kill off several Hedge Funds and save several banks) so to will
they raise rates to save the dollar!----------David, it's important to understand
that Another must think with a view for the world financial framework, not just the USA.
I agree that US rates will be rising soon as the dollar is severally challenged by the Euro.
Thanks FOA

Friend of Another (10/20/98; 08:04:40MDT - Msg ID:678)

Buena Fe (10/19/98; 21:03:10MDT - Msg ID:673)

Buena FE,----------Hello! Yes, I agree that the Argentina gold sale
announcement (see USAGOLD MK post) is no less than market posturing. The same
thing happened with the Russian gold sale speculation. They did, by the way, sell
some gold, but as soon as it hit the market it was picked up with ease. The media
and short brokers made a big deal of it. After selling a small amount (one tonne) the Russians
stopped? ----------
It's the paper gold and derivative gold markets that make move on these normal
events than needed. They are so leveraged that any news at all sends them off. But,
notice over the last weeks and months how these sale stories have lost impact on
the gold price. It comes right back after a few days. That's because the paper markets brace for an
onslaught of new paper supply that doesn't come. Lease rates are on rock bottom as
only a few lenders are trying to manipulate a market that has even fewer "Qualified"
players. I add that they are not Qualified because the Major CBs are not signing on
anymore! Truth be told, they started slowing down the leasing game just as soon as the Euro had gained
the eye producers to become an oil settlement vehicle. And no doubt that was
prompted by the use of gold in it's reserve mix! ----------Look for
these down drafts in gold to be shallow. I think it will trade up back into the range
that the Euro Group CBs wanted it be in, $320 / $360 and no higher. At least until year end.
thanks FOA

Friend of Another (10/21/98; 07:25:50MDT - Msg ID:696)

Argentine coin sale??

David Linkley (10/20/98; 18:39:57MDT - Msg ID:686)

Thanks for the post about the Argentine coin sale. Why would they offer to melt the coins for sale? Everyone on the planet knows that gold in recognized coin form can be readily used to pay off debts, even large ones. My observations are: They will do the same as Russia and sell only 30 or 40 thousand ounces (perhaps 100,000 coins?) then stop the sales. OR They will melt them down anyway (without offering them in coin form) because someone is pressuring them to fill a physical void of bullion bars.
----------USAGOLD: It will be very interesting to see just how many of these coins Do end up on inventory with precious metal dealers in the USA, or anywhere. I have heard nothing about it being offered as a package to the investment community? ----------ALL: If this is a true sale (not just market posturing) then it may be viewed as the most bullish conformation of an impending gold crisis the world has had. It's one thing for a national Central Bank to sell gold bullion and quite another to sell it's last pre-minted (old) coins in large amounts. We truly may be entering the beginning of gold bull market brought about the relentless selling of gold that hasn't been delivered to date. If the financial operators (hedge funds) are shut off from borrowing gold (even with low rates) because of performance problems, the game is winding down! When the flash point is reached, we should quickly move back to the $320 / $360 area with an over run of, perhaps $50 above that. For investors that gamble, the gamble today will be timing the purchase of gold. If the market runs far above accepted levels, before the end of the year, massive default could occur. In that climate, no one will buy or sell gold. Dynamic time lie just ahead! FOA

Friend of Another (10/21/98; 07:49:20MDT - Msg ID:698)
Japan's bank breakthrough!

THE Japanese government today made a breakthrough in its drive to shore up the banking sector as a major solvent bank stepped forward to accept public funding.

Industrial Bank of Japan, the country's seventh-biggest lender, stressed it was accepting taxpayers' money for the good of the nation and the

financial system, not because it needed extra capital.

Tokyo has defied international critics by finalising a 60 trillion yen (£303 billion) package of State funding to tackle the bad-debt crisis.

However, analysts feared the rescue plan would founder because no healthy bank would want to be seen to accept public funding. the Nikkei 225 Average closed 408 points up at 14,216, led by banking shares.

This Is London

Friend of Another (10/21/98; 15:11:43MDT - Msg ID:702)

Coin Auction?

USAGOLD: "Little effect on the price of gold"? I'm sure you expect no downside pressure from this sale. Michael, I bet a gold auction is the last thing the US treasury wants! It wouldn't surprise me if we hear them change this to an outright gold sale. I say this because the last time open free market auctioning of gold took place was in the late 70s when the USA sold one million a month. These types of sales tend to raise public attention about gold and usually increase the bidding! ---------- I have to say again, for them to offer pre-1900 coins as an obvious type of bullion-for-debt-retirement sale must be the absolute most bullish development in the gold market. When this market does turn, it will be after every last possible ounce of physical has been offered, leaving nothing but the trading of paper gold debt. Some replies, then more on this later. I want to check on something. FOA

Friend of Another (10/21/98; 17:30:48MDT - Msg ID:703)

REPLY TO: Gandalf the White (10/21/98; 10:29:55MDT - Msg ID:699)

Gandalf, ---------- In your post you mention "us simple stupid folks". Well, there are more than a few people that are "simple" and a number of them are even "folks". I have known and do presently know these types of people. Many of them have a way of expressing thoughts and aspirations about life and wealth with such logic that it usually leaves me feeling "stupid"! ----------Your question: "Who sets the "accepted levels" ? The ECB's? ---------- Much of the large scale gold leasing began with the same group of Central Banks that will be part of the EMU. The leasing expanded with the idea that the dollar price of gold could be lowered without having to put actual physical gold, from the vaults, on the market. As much as the world

financial analysis hate to say it, gold is still the measuring stick for currencies. Many paper
currencies are valued mostly by their exchange rates against the dollar, so the gold price in
their terms is not as important. However, in order to increase the prestige of the dollar, the
world reserve currency, gold (the currency) had to be devalued in dollar terms. This type
of nonphysical gold manipulation could only work during the end time for the dollar. With
the dollar reaching the end of it's paper currency life cycle, most nations and national
Central Banks do not actually hold enough physical gold (in amounts that are relative to
circulating currencies). They hold some gold, but mostly rely on the public gold markets
to judge how acceptable currencies are. ---------- The post of :Aragorn III
(10/21/98; 11:10:08MDT - Msg ID:700) -- gives an excellent feel for the fiat money cycle.----------
The Euro was taking much longer to create than once thought, and the 90s were about to
see the dollar dropped from settlement standards. More on this in a minute. ------ In order
to retain the dollar as the leading currency, it's gold price was lowered by allowing certain
investors (3rd parties?) to use collateral to finance the purchase of leased gold from CBs.
The gold was left in the vaults as leased assets and the cash created by the sale was used
to add liquidity to the world financial structure. In return for this sale of gold, certain
commodities were supplied in such quantities as to keep their price low in dollar terms
(oil). Because oil is settled in dollars, and because it is a far larger and visible market than
gold, in this action. the dollar was also further enhanced as a reserve
currency.----------This process alone, the falling prices of oil and gold, was
enough to set off a world liquidity expansion as never seen before. This was needed
because the dollar, in the early 90s had stopped expanding (read that as debt was
contracting) and threatened the world with a financial crisis. A crisis that would occur
without an alternative currency system. In many ways this seed was planted in the 1987
crash----------see this as a partial reply to-- (scp (10/20/98; 11:24:55MDT - Msg
ID:679).----------As you may now see, the original purpose
of leasing gold was not to put the gold on the street, but to use it as a leverage to raise the
dollar value and in turn increase liquidity, they were buying time. Many of these loans
were indeed for the expansion of mining with the intention of physical gold being used for
repayment. Everyone always assumed that the gold from the mines was going to flow

back into the CB vaults. But, what no one questioned, was, if the gold never left the CB
vaults (see my other posts) why would it go back there? No, a good deal of this gold repayment will flow through the Bullion Banks and arrive in Another account! But don't
look for a road map showing the world the path, it will not be discussed! ----------
As for the gold loans that went to expand financial (paper) dealings (hedge funds and
countless others) they were to be self liquidating. If the loans blew up then the CB vault
gold would be delivered (again see my other posts). The escape route, in this circumstance, for the CBs was to be the Euro. If it became strong and replaced the dollar
for oil settlement, among others, then the Euro could actually be printed and delivered for
oil, in affect, buying gold! An action that the new ECB will conduct with it's new EMCBs.
---------- Again, your other question: Who will default and why ?
---------- With the leasing market expanding, along with stock, bond, derivatives and
currencies markets, financial operators jumped into the game (LTCM) mostly because
they read it wrong. These people (Andy Smith??) are the ones that helped send the gold
market much lower than it's original simple purpose intended. No entity was ever dumping enough gold onto the market to drive it that low (below $320??). The leverage
paper boys had figured out the game and were exploiting it. It was the Euro bickering that
delayed it's debut long enough for the Shorts to get a foothold into the market and drive
the paper price down. This is one of the major reasons that some CBs actually did SELL
some gold. To keep the market from exploding. (see my other posts) Add to this that the
Asians had started buying actual physical at these low prices and you had the makings of a
disaster. A disaster in that the CBs may have to deliver more gold than they had!
---------- This is the flash point that Another has described as being "at
the door" today. If the Shorts ever have to start covering, the entire market, as we know it
will stop functioning. ---------- As for the "anyone" in your question: "Why will
not anyone buy or sell gold ? please explain "anyone"---------- It's you my friend, and
me, and everyone that reads this post. Look back in history and you will see that when the
gold price, on and off the market, is soaring, NO ONE will SELL to ANYONE!!
Especially if the world reserve currency is being destroyed. ----------I think I

have said
enough for now. More replies later.--- Thanks --- FOA

Friend of Another (10/21/98; 19:04:08MDT - Msg ID:705)

RSA STOCKS: Are they safe?

Note: Mr. TYoung, is this the start of a trend that changes the political direction in South Africa?

21 October 1998
Govt to take
unexploited mining
rights

Stephané Bothma and David McKay

PRETORIA - Government intends to nationalise SA's unexploited mineral rights in the next 20 years to give black companies greater access to them.

Releasing a policy white paper and draft legislation for SA's new mining and minerals policy yesterday, Minerals and Energy Minister Penuell Maduna said it was unacceptable to government that two-thirds of private ownership of mineral rights was in white hands. However Maduna said current mining operations and bona fide intended operations would be allowed to continue and would not be tampered with by government.

This did little to ease the fears of SA's mining industry which believes that government proposals could lower the value of mining companies' shares.

SA mining industry's umbrella organisation, the Chamber of Mines, said that while the state must be the custodian of SA's mineral resources, a system of state regulation could not infringe on the property rights of private mineral rights holders.

It said government's white paper was the most significant indication of government policy towards the mining industry since it came to office in 1994.

Maduna expressed great concern about the downscaling of the industry and said the white paper was an important policy indicator for the short and medium term.

"In a nutshell, the department will facilitate the

establishment of institutional support structures to alleviate the devastating social costs of the downscaling process," he said.

"While we want to prevent the hoarding of mineral rights and the sterilisation of mineral resources, there must be no doubt that security of tenure will be guaranteed. We do not want the industry to operate under a cloud of uncertainty," he said.

Government's long-term objective was for all mineral rights to vest in the state, but as a transitional measure, a new system for granting access to mineral rights would apply.

The new system's main aspect would be that the right to prospect for and to mine all minerals would vest in the state without infringing on the rights of existing mining rights holders. Maduna said the white paper mentioned no specific transition period, but he expected it to be about 20 years.

"Security of tenure will be ensured by granting prospecting and mining rights for specific periods, which are capable of cancellation or revocation only for material breach of the terms and conditions of the rights.

"The holder of a prospecting right will be entitled to progress to a mining right on compliance with prescribed criteria and commitments."

Maduna said the "use it and keep it" principle would be introduced to discourage unproductive holding of rights and also to ensure retention where exploitation might not be economic or might disrupt markets.

"Royalties will be payable by the holder of a mining right to the registered holder of the mineral rights."

He said the policy sought to ensure stability and continuity of current prospecting and mining operations through statutory provisions such as:

- The "use it and keep it" principle;

- A transitional period to allow the holders of prospecting, mining and mineral rights to license their operations in terms of the new system;

- Allowing the holders of prospecting, mining and mineral rights to license bona fide intended prospecting and mining operations; and

- Giving the holders of prospecting, mining and mineral rights the opportunity to substantiate why areas which were not utilised should not be granted to another party.

Maduna said all information from prospecting would be submitted to the state after completion or abandonment of a particular prospecting activity and unless the prospector retained a prospecting or mining right, the data would be released to the public. "The freeing of mineral rights will facilitate greater investment in the mineral industry, also by small-scale miners." Well managed small-scale mining had the potential to take over and mine economically where large-scale mining was unable to operate profitably.

Maduna said government was committed to expedite the full implementation of the Mine Health and Safety Act which placed the responsibility for health and safety on the shoulders of the employer.

With the release of the white paper and the legislation which would follow, probably only after next year's general elections, mining no longer needed to be the domain of the rich and powerful.

"We as government, through the process outlined in the paper, have made mining accessible to all."

http://www.bday.co.za/98/1021/news/news1.htm

Friend of Another (10/22/98; 05:59:57MDT - Msg ID:709)

NEWS!

BRUSSELS, Belgium (October 21, 1998 10:03 a.m. EDT http://www.nandotimes.com) -- The European Union economy remains an "island of stability" in a turbulent financial world but will nevertheless expand more slowly than expected next year, the EU said Wednesday.

The predicted slowdown is likely to increase calls for European nations to boost their economies by increasing investment or cutting interest rates, already at record lows. EU leaders are expected to discuss their response at a weekend summit in the Austrian lakeside resort of Poertschach.

The 15-nation bloc is enjoying its greatest economic growth in a decade, 2.9 percent,

and will continue to do so until the end of the year, the EU said.

But then the financial instability in other parts of the world, especially Russia and Asia,
will kick in, narrowing the EU expansion to 2.4 percent next year. That's down from the 3
percent predicted in March, the EU's last forecast.

"In 1999, the international crisis will take a toll, albeit limited," the EU said in a statement. "With the renewed pickup of growth and trade at the world level in 2000, there is again scope for a reacceleration of economic expansion in the EU."

Assuming the world economy bounces back in 2000, the EU said its economic growth should then recover to 2.8 percent.

"The overall picture is favorable. Economic growth in the EU is expected to remain strong ... driven essentially by internal consumption and investment," said the report from the EU's executive body, the European Commission.

The forecast showed Europe's stubbornly high unemployment falling slightly faster than
predicted in March. The jobless rate is seen at 9.5 percent next year, dipping below 10
percent for the first time in the 1990s.

The EU said tough budgetary policies imposed in recent years to prepare for the launch
of the euro as the common currency of 11 EU nations helped protect the bloc from the
turmoil abroad.

"The euro zone forms an island of stability." Interest rates are already at record low levels and inflation, at 1.6 percent this year and 1.7 percent next year, is "historically
low."

Among the 11 nations that plan to switch to the euro on New Year's Day, growth is seen
at 3 percent this year slowing to 2.6 percent in 1999.

In Germany, the EU's largest economy, growth is expected seen peaking at 2.8 percent
this year then dipping to 2.2 percent in 1999 and 2.6 percent in 2000.

Ireland is set to continue as the EU's fastest-expanding economy with growth at 11.4 percent this year, almost four-times the EU average, before slowing to 8.2 percent next
year.

By PAUL AMES, The Associated Press

Friend of Another (10/22/98; 06:43:03MDT - Msg ID:710)

The Birth of the Euro: by Peter Ludlow

THE AUTHOR

Peter Ludlow is Director of the Centre for European Policy Studies, Brussels.
http://www.euro-emu.co.uk/aboutus/thinktanks.shtml#ceps

In T.S. Eliot's poem, The Journey of the Magi, the wise men asked about the journey that they had undertaken together:

were we led all that way for Birth or Death?

To judge by much of the comment that has appeared on EMU in the last few weeks and more particularly over the last weekend, many of those best placed to know seem similarly confused about what it is that is happening.

The pessimists come in various shapes and colours. They include City of London pundits, German professors and, by no means least, ardent Europeans. Despite the very different motives of those involved, their message is remarkably similar. Unless the European Union does not rapidly cobble together a Political Union, EMU can only end in disaster.

Who then is to be believed- those who rejoice at a birth, or those who prophesy death?

It would be tempting simply to dismiss the sceptics with the observation that those who have been so often wrong about EMU in the past have little claim to credence when they pronounce on the future. Contrary to their expectations EMU is being launched on time and with a broad membership. Although, however, a little more humility would not be inappropriate on the part of those who have been proved so spectacularly wrong, it would be mistaken for those of us who always argued that success was likelier than failure to crow too soon or too loudly. The fact is that EMU is itself a journey into the unknown.

That said, there are important clues which point to what it might mean- and, with still
more strength, to what it does not mean. To begin with the latter. One of the more obvious explanations of the errors of those who have said that EMU would not happen - and who now say that it cannot last-is that they have looked at Europe with eyes conditioned by the experience of mature nation states, and more particularly the United States of America. Hence the dreary incantation time after time of the phrase 'history shows'. The past that we need to look at as a guide to the future is not however the history of America or even Germany, but the history of the EU itself. The future will doubtless hold many surprises as EMU takes root, but the political and economic parameters in which the experiment will be worked out are relatively well defined.

In economic terms, the basic point of reference is the Single Market, which though by no means perfect, is a reality of growing- and irreversible- significance to governments, business and private individuals alike. Monetary Union may not be a necessary corollary of the Single Market, but it is certainly a logical one. Almost every sensible list of what EMU is likely to entail in economic terms turns out on closer inspection to be made up of developments which the Single Market already

implies. The Monti initiative on the need for greater coordination and cooperation in tax matters is a case in point, increased transparency in pricing another.

EMU will undoubtedly have an important economic impact in area after area, and there may well be - indeed there certainly will be- important policy initiatives to meet unexpected situations. The policies in question will however work with rather than against the grain already established in decades of experience with a Customs Union and, more recently, a Single Market.

A similar line of argument is germane when we try to assess the likely impact of EMU on the EU's system of government. The first point to emphasise is of course that it is a system of government, even if it is very different in character from government systems at national level.For the purposes of the present discussion its most important features are three. Firstly, it is highly decentralised. Most policies and laws are implemented through national administrations,who are also the key decisionmakers at the 'supranational' level.

Secondly, its central institutions dispose of a budget which is minute compared with those of other 'central' governments, and of no significance in macroeconomic terms, except for some of the smaller, poorer countries who are amongst its principal beneficiaries. Thirdly, to achieve its ends European government relies principally on rules, whether in the form of laws, which have primacy over national law, or discretionary codes of conduct, which because they are jointly adopted and supervised, bind member states to certain standards of behaviour.

The making of EMU is a striking example of the adaptation of a major new project to the underlying realities of this well-established system.

Monetary policy is single and central. The key decisions will however be taken by a Council in which the governors of the national central banks far outnumber members of the permanent executive.

Fiscal policy remains firmly in the hands of the member states with the result that with the exception of a relatively minor sop to Spain in the form of the Maastrict created Cohesion Fund, the size of the EU's central budget has not been altered with the approach of Monetary Union. The buck stops therefore with the member states, which is where, by common consent, the member states want it to stop.

Rules, and more specifically the Stability Pact, will do for EMU what big government does in the nation states.

If therefore we ask what the impact of EMU will be on the EU's political and governmental system, the most reasonable expectation must be that the institutions that we currently have will adapt to the new reality in ways that are consistent with their present ways of operating. They have indeed already begun to do so.

Politically therefore, as economically, EMU seems likely to mean more of the same rather than a revolution. All of which is highly relevant to the question concerning its durability. EMU fits well into the overall political design of the new Europe .This is not the creation of one, two or even three men. Political leaders played their part. But the
dynamics- and therefore the inherent strengths- of the enterprise are not dependent on the survival of a few outstanding figures. Every participating state, and even

those
that are not yet members, has an immense stake in its survival. The chances are therefore that it will survive, even if, like every political arrangement, it has to be adapted to unexpected developments.

Where then, finally, does this leave the British, the Danes and the Swedes who, unlike the other outsiders, the Greeks, had not made any firm commitment on EMU membership. The answer is more complex than is sometimes suggested. EMU is, as this note has argued, so solidly grafted on to an economic and political system of which the reluctant three are effective and valuable members, that the danger of a major split in the EU in the short term should not be exaggerated. The outsiders will not be part of the new EU-11 caucus. They will however be in ECOFIN. Still more to the point, the insiders have absolutely no interest in pushing, or even allowing, them to pursue policies that diverge from Euro-norms. In the short term, therefore, the British and the others will probably suffer no more inconvenience than a small interest rate premium and the uncomfortable awareness that if they do make mistakes in macroeconomic management, they are now more directly exposed to market discipline than any of their EU partners.

So far so good. More significant problems could emerge if entry was postponed indefinitely. EMU is bound to change the way in which its members view each other and the outside world. Once Euro coins circulate there will also be an important psychological impact on the citizens of EMU states. Finally, and by no means least, EMU is yet another stage in the transformation of power politics within Europe and beyond. Over time, therefore, the dangers of remaining outsiders will grow rather than
diminish.

These dangers are particularly important for the British, who because of their size and continuing importance in international relations, have always been more vulnerable to the political revolution that started in Europe almost fifty years ago. The
events of this week-end demonstrated yet again how far even the pro-EU British administration of Tony Blair is from understanding EU politics. President Chirac was, needless to say, the chief culprit. The remark of the Austrian Chancellor that he had just received a very useful lesson in how not to run a European Council is however an
indicator of how far Blair's own reputation suffered. His EU colleagues are still fascinated by him. As the Prime Minister of the fourth poorest country in the Union and an EMU outsider, however, he will have a hard task over the coming months and years to transform admiration for his style into a willingness to regard him as any more than an exotic and unreliable half-member of the club.

Friend of Another (10/22/98; 09:08:07MDT - Msg ID:713)

REPLY To: Goldfly (10/21/98; 21:46:21MDT - Msg ID:708)

Goldfly, Your Msg. #708 was a great theatrical read! All the components of a good drama are revealed as the act unfolds in an opulent tent somewhere in the lost desert.
We need no tickets for this play as this road-show is free and coming to every neighborhood, soon!---------- Your words:
"WHAT -other than supply and demand- MAKES GOLD VALUABLE? What is so great about gold?"---------- Well, that question goes deep into a human need for wealth that

represents ones life long efforts. We could ask the same question about houses, cars,
clothes, art work and the like. Hell, people work, they produce and in exchange they want
items and things. These possessions, in a surreal way are part of your life experience.
Humans all die, but before that, we want to see our Stuff??!! They lord over it, protect it
and try to keep others from stealing it.---------- Look at what happened in
Paris when in WW2 the Germans came marching in. You didn't see those boys grabbing
any French currency did you? They took art work in the form of paintings, gold,
diamonds, RARE COINS, collectors items of every nature. What made those Things so
valuable? Besides supply and demand. ----------Around the same time the American
government was moving much of it's art work out of the White House and storing it in the
Biltmore Estate (the Vanderbilt castle) in North Carolina. Why? Just because they thought
that Washington may be attacked and these National Treasures night be lost? Why were
these Treasures in need of saving but the dollar cash that was used to denominate them
was not? ----------This takes us right to the heart of the question.
What do you, as a real person see as value, the items or the dollar price that represents
their value? Is it the dollar itself that has the value or is it the "Ability Of The Dollar To
Act AS The Denominator Of The Value Of An Item" that creates the need for this
currency? After thinking a while, most people would answer that it is the Denominator
Action that makes this currency Money! ----------Moving further along this line of
reasoning: I now ask in another context of your question "What makes dollars so special"?
----------If money derives it's value solely by being an asset denominator for
use in commerce and trade, then why not gold? Indeed, in it's purest form money is any
real thing. When individuals are able to trade with each other using actual items they grow
or produce, nothing is lost in the transaction. Commerce is complete and the trade is final.
Goldfly, you already know the reason gold was used for so many centuries as money. It
being a real thing that could be divided into manageable bits for trade. People came to this
conclusion, perhaps a thousand years ago. It's only the last sixty or so years of paper use,
that modern analysts proclaim as the history of money! They delude the public by

not
including the fact that our current new form of paper money has precious little historical
precedent. The facts are that gold works as money and it works very well. Unfortunately,
the modern, high speed world we live and trade in requires ink on paper and digital bits to
extract the efficiency of the system. This is truly to everyone's benefit, for as the earth
becomes more crowded, we need to be efficient in commerce. Gold can and will work
very efficiently in the coming financial framework. It is a money function for the 21st
century that will exploit and expose the wasteful ways of the current financial system.
---------- As I mentioned to someone else, I say to you: We will continue
with a paper money system, it's needed for efficiency and it's necessary in complicated
trade. So do the same as others, get past it and get over it. Many world leaders have come
to the same pragmatic conclusion. That does not mean that gold can not be integrated into
the financial landscape, it will. So, the next time you see gold going down in dollars,
remember, it's just a old currency from the past that will devalue any present money that
fails to properly denominate things. ---------- To answer your question: It is the
history of gold being used as money that makes it special, not the current supply and
demand. In the same way that rare paintings have a history of being useful in the life
experience of humans, so too do we hold a life passion for gold. thanks FOA

Friend of Another (10/22/98; 09:26:53MDT - Msg ID:714)

Reply to: Turtle

Sorry Turtle, my mistake. That web site takes you to another (also interesting)place.
Go to http://www.euro-emu.co.uk/ then to "Soapbox archive" to find Mr.Ludlow. This
site has a world of discussion about the Euro. USAGOLD: Michael, you may find this
some very good reading, also.

Friend of Another (10/22/98; 18:28:40MDT - Msg ID:723)

Reply to: scp (10/20/98; 11:24:55MDT - Msg ID:679)

SCP, --------- Your question: "Also.... could you add any other thoughts as to why a
strategy that rekindled the boom in '87 will not work today? ---------- Plain and
simple, the dollar is very late in the time cycle of paper currencies. Don't confuse this with
some trading cycles you hear about. Throughout out the history of paper currencies (short
as it may be), the few that became world accepted major reserves (British pound?) all
headed downhill only after they reached the maximum in popularity and convertibility.
Once every nation began to issue debt, settle accounts, create reserves and in general, use

this major currency as a proxy for their own, it had reached it's limit of expansion. It is a natural decline that occurs in fiat reserve currency monetary systems. As sure as the sun rises in the East, the world moves on, into another money system. We have reached that level today with the dollar. Everyone expects the dollar world to deflate this currency and continue it's use in a depression racked world. No doubt, some of the bets placed today by short sellers of gold involve a deflation read of the current situation. Indeed, we are seeing the contraction effects of this in many countries. However, we now live in a much more advanced economic world than in the past. The history of major currency destruction did not have these factors to deal with. As Aragorn III wrote about platinum in his #612 post: "The modern use redefined the value accordingly"! Another sent me a commit on it. "A stunning statement that in this case can also be applied to the dollar of today." How true! ---------- As the Federal Reserve lowers rates, it will, in time, crush the dollar if an alternative currency is available. It will be and long bond dollar rates will rise as the result. The world will move on because: " The modern use redefined the value accordingly"! Thanks FOA

Friend of Another (10/22/98; 18:32:06MDT - Msg ID:724)

Reply to: Tyler Rose (10/20/98; 16:14:39MDT - Msg ID:683)

Tyler Rose, ---------- I didn't forget about your post, it was a hard one. The URL you gave me took us to a site that offered a book about: "Every statement made in this 185-page book references either a legal precedent, report or letter issued by a government agency, trade publication or known entity in banking and finance. " ! I would not even attempt to go into this area on a forum. ----------Personally, I do not think anyone has a true handle on the legal aspects of multinational interbank federal gold loans if they default. If we place ourselves into context of the events that would accompany such a period, it would be more likely that armies would be called up before all of the parties are paid in gold. Some would be paid no matter what, while most would be left to twist in the wind (I think that is a cowboy / western phrase). Let's wait and read about it in the papers. Thanks FOA

Friend of Another (10/22/98; 18:57:17MDT - Msg ID:725)

Russia and Gold?

USAGOLD, ---------- I also find that the Russian thinking on gold to be an incredible coincidence. Just as you noted today (msg. #717) about the !970s US treasury
gold auctions creating an atmosphere of attention, so do we also have the Argentine gold
auction. I'm sure that the gold detractors are aware from past results that you don't auction gold it you want it to go away quietly. If they do influence the Argentine treasury,
then why is this coin auction taking place? And doing so just as the Russians are about to
bring gold back as money! I wonder if the use of gold by the old USSR will bring them
closer to Bonn? Or is it Frankfurt or Berlin? No doubt Russia knows where the ECB and
it's Euros will be located? FOA

Friend of Another (10/22/98; 19:05:54MDT - Msg ID:726)

Item!

ALL: I read this somewhere: "The US is now considering printing the old $500 and $1000 note of 1934 only using the new currency format." . ---------- In another
interesting coincidence, the Euro will also be issued in (I think) 600 Euro notes? It was
noted that these larger bills would make the Euro more useable. Is the US concerned about this new currency? Just a thought?

Friend of Another (10/27/98; 17:26:42MDT - Msg ID:819)

RETURN

ALL: ---------- I have been reading some of the very interesting posts that were presented
these last few days. Tomorrow I hope to also offer some commits and replies. The world
has created a very active period for everyone's consideration! FOA

Friend of Another (10/27/98; 18:05:17MDT - Msg ID:820)

http://www.iht.com/IHT/TODAY/TUE/FPAGE/eu.html

FOA NOTE: as written below! ---------- "Britain's decision to drop its long-standing opposition to giving Europe its own defense capability, so that it
could act independently of the United States in dealing with
security issues in its own area, opens up a whole new area for
debate."

Paris, Tuesday, October 27, 1998

EU Leaders Taking The Activist Route At Summit, New Roles for Community ----------
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By Barry James International Herald Tribune ----------

BRUSSELS - European leaders had no ready answers on Monday to the question of how they could bring the European Union closer to its citizens.

That was supposed to have been the theme of a special summit meeting in Austria over the weekend, but instead the global economic crisis dominated the discussions.

Nevertheless, from a meeting that had no formal agenda and promised no decisions, the conclusion emerged that citizens expect the EU to do more in some fields, such as creating jobs, but to interfere less in other areas best left to governments.

Thus a proposal from the president of the European Parliament, Jose Maria Gil-Robles, for a Europe-wide income tax to pay for EU institutions went nowhere. Mr. Gil-Robles argued that Europeans would appreciate Europe more if they paid for it directly instead of indirectly through their governments and if they realized that the EU costs each citizen less than the price of a cup of coffee each day.

But the government heads judged that this was precisely the kind of idea that was most likely to drive citizens away from the idea of a united Europe.

The summit meeting opened the way, however, toward closer economic integration and a more active role for the EU in common political and security problems, areas where the leaders judged that Europeans were looking for more decisive action rather than less. They also decided to work more closely together in tackling organized crime and illegal immigration, both issues that were judged of major common interest for citizens in most European states.

The emergence of a social democrat as chancellor in Germany and a former Communist as prime minister in Italy was described by most commentators as a turn to the left. But Prime Minister Jose Maria Aznar of Spain, one of only two right-of-center leaders in the EU, saw it differently. He said the conference had shown that the left had moved toward the center, and that he did not feel in the least isolated.

Europe has until recently been divided between the demand for strict fiscal austerity to underpin its imminent single currency and the call by some other countries for a political counterweight to the new European Central Bank.

The dogmatism appears to be evaporating now that Germany has a finance minister, Oskar Lafontaine, who seems equally attuned to the idea of economic government. Antonio Guterres, the Portuguese prime minister, said Europe now had a "human climate" that contrasted with "the experiences of the past."

Some analysts said this development was inevitable. Putting monetary policy in the hands of the central bank and leaving fiscal policy in the hands of the governments, they said, was bound to lead to increasing coordination of economic planning and perhaps eventually of taxation strategies as well. And the recessionary wave in much of the world meant that all EU governments were worried more about deflation than inflation, they added.

But there are likely to be more questions in future about the extent to which the bank should operate independently of the economy. Officials pointed out that even an inflation-fighter like Alan Greenspan, the chairman of the U.S. Federal Reserve, took market and economic conditions into account when setting interest rates.

The leaders also have started to give serious thought to the question of why Europe is such an economic giant and such a political pygmy. Britain's decision to drop its long-standing opposition to giving Europe its own defense capability, so that it could act independently of the United States in dealing with security issues in its own area, opens up a whole new area for debate.

While the Austrian summit issued no documents, it illustrated a change in thinking that may lead to more specific action on issues such as job creation, joint public works and the appointment of a head of foreign and security policy when the leaders next meet, in Vienna in December. Mr. Gil-Robles philosophically accepted that it might be many years before his idea saw the light of day.

Friend of Another (10/27/98; 18:10:39MDT - Msg ID:821)

http://www.iht.com/IHT/TODAY/WED/FIN/euro.html

Paris, Wednesday, October 28, 1998 ----------

2 Bundesbank Officials Reject Rate-Cut Calls

By John Schmid International Herald Tribune

FRANKFURT - Escalating a feud that some German central bankers fear could complicate the introduction of the euro, the Bundesbank on Tuesday fired more salvos against the growing political pressure for lower interest rates.

Two Bundesbank officials, one from each side of the political spectrum, rejected calls to lower interest rates as a way to stimulate economic growth. They added their weight to the arguments of the Bundesbank vice president, Juergen Stark, who Monday decried the developing "climate of conflict" between politicans and the politically autonomous European Central Bank, fearing it would damage the Jan. 1 introduction of the common currency.

Significantly, one of the Bundesbank board members who played down any chance of cheaper credit this year was Hans-Juergen Koebnick, who is a member of the Social Democratic Party. The Social Democrats, who took the oath of office Tuesday to head the new leftist German government, have led calls for lower rates as a way to tackle Europe's persistently high unemployment.

From the other side of the political spectrum, another Bundesbank board member, Franz-Christoph Zeitler, insisted that Bonn's new leaders were misguided in advocating lower interest rates as a painless economic remedy.

Political leaders "should not create the illusion of being able to overcome and push aside structural problems with forced interest rate cuts," Mr. Zeitler told a bankers' conference in Munich. "A historically low rate level places on us the responsibility of keeping our powder dry for any crisis-like development, which is not foreseeable but at the same time cannot be ruled out."

But a rate cut in response to political pressure "would be poor use of our firearms," he added.

The latest calls for expansionary economic policies came over the weekend at a summit meeting of European Union leaders, where 11 member of the 15-nation bloc now have left-leaning leaders.

Mr. Stark said on Monday, "Recent calls to loosen the reins of monetary policy in order to promote employment are just like the call for a more expansionary fiscal policy - neither is helpful nor appropriate."

Friend of Another (10/27/98; 18:15:32MDT - Msg ID:822)
http://www.iht.com/IHT/TODAY/WED/FIN/gitic.html
Paris, Wednesday, October 28, 1998

GITIC Bond Default Shakes China Creditors

Foreign Banks Move to Reassess Exposure

By Philip Segal International Herald Tribune

HONG KONG - One of China's most prominent investment companies has defaulted on an international bond payment, banking officials said Tuesday, the first time such a Chinese company had done so since the Communist revolution in 1949.

At the same time, a new report indicated that Chinese corporate debt held by overseas banks - largely in Japan and Europe - might stand at more than double the previous

estimates, even as doubts spread over how much of it would be repaid.

The default by Guangdong International Trust & Investment Corp., known as GITIC, immediately raised the question of whether the Chinese government would stand behind the huge debts of China's regional investment companies, including Guangdong, as financial tremors continue to shake Asia and the growth of China's economy slows.

Guangdong defaulted on an $8.75 million interest payment on a $200 million bond, according to Joanne Shephard, a Chase Manhattan Bank spokeswoman. In the past, China has always repaid foreign loans from shuttered institutions, but Guangdong is different, possibly heralding a new and much more risky phase in the financing of China's development.

Since the bankruptcy of Guangdong on Oct. 6, information has been slow to emerge about the exposure of foreign banks to China's other international trust and investment companies, known as ITICs, which are backed by the Chinese government or by provincial governments to raise money abroad.

Potentially more worrying, however, is the debt of Chinese companies known as "red chips," which are incorporated in Hong Kong and quoted on the stock exchange here but controlled by Beijing. According to a report by Goldman, Sachs & Co., the red chips may have borrowed more than twice as much money from overseas banks as was estimated earlier this month.

"We estimate aggregate debts for major red-chip companies amount to 100 billion Hong Kong dollars," or $13.35 billion, the report says

Analysts say that, like the international trusts, red chips have used a lot of their borrowed money to invest in speculative real-estate deals and the stock market. Foreign banks have lent to red chips "without examining credit risks carefully," Goldman Sachs said. This, the U.S. firm said, was because of a "perhaps mistaken assumption" that, in the event of cash flow problems, the government-supported parent companies in China would "eventually honor the payments."

Goldman added that leading bank lenders to ITICs represented a "veritable 'who's who' of global banks, including CS First Boston, Commerzbank, Dai-Ichi Kangyo Bank, Dresdner Bank, Sakura Bank, Fuji Bank, Sumitomo Bank, SocGen, Westdeustche Landesbank." It added that according to the Hong Kong Monetary Authority, 80 percent of exposure to the ITICs was on the part of foreign banks.

The backing of the Guangdong provincial government was once

thought to be enough to guarantee the survival of Guangdong, but that has been proven wrong, a lesson that could extend to other ITICs or red chips that run into major financial trouble.

Two clearing houses in Europe - Euroclear of Belgium and Cedel Bank SA of Luxembourg - said Tuesday that they had already credited some bondholders and may now revoke those payments, Bloomberg News reported.

GITIC was famous for its frosty relations with the central government, one reason analysts believe it was shut down before any other large ITICs from other provinces. But lenders who had hoped that Guangdong was a badly managed, one-of-a-kind company might want to reconsider, analysts said. After a series of company visits, Mehdee Reza, a Credit Suisse First Boston banking analyst, said that among Hong Kong's bankers, "GITIC was perceived as being the most financially sound" of the ITICs.

Banks from Japan and Germany have been named so far as the biggest lenders to the international trusts, although according to Basis Point, a newsletter that monitors credit markets in Asia, the single most exposed lender to Guangdong might have been Union Bank of Switzerland AG, which has since merged with Swiss Bank Corp.

In March 1997, UBS undertook a $205 million floating-rate note for Guangdong Infrastructure Ltd., which is also controlled by the government of the southern province of Guangdong.

GITIC acted as a guarantor for that deal, and GITIC itself gave UBS a mandate in August 1997 to issue a $100 million five-year note in its name, Basis Point said.

The newsletter's editor, Stewart Man, said Basis Point had never heard anything further from UBS about the deals, and UBS declined to comment.

Since GITIC was shut down, two more international trusts from Guangdong Province have failed to meet interest payments.

One, a company backed by the municipal government of Guangdong's capital, Guangzhou, failed to make a payment of a $30 million loan arranged by Societe Generale SA of France. Like many of the largest lenders to the international trusts, Societe Generale also loaned a lot of money to red chips and, according to Goldman Sachs, was one of the principal bankers of Guangdong Investment.

Another major lender to international trusts is Commerzbank AG of Germany, which a week ago failed to receive a payment from another international trust on a $70 million loan

Friend of Another (10/28/98; 18:38:34MDT - Msg ID:831)

Platinum?

This is an interesting observation. Today, Wed. 28, the Dec. Platinum contract on the Comex fell $4.50 US to $339.10. I bring this up because of the number of analysis that
use Platinum as the premier supply and demand vehicle. Many have urged it's purchase as
a stand-in for gold. The reason given is the overwhelming demand for commercial use and
it's investment appeal. Yet, with all of these factors firmly in place, it cannot override the
paper currencies markets. Some brokers, recently, cannot obtain the metal at all, let alone
coins and still no rise in price. ----------
What can we gain from this price action? The point is that Platinum and Silver, just like
gold, are also subject to the pressures of a paper money market. However, where gold is a
currency for THESE modern times, the white metals are an almost money created by a
commercial need IN these modern times. ---------- We should remember that the history of gold as money provides a use far deeper than any other metal
that offers a "good story" and a short past! If we intend to hold a metal for the security of
money, examine it's record of use as a medium of exchange to find it's demand in the
future. Perhaps Platinum will perform as a function of it's modern fundamental supply and
demand. Or, will it in the future, as in all commodities, find a new price in terms of gold?
------We shall see. ---------- FOA

Friend of Another (10/28/98; 19:27:48MDT - Msg ID:832)

Msg ID:826 ?

Junior (10/28/98; 03:47:11MDT - Msg ID:826)----------
The Currency War is Very REAL----------
WEDNESDAY OCTOBER 28 1998 Financial Times - London
Columnists

Junior, ---------- That was a good article! The most important concept to grasp from the
many thoughts about the Euro and the ECB is this:---------- The EMU is going to come
about during a time of a world disorder that heavily impacts the currencies. During this
time, if the USA is engulfed in this economic crisis, it's dollar will be under pressure unlike
anything seen before. With the loss of an anchor currency, gold will naturally receive a
huge influx of demand. However, gold is not a CIRCULATING currency and as such cannot represent the wealth of nations in this format. Because a non-circulating currency is

held for security and as a reserve, during times of crisis, it's velocity becomes frozen. ---------- This nature was well understood and considered when building the Euro. In
modern times, a currency destruction that leaves only gold as a medium of exchange,
would drive it's real value to infinity, without any means of conducting commerce. Somewhat the position of Russia today, but without any other world moneys in existence.
For this reason, gold was to be held fast (as much as possible) until the Euro is created.
Even in the heat of an impending currency war, gold does not move. In time, the Euro will
become the transactional currency for gold in a true free market. Gold will increase in
value and as such expand that currency to an extent as to allow it to represent all commerce. Unlike the American dollar that limits gold as a basis for money expansion, a
rising gold price will expand the Euro for the benefit of all. The future drifting (contracting) economies will find new life in a "lose" Euro. Lose in terms of a gold structure, not the current debt structure. Low interest rates will go hand in hand with a
strong free market price of gold. ---------- As good money drives out bad, gold
will drive investors into the Euro and away from failing systems. I will expand on this another day. Thanks FOA

Friend of Another (10/28/98; 19:45:24MDT - Msg ID:833)

ValuePro (10/26/98; 09:57:40MDT - Msg ID:804)

ValuePro, ---------- Hello!, Your partial post: ------ "Who's next? Argentina? Mexico (again)? How many nations can be bailed out before cash and credit are stretched to the
max.? To sustain a continuing stream of such bailouts, the credit markets and monetary
printing presses will have to keep working overtime leading to the devaluation/demise (via
inflation) of all fiat currencies." ---------- Yes, even my untrained eye can see that
we are approaching the end of a currency life cycle. When all of the debt can no longer be
rolled over, the world does not end. It moves on, into another fresh system! This current
contraction will not create a deflation as it did in the past. It will involve a rollover that
will balance the losses for some with the gains for others. Will your wealth balance in this
event? FOA

Friend of Another (10/28/98; 20:51:57MDT - Msg ID:838)

Discussion?

USAGOLD, Thanks for the welcome! Your post # 834 shows the world to be a very busy place. It is indeed. ---------- Another had pointed out perhaps a year
ago that a storm approaches the American shore from across the Pacific! That cold

air you
feel in Colorado may have arrived from Japan? The next financial weather storm (also
pointed out by "A") should arrive from the South. South America! ----------
--- It
seems that all of the major US trading partners that rely heavily on financial support from
Washington are in line to sink with the dollar economic system. Their financial support
comes in the form of a large American trade deficit. Even Japan, with it's major currency,
the Yen, must have a trade surplus in dollars to prevent a political and economic
breakdown. Everyone thinks the Japanese will just sell their dollar reserves and begin a
new reserve currency or buy gold. They may try, but Industrial Japan is built to sell! It is
not their culture to buy and consume. This same culture is prevalent in all of the major
third world economies that live to export to the USA. They will keep their currencies
below the dollar even if it means riding the ship down, so to speak. ----------
---
However, it is this very action of selling to the dollar that now so aggravates and speeds
the destruction of this currency. The world is close to the limit now as country after
country comes to Washington and asks for a larger share of the US market. A market that
may not exist soon? ---------- As in my other post, I will
expand on this later. Thanks Michael, FOA

Friend of Another (10/28/98; 21:22:10MDT - Msg ID:840)

Reply to #836!

Gandalf, ---------- Hello!------ Your Number two about #832? Not tight! Loose is
correct! Thanks for pointing that out. Did I lose the "o"? ----------
Your number one about #831? ---------- I will add to this in the first post of M to Noon
29th.. Thanks FOA

Friend of Another (10/29/98; 08:15:54MDT - Msg ID:843)

REPLY TO: Gandalf the White (10/28/98; 20:11:32MDT - Msg ID:836)

Gandalf, ---------- Your words: ---- "could you please give us YOUR opinion on the
direction of the POP related to the POG, and WHY ?" ----------
Platinum, today, is a good investment. And, as a thinly traded, rare metal, it will always be
attractive as a portfolio holding. It will also rise in price in paper money terms. The
problem is that many people have been sold on the idea that it is a substitute for holding
gold. Much of this analysis comes from it's past price history in dollar terms. During this
short time, (twenty years?) Platinum sometimes held a premium to Gold. Some sharp
operators use this history, combined with a good story, to offer that Platinum will always

appreciate faster than gold and hold it's premium. ---------- I submit that that was yesterday's news. The demand for this metal, as represented in today's offtake, is all there
is. No hidden demand, no coming change in use and no future demand as a function of
money. No entity is building a stock of Platinum because it will be used to back a currency
or be used as an official coinage (Russian Gold Coins? Islamic Dinar? Gold Euro?). It has
a commodity demand as a rare metal used in a modern application. In this limited use, if
it's value rises, more metal will be found to supply the industrial need. The total possible
forward demand is not that overwhelming when the commodity use is the only true offtake. Yes, coin demand is part of offtake, but these coins in private hands must be viewed as only another form of industrial supply storage in the event of greater need. Will
this function create a higher price? Of course, but a higher price in terms of a typical investment in commodities. No More! With this in mind, I do own Platinum.
---------- As for Gold, the same operators that push for a total commit in Platinum,
often make the mistaken point that the large stockpile of world Gold has no large commercial demand basis. Therefore, as the holders of this metal realize that this Gold will
take fifty years for Jewelry demand to absorb, they are rushing to unload it before it goes
to $50 US or less! This is a good point if you are selling a leveraged idea to a customer
with a limited background of reference to the history of money. This offers a possible client base encompassing the entire Western world (Except for those that have read Mr.
Kosares's ABCs). ---------- At present prices, the entire stock of world gold (I
said Entire Stock) could be sold to persons / nations that wish to remove themselves from
a collapsing dollar debt financial system. At lower prices still, even a smaller handful of
investors would take it all. The purpose of this buying would not be to take advantage of
the commodity / jewelry demand of gold. The advantage expressed in the buying of gold is
presented as: ------ transferring your wealth into a historic vehicle that has performed the
function of "a medium of exchange" and done so in time cycles that outlive civilizations!
Obviously, this forward type of thinking involves motives that take into consideration the
long-term transfer of wealth within a family. Not a daytrade! ----------Gandalf, this my
friend, is the kind of motivation that creates real demand for a substance. A type of human
need that is not presented on charts and cannot be explained in a leveraged brokers office.

This kind of historic demand for real money will reassert itself soon and will dwarf all possible supply, in ground and above. It is possible that in the future, one ounce of Gold
equivalent will be commonly used to purchase twenty ounces of Platinum. ---------- Perhaps a good ratio for investment? Thanks FOA

Friend of Another (10/29/98; 09:00:41MDT - Msg ID:844)

Reply To: USAGOLD (10/28/98; 21:56:55MDT - Msg ID:841)

USAGOLD, ---------- Your words: "Unfortunately, we are witnessing the breakdown of
the international post World War II economic arrangement with the dollar at its epicenter.
The next question to be discussed? What will replace it?" ---------- Michael, the
entire seed of human existence has sprouted from the rain of gloom and despair that so
clouds our vision concerning the future. Seldom do our kings and elected leaders plot a
true course that avoids the long-term destruction of wealth. One does never wish for their
assets to be denominated in the currency of a foreign nation. It is in this very fear that so
many investors find the reoccurring cycle of a common world currency, Gold. It belongs
to no national entity and yet it's value as an exchange medium is held endearing
throughout history. ---------- Currencies come, are brought to their limits of debt,
lose (correct word Mr. G.?) the usefulness of exchange from the fraudulent imposition of
exchange intervention and are discarded by people. Look to Brazil, Mexico, Asia and we
see that no government can force fiat money to hold value. These people adjust there by
using dollars as the lesser of two evils. In America, you will also view the currency of gold
as the choice of necessity. ---------- As we make this journey through life,
the fading dollar will be but another financial obstacle the world must scramble around in
it's quest to move on. The Euro is the future, bungling bureaucrats and all, and gold will
be the anchor. No brand new currency reserve system has ever evolved without Gold and
the Euro will be no different. This colossal change in evaluating wealth will destroy so
many assets that gold will be forced into a center stage with this new paper currency.
Avoid it? We will not. Far too many conservative entities will not risk their children's /
nations future on the Old Europe Order without the Old World Order of Gold as
insurance. ---------- We play an old game in modern times, a game many have never
known? We shall see? thanks FOA

Friend of Another (10/29/98; 10:28:53MDT - Msg ID:845)

Reply to: PH in LA (10/17/98; 13:35:54MDT - Msg ID:622)

PH, ---------- Thank you for the compliment of my old post in your old post. I would
like to reply to your question also. ---- Your words: --- "Would you care to comment as
to why the worldwide debt as denominated in dollars was allowed to cease to expand at
this time (late 1980s)?" ----------Even in today's engineered society, it is the interaction
of human wants and desires that make the world turn. In the simplest of terms, modern fiat
currencies are created through borrowing (the creation of debts as assets) by individuals.
When enough debt is created that all assets have been borrowed against, the borrowing,
on a net basis, no longer expands the currency. With the currency no longer functioning as
an economic expansion tool, it's most useful reason for existence is lost. In this stage, the
federal treasuries and CBs no longer have the power to control their money. The
government response concerning local money, takes on the function of only lowering
interest rates to protect the economy / banking system. Later this function is transformed
by necessity to raising rates to protect whatever viability the money has in the open
market. ---------- As you made mention about Japan, we also see this. They lowered
rates to almost zero during the local economic protection stage, and will at some time
begin to raise rates to protect the Yen as their economic dependence on the dollar drags
them down. ---------- In this light we can see that entities such as the US Federal
Reserve have little power to maneuver during the last days of their currencies time life.
This cycle that began during the late 1980s was not a "created" event, but rather an
inevitable transition. At first the local equities markets explode, only to be followed by an
even greater contraction that usually traps investors in bad positions. The final run into a
world class money, gold, usually leaves all paper investors with thoughts of "how could I
have been so blind"! It seems that young people grow into an new world of finance that
always returns to the lost world of simple sensibilities. thank you, PH FOA

Friend of Another (10/29/98; 17:54:42MDT - Msg ID:852)

ALL!

Aragorn III , ---------- Thanks for expanding these thoughts through the eyes of
others. Yourself, Kiwi and Gold Dancer offer a benefit to all readers. Perhaps they will
post here also? ----------
USAGOLD, ---------- Japan and Asia will have a tough time moving from the

dollar. I'll
offer my thoughts on this later. thanks FOA

Friend of Another (10/30/98; 05:55:10MDT - Msg ID:859)
NEWS: http://www.iht.com/IHT/TODAY/FRI/FIN/real.html
Paris, Friday, October 30, 1998

Brasilia Sees Problem on Tax

BRASILIA - Brazil's Congress should approve the bulk of the government's fiscal austerity plan, but there might be opposition to a key tax increase on many financial transactions, the leader of the lower house, Michel Temer, said Thursday.

Members of Congress were expecting an increase in the tax rate to 0.3 percent from 0.2 percent, but the $84 billion fiscal austerity plan unveiled Wednesday would push the rate up to 0.38 percent.

"There isn't resistance to an extension nor to an increase to 0.3 percent, but rather against the extra rise of 0.08 percent," Mr. Temer said.

Financial markets in Brazil were downbeat on the prospects for the austerity plan, which was introduced Wednesday and is a prerequisite for an international rescue package. The benchmark Bovespa stock index fell 288.11 points, or 4.22 percent, to 6,538.40.

Friend of Another (10/30/98; 07:33:54MDT - Msg ID:860)
Travel!
ALL: ------ Once again, on very short notice, I must leave for a few days. This should be
the last trip for several months. I know that Another has already returned and will be having much to say soon (and give me some rest). Between now and the first months of the new year, we should
be given more to think about than wanted. Thank You and good night FOA

Friend of Another (11/11/98; 09:41:11MDT - Msg ID:951)
Returned.
ALL: I have returned from a long trip that came with short notice. As soon as possible, I will begin to post my replies and, more importantly, send in Another's Thoughts (several).
He will be joining this forum in a major way over the next few months. He has a lot to discuss, so I (FOA) will be posting only intermittently over the next few days and weeks.
thanks

Friend of Another (11/11/98; 19:12:56MDT - Msg ID:958)
From the FT Times!

Fund managers predict euro will rival dollar

The euro, its proponents claim, will change everything. Companies are starting to merge and reorganise on that premise or promise. Many of the changes so far have been tentative. But at least in one area, a radical reorganisation is underway. It could have a large impact on the character of the Europe's single capital market.
Global fund managers now believe the euro will be a strong currency in relation to the US dollar and will soon rival the dollar as the preferred currency for debt issuance.
These findings, contained in a report issued by Deutsche Bank today, stem from the largest survey yet conducted on global investor views on Europe's future single currency.
Investors were worried that a broad European monetary union, which included Spain and Italy, would mean a weak euro," said Ifty Islam, a senior economist at Deutsche Bank. However, this view has altered sharply.
Economists say the change in attitude towards the euro has come with the realisation that the euro zone will have a large structural trade surplus - estimated at $100bn, or 1.5 per cent of the euro zone's gross domestic product.
The US, by contrast, is expected to record a trade deficit of about $140bn in 1998.
Italy and Spain regularly post trade surpluses, indicating their membership of the first wave of Emu could help strengthen the exchange value of the future single currency.
In addition, the European Central Bank is expected to take a more hawkish stance on inflation than the US Federal Reserve, implying that monetary policy will be tighter in the euro zone than in the US, according to Deutsche Bank.
A total of 193 global funds, including a number of central banks, took part in the survey, representing $7,500bn worth of funds, or about 25 per cent of total worldwide funds.
A large majority of US fund managers, with collectively almost $2,000bn worth of funds under management, said the euro would have a strong exchange value the US dollar.
In addition, 73 per cent of the investors polled, including a majority of US fund managers, said the euro would rival the US dollar as the preferred currency for debt issuance within five years.
As central banks are among the main investors in bonds, this implies that the euro could also rival the US dollar as a reserve currency by 2003. At the moment, about 50 per cent of all international bonds are denominated in US dollars, compared with about 25 per cent in euro zone currencies.
The report suggests, however, that the growth of a broad, US-style corporate bond market in Europe could take longer than many have anticipated.
More than 50 per cent of the funds polled, of which about half were located within the euro zone, said regulations prevented them from buying securities rated below single A by Standard & Poor's and Moody's Investors Service, the rating agencies

http://www.ft.com/specials98/q507e.htm

Friend of Another (11/13/98; 06:38:04MDT - Msg ID:969)

THE ECONOMIST: "the euro mightdrive down the dollar by 40%"

EURO BRIEF
The international euro

The euro will, at a stroke, become the world's

second-biggest currency. But, as the fifth in our series of briefs explains, it is less clear whether and when it might challenge the dollar's dominant role in the world financial system

UNTIL recently, few outside Europe paid any attention to the euro. American policymakers maintained a conspicuous silence, commenting only that what was good for Europe was good for America. Asians were too preoccupied with their own crises to worry about a new currency half a world away. And Europeans themselves were too concerned with the mechanics of the single currency to think about its international impact.

Partly as a result, there is remarkably little consensus on what that impact will be—and even less on how to respond to it. The one certainty is that the euro will immediately be a major international currency, second only to the dollar. It is striking that, in economic and financial terms, the euro-11 countries are a close match for the United States. Their combined GDP in 1997 was $6.5 trillion, compared with America's $8.1 trillion. Their share of international trade outside the euro area (19%) is a shade larger than that of the United States (17%). Taken together, bond markets in euro countries are somewhat smaller than America's—although Europe's equity markets are much smaller than Wall Street.

The dollar's role in international finance is, however, far bigger than

America's relative weight would suggest. It is the main currency used for the world's trade and investment. Roughly half of world trade is invoiced in dollars. Almost all commodities are priced in dollars. According to a recent survey by the Bank for International Settlements, the dollar features in at least one side of 87% of all foreign-exchange transactions, the D-mark in 30%, and other euro-member currencies in only 24%.

Although the dollar's share of international bond issuance has fallen substantially since the early 1980s, over 50% of international notes and bonds are still in dollars, compared with 28% for the combined euro countries. Bank lending shows the same dollar preponderance: 45% of cross-border loans are dollar-denominated (see chart 1).

Almost half the world's foreign-held bank deposits are in dollars. The dollar's weight in private international transactions also makes it the currency of choice for countries' official reserves. In 1997 some 57% of the world's reserves were in dollars, though the greenback's share has fallen in the past two decades (see chart 2).

America derives several benefits from the dollar's dominant international role. There is, first of all, the profits to the state from its monopoly issue of notes and coins. Seignorage from dollars held abroad may be worth some 0.1% of American GDP.

The dollar's predominance in bond markets also gives America a "liquidity discount" on government debt. The liquidity of the bond market allows the Treasury to pay a lower premium to buyers. Richard Portes of the London Business School and Helene Rey of the London School of Economics have estimated that this discount is worth between 25 and 50 basis points (hundredths of a percentage point). Given that non-residents hold about $2 trillion of American government debt, that implies an annual saving of $5 billion-10 billion, similar to the gains from dollar seignorage.

The third and perhaps biggest advantage that America gains from the dollar's dominance is the ability to finance its current-account deficits in its own currency. Charles de Gaulle famously complained that the

exorbitant privilege of the dollar "enabled the United States to be indebted to foreign countries free of charge." In fact America pays interest on all the government debt it issues. Yet de Gaulle had a point, even so. America might have far more difficulty running huge current-account deficits if the dollar were not the international currency of choice.

Euro challenger

At the very least, the arrival of the euro might threaten America's ability to continue reaping such benefits. But is it also possible that Europe could start to take them for itself? That depends in the first place on how quickly the euro's international role will grow. And the answer to that will also go a long way to answering a related question: will the euro be a strong or weak currency? In particular, will it appreciate or depreciate against the dollar?

Economists considering these questions fall into two camps. In one are the enthusiasts, who reckon that the euro will be a strong and stable currency that will rapidly challenge the dollar's predominance, largely because investors will diversify their portfolios into euros. They also think this will happen quickly—in line with the speed of today's international capital markets.

In the other camp are the sceptics, who think the euro will need to establish a track record before investors move into it. They also reckon that inertia, for instance in reserve diversification, could benefit the dollar for several decades. They point to the lessons of history: sterling maintained its status as a globally dominant currency long after Britain's economic hegemony was over.

Fred Bergsten, director of the Institute for International Economics, is the most prominent American enthusiast for the euro. He expects the European Central Bank to pursue a tight monetary policy. He also expects investors, and central banks, to shift a substantial part of their assets out of dollars and into euros, commensurate with the euro area's relative economic weight.

Ultimately, Mr Bergsten thinks that around 30-40% of world financial assets will be denominated in euros, with 40-50% denominated in dollars, and the rest in yen and smaller currencies such as the Swiss franc and sterling. Such a portfolio shift could imply a one-off transfer of between $500 billion and $1 trillion

into euros. And if that happens as fast as Mr Bergsten expects, it will push the euro up against the dollar.

Mr Portes and Ms Rey are also enthusiasts, though their analysis differs from Mr Bergsten's. They argue that a key determinant of the euro's future significance will be the transaction costs of using the euro in foreign-exchange and securities markets. As Europe's capital and securities markets integrate, becoming deeper and more liquid, these transaction costs will fall. Lower costs will make investment in the euro more attractive, in turn increasing volume, further reducing costs, and so on.

Lower transaction costs in foreign-exchange markets will also increase the euro's attraction as a currency for denominating trade. If there are further institutional changes in Europe's financial markets, and if Britain, which has better developed capital markets than the continent, joins the euro, the two economists reckon that the euro could easily challenge the dollar—and again, that the challenge could come quite fast.

The sceptics' case

How realistic are these claims? Many economists, particularly in central banks, are sceptical. They point out that the euro is still untried, and that markets will need time before they trust it as a stable store of value. More important, investors have historically shown a "home bias" in their portfolio allocation. For a net portfolio shift towards the euro to occur, foreign investors must hold more assets in euros than they did in its constituent currencies.

Nor is a single capital market entirely guaranteed. As Peter Kenen of Princeton University points out, a single currency does not mean that Europe's bond markets will become completely unified. Although the euro will eliminate intra-European exchange-rate risk, it does not mean that German and Italian bonds become perfect substitutes. Differences in default risk and tax treatment will mean that individual bond markets remain segmented—though to the extent that they are less so than now, the euro may still gain.

Sudden shifts in official reserve holdings are also unlikely, despite the disproportionate size of the euro area's own reserves. Once the euro is introduced, the national central banks of the euro area will hold relatively high stocks of foreign reserves that they will no longer need because much of what is now "external" trade will become intra-euro trade.

Estimates of these "excess" reserves range from $50 billion to $230 billion. Central banks will at some point want to reduce these.

Other non-euro central banks (which hold a total of some $775 billion of dollar reserves) might also want to hold more euros and fewer dollars. If official dollar reserves were sold suddenly, there would clearly be downward pressure on the dollar; but central bankers will surely want to avoid doing anything to destabilise currency markets, so they are likely to move slowly. In any case, official dollar holdings are small compared with America's overall international assets and liabilities, which, according to the IMF, are of the order of $3.5 trillion and $4 trillion respectively. What really matters, therefore, is the behaviour of private investors.

The relationship between portfolio adjustment and the euro's exchange rate is complicated. In theory, if private demand for new euro assets matched the supply from governments and firms that will borrow in euros, there might be no effect at all. In practice, however, a substantial exchange-rate effect can be expected—mainly thanks to the pattern of current-account deficits and surpluses between America and Europe.

If demand for euro assets comes from outside Europe, the resulting inflow of capital to the region means that it would have to shift from today's huge current-account surplus (1.8% of euro area GDP in 1997) to a big deficit to accommodate it. America, in turn, would be forced to trim radically its current-account deficit of 2.1% of GDP in 1997. Such a swing would probably be engineered by a huge change in exchange rates, with the euro rising sharply against the dollar. Moreover, if the demand for euro assets then rose faster than their supply, the euro would continue to appreciate. To give some idea of magnitudes, Mr Portes and Ms Rey have suggested that a portfolio shift of $700 billion into the euro might drive down the dollar by 40%. Such a change would, to put it mildly, have a big impact on the global economy.

The European Central Bank's monetary policy (and also the fiscal policies of euro member governments) will, of course, influence both the demand for the euro and its price. So the biggest question of all is: will the ECB, which has a treaty obligation only to pursue price stability, take much notice of the euro's exchange rate? Like America and Japan, the euro area will be a

relatively closed economy: external trade will account for a mere 10% of GDP. It may be tempting for the Europeans to mimic the "benign neglect" that they have often accused the Americans of following for the dollar. Indeed, some economists think that, with the world's two major currencies concentrating exclusively on domestic goals, currency instability might increase.

Hence, perhaps, the renewed calls for more formal international co-ordination. At its simplest, this might mean no more than closer co-operation among the main currency blocks—the dollar, the euro and the yen. But there have also been calls for "target zones" for the euro and other currencies—most recently suggested by Germany's new finance minister, Oskar Lafontaine, in talks with his French opposite number, Dominique Strauss-Kahn, though the motivation of both men seems to be to ensure that the euro does not appreciate too far rather than a sudden conversion to the notion of target zones for the good of the world economy.

Formal exchange-rate targets seem infeasible, even if some co-ordination between the world's major currencies might be desirable. For one thing, it is hard to see them working for the euro, given the confusion over responsibility for it in international arenas (see article). Nonetheless, a lesson of the 1930s is that the existence of two semi-dominant currencies (in that case, the pound and the dollar) can be destabilising. Third countries, in particular, can suffer from large currency swings. The challenge facing the Europeans (and others) will be to harness the benefits of their increasingly important new currency, while at the same time minimising the risk of any such negative global consequences.

http://www.economist.com/editorial/freeforall/current/index_bb0227.html

ANOTHER (11/13/98; 09:00:41MDT - Msg ID:970)

Thoughts!

All:---------- I received this E-mail from USAGOLD with thoughts and questions. To this I will
reply and more. ----------
Mr. PH in LA, you write: "I find myself wondering how much of your understanding is based on hard knowledge and/or how much on supposition"?----------
Sir, in the course of human
affairs, it is a mistake to accept "intentions to act" as "hard fact or hard knowledge". The books of history are well written of our society as they make plans to travel in one
direction only to find a better path as time progresses. No leader or king has ever

made a
decision that is not questioned or perhaps changed after enacted. Your own congress does
make the laws, only to change them for the better as thoughts intertwine!
In matters of finance, law and defense, orderly conduct requires a plan of action weather it be correct or
not. This is the social way our peoples require, yes? Government without a plan that is
accepted as "hard knowledge" by all does lead to chaos. As you consider this, I continue:
My "Thoughts" make supposition of the "hard knowledge" I possess, for with many years I know well the plans that are made! But, as written here, "as the course is set, it remains
for the captains of state to sail the ship through stormy seas, even as the port of call remains the same". My years also know well how far from plan we (governments) do often blow.

Even the Mr. Duisenberg does plan the straight path for what will become our world money. It is a good path, with order, yet he knows and I know how hard the winds of war can blow! I ask you Mr. PH, when you build your financial house at the waters edge, do you accept as "hard fact" from a human builder his knowledge of the "true tide height"? Is it not the better choice to add "supposition" to this "hard knowledge" and build higher and stronger, with gold?

A currency war does approach that will bring wind and water into any house built on the dollar shore. The "captains of state" know this storm
is coming, but to present it as "hard knowledge" to those with a wealth foundation that may not be moved, is of little purpose.

Much of Western wealth is built this way. It will belost, without contest!

My Thoughts are for those of simple ways and worth, for their homes are small and easy to move. These persons are, and always have been "the wealth
of nations". This new Economic Ship will survive the storm, and indeed sail into it's finalport.
In that day the wealth of nations will remain intact by the actions of governments and people that trusted only gold!
more to come Thank You.

ANOTHER (11/13/98; 10:30:01MDT - Msg ID:972)

THOUGHTS!

Mr. PH, your writing continues: ----------
"It has often struck me that a very important linchpin to your
scenario of a Euro poised to take over the dollar's reserve
currency status is the certainty that the major Middle Eastern oil
producers are committed to exporting to full capacity at real prices (in
Euros) in direct competition with the United States' insistence on
higher prices for protection of their strategic oil production capacity."

Sir, you may research for all of your days and never find a paper currency
that lasted without the commodity backing. During most of the past,
currencies were backed with gold. It was during your 1970s that a new
backing was found, oil! The removal of gold as backing for the US dollar

brought about the unified acceptance of pricing crude oil in dollars only. It was considered, in that time, that the "free market" pricing of gold would allow the dollar to be devalued in gold terms so as to represent a fair formula (in percentage) to exchange dollars for oil. In this way, the commerce of oil would create a demand for dollar use and as such the store of value as contained in crude would represent the backing. As gold would replace any lost resource of pumped reserves, the currency could be exchanged for metal if new replacement reserves were not found. A plan, as such. However, other motives lie behind the removal of gold from the dollar. Had oil been allowed to stay at the low "gold backed dollar" price, all production would eventually come from the large middle eastern reserves. Not the good strategic plan for the US for reserves in that land required the much higher dollar price for production. Thus the plan above was formulated and the OPEC Cartel worked much to the surprise of many! It allowed a high dollar price for world crude while retaining a commodity backing for the currency. Producers could, if they wish, use dollars created from positive balance of payments to buy gold at fair rates of exchange. The late 1980s show how the gold market was allowed to run wild, without order. As you say, the trap door was shut! The days of the dollar were now numbered as the European market worked to begin a new currency. They were hurt badly by the run up in oil prices that was not of their making. If a new Euro could be created that retained the backing of gold in another format, oil prices could be lowered back into Middle Eastern reserve production requirements. (I have written of this before, please see my Thoughts!) These reserves are much larger than discussed and can easily supply the world at lower prices. As you consider this I add: The formation of the Euro is a return to the Old European World Order with gold as the currency backing. And cheap oil is the agent that will allow the shift to complete. It could never be presented as such for it would break the financial system before a replacement was ready. The "hard Knowledge" of lost oil production in the US due to low Euro prices will destroy the American economy and wealth system as you know it. Also, the loss of the ability for the US to sell debt in a native currency at low rates will bring a credit destruction much the same as visited upon Asia. My friend, the intent of producers is not to flood the world with oil, rather to change the way it be priced. The natural effect will see the oil advantage for Europe and every nation that does embraces that currency as a reserve. You will not see this written but will feel the effects as they unfold. It will impact every equity and currency market, worldwide. I have more to discuss of this. Thank You!

ANOTHER (11/13/98; 10:46:59MDT - Msg ID:973)

THOUGHTS!

Aragorn III (11/13/98; 10:23:00MDT - Msg ID:971) ----------

Mr. Aragorn,---------- we will discuss much in the near time of many days. I am reading your thoughts and the thoughts of others. Mr. Kosares has offered this forum for the use of all mouths and ears.
As events progress, it will receive the full measure of deep thinking by a world "not fully prepared" for what is to come!

Friend of Another (11/14/98; 06:55:49MDT - Msg ID:980)

REPLY.

Gandalf, ---------- Often I find post's from Another on my system after returning from a long trip. I try not to send them all in

at once. As I am reading this forum now, so may Another also be reading it through my private link. I never know when, it's random. Just as Yellowbird just posted, it is sent to Another for reading (hello Yellowbird!). When indicating he will post often (real time discussion), I try to stay on or link often. I'm only the conduit that acts like a firewall. Am expecting real time talk later today (11/14/98), or if it's a no show, I'll post his last Thoughts Msg.. That's it my friend, I can add no more. Thanks

Friend of Another (11/14/98; 16:00:24MDT - Msg ID:983)

January?

FOA NOTE: Reuters and Associated Press did not offer this portion of Mr. Duisenberg's speach at the Economic Club! I think that January could be the flash point?

DUISENBERG: EURO MAY ACCELERATE CUT IN DLR SHARE IN PORTFOLIOS

FRANKFURT (MktNews) - European Central Bank President Wim Duisenberg said again Thursday that the introduction of the euro in January could potentially accelerate the on-going shift out of dollar-denominated assets held in private portfolios.

Duisenberg, in a speech a month ago, said that one could not rule out a sharp rise of the euro's value against the dollar in January as investors diversified their holdings into assets valued in the new single European currency.

In the text of a speech to the Economics Club of New York made available here ahead of delivery, Duisenberg noted that EMU was likely to eliminate the segmentation of the European bond markets caused by use of differing currencies and thus produce a broader range of bonds that meet uniform market standards.

"In this context, it is interesting to note that between 1981 and 1995 the share of EU currencies in worldwide private portfolios is estimated to have risen from 13% to 37%, while the U.S. dollar's share fell from 67% to 40%," he continued.

"Although this process has slowed down somewhat in the 1990s, I would expect the introduction of the euro to lead to a continuation of this trend and, potentially, to accelerate it again," he said.

Duisenberg did not say how this shift would affect the euro-dollar exchange rate.

[TOPICS: MNSEMU]

12:31 EST 11/12

http://www.economeister.com/emu/19981112_123100eu.htm

ANOTHER (11/14/98; 18:20:55MDT - Msg ID:984)

THOUGHTS!

Mr. Kosares, thank you for your words. From your post of (USAGOLD

(10/31/98; 21:07:54MDT - Msg ID:870)), I will reply. Always, it was the intentions of the BIS for China to join the Euro world. That country is the "key of Asia", for it does "lock or unlock" all economies on the Pacific. America did make the great wager that the little nations of this region would grow large and the Japan would rule this commerce. All of this for the benefit of keeping the dollar in trade, yes? Now "The Bank" has broken Japan as they laid upon them rules of adequate financial dealings! These new rules of engagement find that "noble house" as a ship that sinks with a dollar cargo. This one ship will remove the entity of the "American Pacific Order".

Please consider this meeting: "11th July 1998 The Bank for International Settlements (BIS) today opened its Representative Office for Asia and the Pacific in the Hong Kong
Special Administrative Region (HKSAR) of the People's Republic of China. The office will serve as a regional center for the activities of the BIS in Asia. Through the establishment of its first representative office, the BIS aims to strengthen further the relations between the BIS and central banks and monetary authorities in the
region, to improve the exchange of information and data, to facilitate the organization of meetings and seminars and to contribute generally to cooperation among central banks and
monetary authorities. The BIS has previously operated only from its headquarters in Basle, Switzerland."

Now the Euro makers offer the China a path to travel that does not bring the curse of dollar holdings. This day we see the beginnings of the "orient express" on modern tracks. It will carry the cargo of trade that creates the "independent economy" of Europe! Combine the oil of Babylon with the peoples of China, then add the finance of the "Old World" and we perceive a "New Order" of world commerce. Yes, we the China to the Euro "WITH GOLD"!

Please consider as this was written after the BIS meeting : " Wednesday brought some renewed strength on recommendations that China should increase its
gold reserves. Liu Shanen, vice director of the
Gold Economic Development and Research
Institute of the State Metallurgical Industry Bureau,
recommended that the People's Republic should
increase its gold reserves from the current level of
397 tonnes or 3% of total foreign exchange
reserves of $140.5 billion to between 1,000 and
1,500 tonnes, between 6% and 8% of external
reserves, "to prevent financial risk." The reasoning
behind this recommendation is apparently the
belief that China should cut its holdings of
dollar-denominated foreign reserves to guard
against a possible fall in the dollar on the
introduction of the Euro, the single European
currency, at the beginning of next year. China
currently holds about 60% of its external reserves
in US dollar-denominated assets, including about
$60 billion in US Treasury bonds. "Compared with

cash, gold is stable and safe," Liu Shanen said.
He also recommended that the Chinese
government should ease controls on buying and
selling by individuals in a bid to boost what he
described as "non-governmental" reserves. Liu
Shanen pointed out that China ranks third in
global consumption of gold and fifth in mine
production, but only twelfth in terms of its official
reserves in gold."

Some still say that the new Europe will sell gold. I say, these are words that
many wish for! Even the Poland does buy gold that will soon sell at $200US?
I have known these people well, they be no fools for London stories.

Please consider these words of Mr. Milling Stanley: "
"Moreover, member countries of the ECB have been firm in telling
the world that they intend to go on holding gold in their individual
central banks too. Germany, France and Italy - three of the largest
holders of gold in the world - have made it clear they have no
intention of selling."

"Europe's politicians and central bankers are convinced that
Europe's gold will be a vital factor in underpinning the
credibility of the ECB's new monetary unit, the euro, which
they envisage as a reserve currency strong enough to stand alongside
the dollar."

Sir, we will address this further at another time, yes? Thank You

ANOTHER (11/15/98; 08:03:18MDT - Msg ID:986)

Correction.

ALL: A correction for my speech in #984! This " Yes, we the
China to the Euro "WITH GOLD"!" should say " Yes, WED the
China to the Euro "WITH GOLD"! Thank You

ANOTHER (11/15/98; 08:32:36MDT - Msg ID:987)

THOUGHTS!

Mr. jinx44,
it has always been the battle fought by many, this keeping of
one's money! It takes on many forms of confiscation over many
years. I submit to you that "all forms of wealth" are the "large
target" for theft. Some hold the gold equity shares with little worry
for "the tax" that will surely come. The trading of paper shares will
find "no market" when the "currencies war". After this battle is
settled, all paper will struggle to find a new value in a new world
money. Before this new value is found, the governments will reach
for the "greatest vault of gold", as such, it is "the great vault in the
ground"!
I think, you know not the modern mind of your leaders. They will
wish for you to hold not the Euro and will encourage their citizens
for gold. To these young officials of Western thought, gold is the
smaller of the two evils that does soon war with the dollar! See
even the "new Euro gold coin", as they make ready for a hard

currency. The dollar makers will rush to offer your "gold dollar eagle" to present dollar holders as events progress. I tell you now, silver, platinum and gold shares are not the tools of this new war. All simple persons do know strategy for conflict, we hold the weapons of our enemies. We hold gold! Thank You

Friend of Another (11/16/98; 06:20:21MDT - Msg ID:993)

Will Asia drag down USA?

EMU Top Stories: Mon, 16 Nov 1998, 8:01am EST
11/16 Tietmeyer Says Dollar-Japanese Yen Exchange Rate `Acceptable'

"The U.S. currency has lost about 7 percent of its value against the deutsche mark so far this year on expectations recession in Asia will slow the U.S. more than the European economy, prompting the Federal Reserve to cut interest rats"

http://www.bloomberg.com/markets/emu/emu1_01.html

Friend of Another (11/16/98; 06:40:44MDT - Msg ID:994)

NEWS

MONDAY NOVEMBER 16 1998 FT.COM

Morgan Stanley arm to launch euro index

By Edward Luce and Vincent Boland

Morgan Stanley Capital International, the global index provider, today launches a bond index for Europe's future single currency.

It joins a growing number of big US investment banks hoping to establish the benchmark index for bond investment in the euro.

Salomon Smith Barney, which provides the leading global bond index, has also recently launched a euro-denominated index. Other competitors are J.P. Morgan, Lehman Brothers and Merrill Lynch. Barclays Capital is the only European bank to offer an index for the future euro-denominated bond market.

Bankers say Europe's traditionally conservative investor base is gradually attuning itself to tracking broad benchmark indices in bond markets. The idea is more firmly rooted in equity markets.

"The big fund managers have increasingly

to justify their performance to investors," said Peter Harlow, director of fixed income at Barclays Capital. "Tracking an index is an obvious way of doing so."

The big banks hope to mirror US markets where investors closely follow bond indices, including benchmarks for high-yield bonds and for the mainstream investment grade market.
MSCI hopes its euro credit index will generate business in over-the-counter derivatives.

Investors often enter into total return swaps on indices. They pay a floating rate of interest plus a spread to cover administration fees in exchange for receiving the equivalent return generated from an index over a given period. This saves investors directly investing in bonds covered by the index.

However, some investors say investment banks have overstated the growth potential of the bond market in euros. Although with an estimated capitalisation of E3,000bn ($3,500bn) Europe's bond market is almost as large as the US market, it is considerably less liquid.

Unlike the US market, which has a strong corporate presence, the European market will be heavily skewed towards government bonds. Some banks, such as Barclays, have confined their indices to these.

There is also intense competition to provide the benchmark equity market index. Surveys of fund managers and pension funds suggest MSCI is the most widely-used pan-European benchmark provider, but indices provided by Dow Jones and FTSE International, partly owned by the Financial Times, are also gaining ground.

http://www.ft.com/hippocampus/qcaa1a.htm

Friend of Another (11/16/98; 06:49:12MDT - Msg ID:995)
NEWS
[FT.com]

FRIDAY NOVEMBER 13 1998 Commodities

METALS: Market volatility forecast

By Kenneth Gooding, Mining Correspondent

Demand and prices for metals will be volatile towards the end of next year as consumers attempt to head off millennium bomb problems, according to Rudolf Wolff, the commodity trading subsidiary of Noranda, Canada's biggest natural resources group.

Industry worldwide will build stocks before 2000, "switching from just-in-time to just-in-case inventory", Martin Squires, a Wolff analyst suggests.

The millennium bomb refers to problems that are already beginning to arise because older computers are unable to recognise the date change from 1999 to 2000.

Mr Squires says a mining company not completely certain that its mine - or power supplier - is year 2000 compliant would be unlikely to allow employees into potentially dangerous areas.

MORE: http://www.ft.com/hippocampus/qc8522.htm

ANOTHER (11/16/98; 07:58:14MDT - Msg ID:996)
THOUGHTS!
Mr. Young,
In the 1990s many investors did lose site of the reality of gold. These persons heard the call of "stock brokers and leveraged metal sellers" as they offered gold as "the investment" not "gold the world currency". Western citizens purchased small amount of real metal, then proceeded to expand return with paper gold. As such, they rode the back of an "unbroken Arabian"! This "investment" represented the "wild side" of gold in the form of paper money. Paper gold was offered as real gold in the modern day perspective. Perhaps, it be the sophisticated way to impress ones piers, socially. These same did make the great gains, only to return these same into the fire of "trading". Your mind, it does also record these moves, yes?
I submit, that real gold, held as a currency, has acted no more or less than many other paper moneys, both major and minor. Open your charts of past fluctuations in currency markets, view them all. Behold how the currencies are "volatile" with some movements of greater scope than gold. Some traders debate with the ears of clients that gold is not used as money "anywhere"! And therefore, it is not money, but a commodity for the trading. In this aspect, investors have lost much wealth to the commission of brokers that trade only

metal and have no understanding of world banking of currencies. For the gold is a currency that, today, is used to buy and sell other currency, not goods and services! As such it be the "money of moneys". Small investors of simple means will do well indeed to hold the gold, in good measure, next to the native currency they possess. In time, this gold will far exceed any other wealth held by their family.
The "Yellowbird, Truthseeker and others that "think thru these Thoughts" will find no "claws of other motives" in this mind.

Mr. Young, with respect, if you find me crazy: I offer " bring before me the lion that so devours my house, for this beast produces more than it destroys ------ strange pronouncements are these as the lamb in our garden has eaten our only food"

Sir, continue on with you present flock and do count your wealth today, for the ones with THESE crazy thoughts will compare wealth with you tomorrow. Your days be well, Thank You

ANOTHER (11/16/98; 10:30:03MDT - Msg ID:999)

THOUGHTS!

Mr. Truthseeker (#988),
In the past, the US government did take in gold for the purpose to "restore the dollar banking system". The laws were changed for this purpose. Today, the US will "defend the dollar system" from "change"! This is the large difference, yes? Understand, that the present dollar world would continue if no "alternative currency was presented". In this circumstance, a move to "price all international trade in partial payment with gold" would ensue. Such would not be good for the world economy or Europe.
To this end, a Euro is created that will allow the "freemarket price of gold" to destroy the dollar once this alternative is in place. In time, in actual buying power, gold will rise in Euros but will soar in dollars!
Do consider that for the defense of dollar reserve system, the US political motives will develop as such: "For citizens to change savings reserves from dollars to Euro will be the "un-American thing" and "It will be better to hold dollars or even gold than Euros".

Sir, for a time gold will increase in value faster that the Euro will appreciate against the dollar. In this way many will move to gold thereby blocking the escape of foreign dollar holders into metal. It is the "tradeoff" of "encouraging gold buying domestically" against the "blocking of movement in foreign dollars". Many dollar reserve banks will "freeze from buying" gold in the false thought that it will return to lower prices. The dollar will slowly plunge against any "Euro reserve currency economy".

With this I continue for Mr. SIOP (#989),
In time all native American oil production will become "uneconomic" even as the dollar price of oil does proceed into the hundreds! This be seen as the simple understanding because the coming dollar cost inflation does render even this price as "too low"! However, oil in the hard Euro nations will become even cheaper, creating much lower costs of production for goods and services. It is the action of "backing the Euro with oil" by "requirement of settlement in that currency" that will allow Europe to live as the "American

Life"!
Perhaps, had the US allowed the dollar price of gold to increase in the early 70s and accepted Middle Eastern oil production as Europe does today, none of this would have happened. However, the America would have received much of the hardship that Japan receives today as the result. Still, seldom do we find the voluntary destruction of over extended industry in today's world. Always, it is in the "end of currency system" that loss is inflicted. A different time we journey thru, yes? A history lived by your parents parents. We relive old history with new eyes, as gold is held in a different light. Thank You

Friend of Another (11/17/98; 05:12:57MDT - Msg ID:1003)
NEWS -

Tuesday, November 17,1998
Bahrain Local Time
3:06:09 PM

Euro defence firms aim at integration----------

Europe's leading aerospace firms have agreed in a report submitted to their Governments yesterday to try to consolidate the industry by forming an integrated European defence group, France's Aerospatiale said.
The confidential report by Aerospatiale, British Aerospace, Daimler-Benz Aerospace (Dasa), Italy's Alenia, Casa of Spain and Sweden's Saab pushes the European industrial project forward amid speculation that BAe and Dasa were planning to go ahead with a two-way deal.
Europe's fragmented defence industry is under pressure to consolidate rapidly to compete with the US sector, which began the process years ago and has created such giants as Boeing-McDonnell Douglas and Lockheed-Martin.
But the process has been slowed by disagreements – notably a reluctance by the British and German groups to merge with state-owned Aerospatiale and end up as part of a big outfit in which the French state would have a major holding.
The European companies said in a joint statement, released by Aerospatiale, that they had reached "a wide measure of agreement" on several issues.
"They all have confirmed that a unified, integrated European Aerospace and Defence Company (EADC) is the right target structure, as already proposed by the Airbus Partners," it said.
Aerospatiale, Casa (Construcciones Aeronauticas), Dasa and BAe are members of the Toulouse-based Airbus commercial plane consortium. It is scheduled to become a joint stock company next year and would serve as the foundation for an integrated civil and defence

aeronautics group.
The companies said the report also addressed "the question of government rights and safeguards in EADC" but did not elaborate.
A spokeswoman for Aerospatiale declined to say more.
A spokesman for the French Defence Ministry said the Minister, Alain Richard, would explain the Government's view on the proposed merger at a Western European Union (WEU) symposium on defence industries to be held in Rome today.
Defence sources said the joint announcement by the six companies seemed to back Richard's oft-stated view that, despite international press reports to the contrary, British and German aerospace giants would not forge an alliance without France.
France has moved to consolidate its large domestic industry, announcing a merger of Aerospatiale with Matra High Technology, the aeronautics business of the Lagardere group, which has links with other European defence firms, including a missiles venture with British Aerospace.

The domestic consolidation, expected to be completed next year, will fold in combat plane manufacturer Dassault Aviation, clearing the way for the establishment of a pan-European group, the French Government said last week. – Reuters

http://www.bahraintribune.com/busi.asp?Art_No=185

Friend of Another (11/17/98; 05:24:19MDT - Msg ID:1004)

CyclePro - Bank Derivative Exposure Report

"The top 8 U.S. banks hold 95% ($26.6 Trillion) of all reported derivatives. These top banks include the following (with stock symbol): Chase (CMB) includes Chemical from
merger, J.P.Morgan (JPM), Citibank (CCI), NationsBank (NB), Bankers Trust (BT), Bank of America (BAC), First Chicago (FCN), and Bank of New York (BNY)."
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http://www.geocities.com/~CyclePro/Charts/SP500/DerivExpo.htm

Friend of Another (11/17/98; 18:02:54MDT - Msg ID:1014)

Pete, Aragorn, Siop and others,

I'm waiting for some replies to your posts. When Another sends them in I'll have some thinking to add also. I want to wait before I post. Good writing, people! USAGOLD, nice post! Thanks FOA

Friend of Another (11/18/98; 05:25:17MDT - Msg ID:1020)

"reserves of 260 billion barrels of crude" !

NOTE: The offering of rights in some "form of involvement" in"Saudi's reserves of 260 billion barrels of crude" is subject to Mr. Richardson's idea

of what "he understood"!
This item "despite Saudi signals to the contrary", leaves the door open to Europe. So does this statement, "Prince Abdullah has not held a similar meeting with European companies but Saudi insiders have said neither they nor Asian oil companies are necessarily excluded from submitting ideas."

Wednesday, November 18, 1998
Bahrain Local Time 3:02:44 PM

US backs oil firms' Saudi investment

THE US Energy Secretary, Bill Richardson, yesterday supported an expansion of US energy investment in Saudi Arabia, the biggest prize in world energy with the largest oil production, exports and reserves.
Announcing a visit to the kingdom in January to encourage US investment contacts, Richardson suggested – despite Saudi signals to the contrary – that this might involve the country's prized upstream exploration and production sector.
Richardson said in London he understood some form of involvement in Saudi Arabia's upstream was on the cards, a development that would raise the prospect of US access to Saudi's reserves of 260 billion barrels of crude.
"My understanding is that Saudi leaders want to see upstream investment and joint projects. They haven't been specific entirely yet. I think there are discussions going on with the companies," he said.

"The US Government views this as a healthy development. We will encourage it and that will be one of the main purposes of my trip, to encourage this joint upstream investment in both Saudi Arabia and Kuwait."
Saudi Arabia's neighbor Kuwait is openly seeking Western help in developing its large oil reserves through operating service agreements that would give western partners a share in the proceeds of new oil produced with their help.
Richardson, who spoke to reporters on the sidelines of the annual Oil and Money conference in London, said he had discussed Kuwait's plans in a meeting in the United States last week with Kuwaiti Oil Minister, Shaikh Saud Nasser Al Sabah. "Saudi Arabia's interest in opening its upstream market has been widely repoted – hailed by industry as a potential major breakthrough," Richardson said.
Prince Abdullah has not held a similar meeting with European companies but Saudi insiders have said

neither they nor Asian oil companies are
necessarily excluded from submitting ideas.
Oil majors seeking big Gulf upstream roles could
lose some of the skills and assets necessary for the
job if a price-led wave of downsizing and
consolidation continues, the conference said.
Pressure from investors for better returns and
cost-cutting could result in "anorexic" oil companies
lacking the depth of skills or access to capital to
provide attractive partners for oil-dependent Gulf
states, oil executives and bankers said.
"The opportunities are likely to be more numerous
than the ability of the industry to pay for them at
current cash flows," Pierre Jungels, Chief Executive
of British independent Enterprise Oil, told the Oil
and Money conference.
"The industry will also find it can't get the people
with the ability to do these projects if the current
bout of downsizing continues," he said. – Reuters

http://www.bahraintribune.com/busi.asp?Art_No=185

Friend of Another (11/18/98; 05:46:15MDT - Msg ID:1021)

Toru Kusukawa, said Asian countries should peg their currencies not primarily against the dollar

Paris, Wednesday, November 18, 1998

Euro Could Dethrone the Dollar in
Asia

By Philip Segal International Herald Tribune

HONG KONG - Although the economies of Asia remain
shell-shocked, Asian countries still hold hundreds of billions of
dollars in cash and could play a key role in determining the
success of next year's major economic event: the creation of
Europe's single currency, the euro, Jan. 1.

Europe's money also promises to play a much greater role in
Asian finance.

While Indonesia, South Korea and Thailand have had to resort
to International Monetary Fund bailouts, Asia remains the
world's dominant lender, with well over $500 billion in
foreign-currency reserves, most of them in U.S. dollars.

Japan, China, Hong Kong, Taiwan and other economies in
Southeast Asia are financing America's continuous and growing
current-account deficits.

That means Asia buys a lot of American bonds, but that could

change. Asia holds a combined 40.5 percent of the world's foreign-currency reserves, and it is the possible movement of some of those reserves from dollars to euros next year that could have the biggest individual effect on how strong the euro turns out to be, analysts said. "The decision by Asian central banks is crucial - it's key," said Lorenzo Codogno, economist at the Bank of America in London.

The United States has a 21 percent share of the world's economy. But the U.S. dollar made up 56.4 percent of international reserves at the end of last year, according to the IMF. Reserves in European currencies - including four that will not convert to the euro on Jan. 1 - made up just 26 percent, even though Europe's contribution to the world economy is about equal to America's.

Should some of these imbalances get redressed after January, there is plenty at stake.

If the euro gains in value against the dollar, central banks would prove to be big buyers of bonds denominated in euros, analysts said. That could put serious pressure on the value of the dollar, because there would be lower demand for U.S. Treasury bonds and therefore less demand for buying dollars.

The dollar could then fall, bringing renewed inflationary pressure, which itself could reduce the likelihood of further cuts in U.S. interest rates next year. Of course, there would also be benefits to a cheaper dollar, which would tend to make American products more competitive on foreign markets and thus be likely to increase exports.

While they see it as a possibility, though, many analysts say they do not expect an overnight movement into euros in the weeks after the debut of the euro Jan. 1, when individuals and businesses will be able to start using the euro for check, credit-card and financial transactions. The introduction of the physical currency will come two years later.

"Central banks in Asia tend to be much more conservative" than their counterparts in Europe, said Ma Guonan, an economist at Salomon Smith Barney in Hong Kong. As a result, he said, they might decide to wait a few months to see how the euro fares before undertaking major shifts in their reserve currencies.

On Nov. 1, Leon Brittan, vice president of the EU Commission and one of a series of EU officials recently in China to help talk up the euro, said Beijing would convert a "serious amount" of its $141 billion in foreign-exchange reserves in 1999 from dollars to euros.

It is clear that in 1999 and beyond, Europe's money will play a greater role in Asian finance, as the European bloc begins

trading in a currency that will be far more liquid than the individual European currencies are today. Governments in Asia, which today might not look closely at lending in Irish punts or Spanish pesetas, may well decide to buy Irish or Spanish bonds denominated in the same euros used by France and Germany.

As for companies and governments in Asia looking to issue new debt, "everybody's going to be looking to fund in the euro," said the head of origination at a European bank in Tokyo.

"The Japanese want to issue into the euro," he said. "People want to make use of this new megamarket."

The euro may start slowly, he said, but a few large issues from supranational agencies such as the World Bank could give a major lift to confidence in the currency.

In fact, it is the bond market that could lead the way for a shift of central bank reserves. The changeover may not come so much in the shift of cash but rather in purchases of euro-denominated bonds with the proceeds of maturing dollar bonds, as well as with cash that is continuing to roll into central banks of Asian countries that are running current-account surpluses.

The United States is not the only country at risk in the event of a strong euro, however. Should the euro really take off, there is a danger that the much larger, more liquid capital market that results could suck investment into Europe at the expense of Asia, according to David Carse, deputy chief executive of the Hong Kong Monetary Authority.

"There must also be at least a possibility that closer integration of the EU could make it more self-contained and inward-looking," Mr. Carse said in a speech in Hong Kong last week. "Intra-EU trade could increase, while that with the rest of the world and Hong Kong could diminish."

In the first four months of this year, he said, Japan sold a net $2.1 billion in stocks and bonds in Asia but bought $9.9 billion in European securities. If this trend continues, he said, "extended diversion of capital to Europe would undermine Asia's growth prospects as well as Hong Kong's position as an international financial center."

Japan has also been aware of the problems linked to a strong euro. On Sunday, the chairman of the Fuji Research Institute, Toru Kusukawa, said Asian countries should peg their currencies not primarily against the dollar, as has been the case for years, but to a three-tier basket of currencies made up of the dollar, the euro and the yen, according to Agence France-Presse.

Japan may also be waking up to the fact that a move away from

dollar funding in the bond markets would give it an opportunity to increase the disproportionately tiny amount of yen-denominated debt in the world's reserves.

A government task force that advises the Japanese finance minister said recently that the government should consider eliminating a series of withholding taxes on Japanese government paper.

http://www.iht.com/IHT/TODAY/WED/FPAGE/euro.html

Friend of Another (11/19/98; 05:20:20MDT - Msg ID:1029)
E100
FOA NOTE: What most analysts fail to grasp is that gold may well sell for 100 Euros per ounce by 2002! Of course, the exchange rate between the Euro and the dollar may show gold trading at $1,000US or much, much higher! In this event, "content of chocolate" as seen below, will be the least of anyone's problems?

EURO COINS: Speculation supports gold

Gold fell marginally in London yesterday but found support at $293.50 an ounce as news there might be gold Euro coins provided some support.
Andy Smith, analyst at Mitsui Bussan Commodities, said: On undemanding assumptions, the bullion embodied in a gold E100 would exceed that in all commemorative Japanese coins [700 tonnes], the entire issue of krugerrands [more than 1,400 tonnes] and even that in all the Napoleons [French gold coins] issued between 1865 and the first world war [13,000 tonnes].
He pointed out, however, that the proposal had previously been considered, and rejected, by the European parliament. For the past 25 years European politicians have been haggling over an acceptable compromise for the content of chocolate. If the definition of a single European bar proves so sticky, what chance quick progress on a gold Euro coin?
(MORE)
http://www.ft.com/hippocampus/qcd69e.htm

ANOTHER (11/19/98; 06:43:15MDT - Msg ID:1031)
THOUGHTS!
Pete (11/17/98; 16:29:31MDT - Msg ID:1012)

Mr. Pete,

World based currencies that are not tied to gold do come and go. It is a natural part of the economic social order. This is expected and planned for. As gold has been money for the extent of civilization, paper money may be used as "world based" as long as it uses gold for backing.
When dollar went off official gold standard, it was hoped to return to gold at later stage. This period of hope lasted some 15 years until 1985! The events have progressed toward a new currency from that time. The European Economic Unit (ECU) was created in early 80s and became the accepted

format for beginning a new day. Today, we approach this change!
It is the "practical understanding" that our modern world must use a "digital paper money" for commerce. All accept this. However, without a "gold currency" priced daily in the "free market", and used as real reserves for backing, any "world currency reserve" would expand using "debt only" as the tool. This result brings the eventual reckoning for all users. The "host country" finds all other nations supporting it's "lifestyle", even as those country's private financial infrastructure is destroyed. It is the rising US equity markets and falling inflation that so indicates the last days of the dollar! Many say this is a sign of strength for America, yet they know not what time of life the dollar has attained. The "old man" has he become even as persons place their financial horse upon his shoulders. The world debt structure of this "old man" is such that the true pricing of gold in a new currency, will bring such a weight as it will end his life!
The purpose of the evolution in "paper gold trade" is offered in many reasons. At first, it was the "deception" to hide the "life age" of the dollar. Much as your Hollywood actors obtain the "facelift", yes? This "deception"(low gold price in US$), to surprise of many, was created by the "Euro makers" not the "dollar makers". To their advantage, world traders and dollar investors were greatly fooled and, as you say, "jumped on band wagon" to help sell paper gold down! This action did prolong life of dollar as was needed, for the Euro was taking much time to complete.
The intent of "large long paper positions" was to create future leverage against "dollar gold price". The cost of positions is of little concern, as any present or historical dollar gold price will be "of little meaning"! These positions will not be "physically covered" in any great way as this will never be needed. The final conclusion of this action will lock the Euro into a gold price, always moving less higher than dollar. The world gold swap market will complete the rest (LBMA volume)! In time, the favor of oil settled in Euros will force unwinding of dollar/gold (dollars used to buy gold in open market). Gold will be purchased, delivering metal for Euros to settle old leased contracts.
It has always been the desire for the "hard currency" to settle old dollar debts. Dollar debts made "unreasonable" by the loss of "honest commerce" by "dishonest exchange rates". As has been from the past, and will be in the future, Gold does always settle the score! Thank You

Friend of Another (11/19/98; 07:33:52MDT - Msg ID:1032)

E100

Aragorn III (11/19/98; 06:25:03MDT - Msg ID:1030)
Aragorn III ,
The E100 is just part of "the master plan", as Another calls it. Think about it? For the present, political posturing will not allow the issuing of a true circulating gold coin. Besides, why get to specific about it's use now when it won't be needed until 2002. At that time the entire gold, Euro and dollar markets will be viewed in a far different light. Perhaps the E100 will be used to settle outstanding or defaulted gold loans? I never thought about it until now, but Another never said the CB gold IOUs would be settled for paper Euros, just Euros?? If the E100 is created as legal tender with no limits on production (not unlike the American Gold Eagle) and the exchange rates bring the gold content value to within a then existing 100 paper Euro rate, the Gold Euro would become the defacto world standard for money?? If you really want to get your currency circulating, just allow the gold price as

denominated in all other nonEuro currencies (dollars included), explode in price. The paper Euro (100 of them) and the E100 would come into parity! Think about it for a while? I'll be back later to discuss this more. Thanks FOA

Friend of Another (11/19/98; 08:09:35MDT - Msg ID:1034)
100E
Aragorn III (11/19/98; 06:25:03MDT - Msg ID:1030)

Aragorn III,
One more thing. When I look back in past posts, Another often mentioned $6000 gold in Euros. It wasn't intended to mean that gold would trade at 6,000 Euros. One thing I missed was that he said was that Euro gold would eventually trade at the $6,000US value "IN PRESENT DOLLAR TERMS"!!
It now makes sense. In 2002, 100 Euros could represent a dollar exchange rate of $6,000 gold. Perhaps 60US to 1Euro! $30,000+ gold was mentioned if the entire currency system blew up prior to Euro launch! Looks like we will get past that possible problem. Consider it! FOA

ANOTHER (11/19/98; 18:18:40MDT - Msg ID:1043)
TYoung (11/17/98; 11:47:58MDT - Msg ID:1009)
Mr. TYoung,
Your speech: " Apparently Another took offense at my prior post. Such was not my intent"
Sir, I find no offense in your words. My reply to you, it was as your words to me in past "a high fast ball offered to the high fast ball hitter", Yes? I say, the thoughts a person holds is as their wealth. To share them is as sharing your private possessions. We have conversed before, therefore, please continue to share all opinions! Thank You

ANOTHER (11/19/98; 18:20:28MDT - Msg ID:1044)
Pete (11/18/98; 01:33:24MDT - Msg ID:1019)
Mr. Pete,
I do not think this Y2K problem will impact the Euro for the extended time. Perhaps for a time it will disrupt. For the short time, I do plan for this. However, if a great crisis develops from operations not completed as scheduled, the heads, they will roll, yes?
Yes! Thank You

ANOTHER (11/19/98; 18:25:02MDT - Msg ID:1045)
Thoughts!
Aragorn III (11/17/98; 16:57:17MDT - Msg ID:1013)

Mr. Aragorn,
I have read your thinking as it was posted. A good consideration, indeed! May I add this:

Thoughts of personal wealth are but the "little thing" for "nation states". It is rightly so, for they must deal with the world in a "worldly manor". This "dealing", it does require the shifting from one side to the other for obtainment of end result. In all of human existence, politics has existed and it does function today as "new money" is negotiated. The "good understanding"

at the BIS holds that "no new world class currency was ever brought forth without attachment to gold". Our history books show this to be true, yes? The modern politics of Western money has leveraged the world assets with debt that offers little recourse if commerce slows. These debts, held as reserves, become as paper in a world of slow business. My friend, your private savings should not be at "the risk" with need of "the government guarantee" if a recession or depression arrives. This be not the way to run a "world reserve currency". Many modern leaders know this, but the politics prevent the rapid change. However, slowly, the change does come. Often it is offered in the way that allows forward progress, with options to "reconsider rational" at later date.
As such we find ourselves today. The Euro was considered some time ago as a new "western like" currency, with little gold. It did not receive the backing of "oil settlement in Euros". From the early 1970s, oil became the backing for the dollar in place of gold(see my other posts, also those of my good friend). That
mistake would not happen again.
It is, indeed well understood that introduction of a new gold related currency into the Western "no gold" world would destroy many assets and greatly slow business. Therefore, one "escape route" was created for "nation states" and another for the private citizen.
When the commerce does slow, most metals will lose the demand of business. This will be true for gold, also. However, physical gold will receive the currency demand, a demand such as never seen before. It is in this demand that the "escape route" for private assets be found. Plan journey well, sir, we will not travel this path again in our time. Thank You

Friend of Another (11/20/98; 06:15:42MDT - Msg ID:1048)

NEWS

Friday, November 20,1998
Bahrain Local Time
4:08:40 PM

Euro nine plan unified stock market

The heads of nine European stock markets will meet in Paris next week to create a Europe-wide bourse after the launch of the euro single currency in January, the Paris market authorities said yesterday.
The announcement came after Madrid, Milan and Brussels had said they would be interested in joining a pan-European stock market proposed by London and Frankfurt in July.
The SBF has invited the presidents of the Amsterdam, Brussels, Frankfurt, London, Madrid, Milan, Stockholm and Zurich bourses to Paris on 27 November to discuss setting up a "federal-type and competitive pan-European stock market," the statement said.
Paris, which had initially hoped to set up its own

Europe-wide stock market system, appeared finally to bow to the inevitable and accept that if London and Frankfurt were already linked there was little chance of attracting partners to a rival system.
French Finance Minister Dominique Strauss-Kahn said yesterday that it was perfectly "logical" for Paris to join the alliance.
He said the idea was to set up a joint company to run a single stock market from January.
"The stock exchanges in Frankfurt and London are very happy with the decision by Paris," said Deutsche Boerse spokesman Norbert Essing.
"We've wanted a pan-European solution from the very beginning and it is in the interests of both the clients and the markets."
After the launch of the euro, stocks on many European markets will be quoted in euros, and the Anglo-German plan was to set up a single market, enabling members to deal in leading stocks on either market. This will be made much easier by the fact that there will be no currency conversion problems, and allowing dealers to trade easily in shares in several countries should also boost trade, analysts say.
When Frankfurt and London announced their tie-up in July, they invited other leading European stock markets, including the market in Paris, to join but had received no positive responses until Madrid agreed to join on Wednesday.
The L'Agefi newspaper said yesterday that the Paris stock exchange had signed a letter of intent to join a three-way market allowing for cross-membership of all three markets, and trading in stocks on all three markets, from January 4.
Madrid agreed to join the alliance on Wednesday, and the head of the Milan exchange, Stefano Preda, said yesterday that he hoped "an agreement will be reached rapidly" on such a market, although he said he thought the tie-up would involve only six countries.
Brussels stock market President Olivier Lefebvre meanwhile told Europe 1 radio that he was "very interested" in such a tie-up.
"We immediately expressed an interest" after London and Frankfurt announced they had agreed on an alliance in July, "because stock markets cannot remain isolated in a European context," he added.
The nine markets involved had a total capitalisation of $5.58 trillion at the end of 1997, or half the value of the US stock markets, according to figures from the international stock market federation.
The New York stock exchange alone had a total

capitalisation of $8.88 trillion at the end of 1997. –
AFP

http://www.bahraintribune.com/busi.asp?Art_No=186

Friend of Another (11/22/98; 08:43:59MDT - Msg ID:1055)

NEWS

Paris, Saturday, November 21, 1998

Central Bankers Rebuff Lafontaine

Led by Greenspan, They Reject Exchange-Rate
Trading Bands

By John Schmid International Herald Tribune

FRANKFURT - Some of the world's most powerful central bankers rejected calls for currency exchange target rates Friday and warned European governments that political pressure on the new European Central Bank could damage trust in the single currency.

The notion that exchange-rate trading bands should be imposed to curb the sort of destructive flows of speculative "hot money" that triggered the Asian economic crisis is an "illusion," said Alan Greenspan, chairman of the U.S. Federal Reserve Board, at a central bankers' meeting in Frankfurt.

A volley of unvarnished comments by typically cautious central bankers suggested that the proposal, which has been a cornerstone of economic policy by the new German finance minister, Oskar Lafontaine, can now be called dead, said Adolf Rosenstock, international economist for Nomura International PLC.

"That is a first-class confirmation that this initiative is coming to an end," he said.

In recent days, Mr. Lafontaine has begun to back away from his initiative, which his administration initially vowed to put on the international agenda when Germany assumes the rotating chairmanship of the Group of Seven leading industrial nations next year.

For Mr. Lafontaine, the bankers' convention amounted to another setback in his hopes to assert his authority over policy in Bonn's new Social Democratic government. This week, Mr. Lafontaine's undersecretary at the Finance Ministry, Heiner Flassbeck, was denied the powerful post of representing Germany at international economic summit meetings - a role that traditionally would go to him.

Political pressure for looser lending rates after the German elections in September gave the European Central Bank, which will manage monetary policy for the 11 nations adopting the euro Jan. 1, the first test of its autonomy.

Central bankers have consistently asserted the need for the new bank to be independent, a message they reiterated Friday in Frankfurt, home of the European Central Bank.

Mr. Greenspan called Mr. Lafontaine's call for regulation of exchange rates flawed, saying it "is just not feasible or credible."

Markets would view foreign-exchange bands "with great skepticism, with good reason," he said.

Mr. Greenspan's criticism of Mr. Lafontaine was poignant, for the German has taken pains to laud Mr. Greenspan for his recent reductions of U.S. lending rates.

Wim Duisenberg, president of the European Central Bank, agreed with Mr. Greenspan, saying that exchange rate target zones were "not sustainable." Mr. Duisenberg pledged that the European Central Bank would consider exchange-rate targets "only in exceptional circumstances," if the euro showed a "clear and persistent misalignment."

Eddie George, the Bank of England governor, also said it would be impossible to fix exchange rates. Trading bands that are too wide are "meaningless" and tighter bands are "impossible," Mr. George said.

Hans Tietmeyer, the Bundesbank president, warned that calls for lower interest rates - which he likened to a "political siege" on the new central bank's autonomy - threatened to undermine the single currency.

"The international role of the euro and global interdependence increase the damage that such conflicts can potentially cause," Mr. Tietmeyer said.

The euro, which is sure to gain "international importance," cannot afford to be weak, Mr. Tietmeyer continued. "It cannot be in the interests of either the United States or of Europe for each other's currency to be weak."

The success of the euro will depend on how credibly the European Central Bank plays its role, Mr. Tietmeyer said.

"Damage in situations of conflict is limited as long as the markets remain convinced that the European Central Bank and its decision makers are independent," he said.

That the euro will become a major international force after its introduction was not questioned Friday.

"It would be completely inconceivable, not to say disastrous, if the euro were unable to gain international importance," Mr. Tietmeyer said.

http://www.iht.com/IHT/TODAY/SAT/FIN/bank.html

Friend of Another (11/23/98; 05:40:47MDT - Msg ID:1062)

"Only 10% of gold trade is conducted on officialexchanges such as Comex or Nymex"

23 November 1998
New focus on gold traders

Producers band together in bid to increase transparency in derivatives and futures markets

David McKay

THE world's leading gold producers, including Anglogold and North American rival Barrick Gold, have banded together in an attempt to increase transparency in the speculative gold trading market which has been blamed for the drastic decline in the metal's price since 1996.

Bobby Godsell, the CE of the world's largest gold producer, Anglogold, said yesterday producers of more than half of the world's gold output, about 36-million ounces a year, were represented at a brainstorming session in London on Saturday. The intention was to "turn the spotlight on" gold trading, particularly in the derivatives and futures markets.

This is the first time major gold producers have assembled to discuss strategies on commonly held market concerns. The meeting comes against the background of a poor gold price, which fell performance which has seen bullion slide from more than $400/oz in early 1996 to about $260 earlier this year. It is now about $295.

A report back on progress made at the meeting is planned for February or March. The proposals will also be taken to the World Gold Council whose responsibilities the producers hope to broaden rather than replace.

"The aim of the meeting was to broaden and deepen the pattern of co-operation between the world's gold producers and initiate dialogue with market makers. We want to find out who the market players are," Godsell said. The producers hoped to introduce smaller and medium-sized companies to continual dialogue.

Harmony MD Bernard Swanepoel, whose company is not a member of the World Gold Council, said he backed the initiative. It would be useful if it could help producers to understand the gold market.

Only 10% of gold trade is conducted on official exchanges such as Comex or Nymex. The remaining 90% is conducted over the counter. There is a body called the Commitment of Traders which attempts to monitor these transactions, but market traders are not bound to report to it and its findings are not regarded as being representative.

BOE Securities Gerard Kemp said traders closely guarded their positions on gold, but the producers believed they could change the sentiment about gold. He believed this might be difficult to do.

One of the major depressants of the gold price recently has been sales by central banks of portions of their gold reserves, contributing to the common perception that the metal is no longer a store of wealth. However, Godsell said "the fear of disruption" caused by central bank sales appeared to have gone away.

Friend of Another (11/23/98; 16:32:56MDT - Msg ID:1064)
FAMILY!
ALL: I will have to be gone for an extended period of time. Must take care of personal family problems. Thank you all for all of your thoughts. FOA

FOA (03/12/99; 09:37:40MDT - Msg ID:3268)
TEST
This is a USAGOLD test.

ANOTHER (03/12/99; 13:41:45MDT - Msg ID:3278)
Test
This is a USAGOLD test.

FOA (03/12/99; 13:46:50MDT - Msg ID:3279)
Hello again!

Mr. Michael Kosares and ALL,

Hello again! I trust all is well with you? As you know, my absence was brought about by a personal family loss that has expanded my duties. Perhaps, in a month or two I will be able to again add to your Forum! I have several communications in need of sending, but little time to forward them. The Forum has been followed by myself and others. It has truly grown!

If able I will offer a rather long discussion from myself, containing bits of Another's private Thoughts. I hope THEY will be as interesting to others as it was for me? The markets are on a designed course, indeed!

It will be sent directly to you or posted, hopefully in the next week or two? Then I will be away for several weeks.

Thanks,
FOA

FOA (3/12/99; 20:21:32MDT - Msg ID:3299)

Will Return!

To All:
I thank everyone for the warm welcome. Unfortunately, there is very little time to communicate.
As written earlier, I will be offering a discussion and consideration of views, along with some of
Another's recent "private Thoughts". My participation with the Forum will be of a limited nature
for, yet, many more weeks. During this period I will continue to learn from those that truly create
the real market of Gold, the writers of the USAGOLD FORUM! Thanks FOA

FOA (3/14/99; 11:17:14MDT - Msg ID:3351)

REALITY?

Good day to all! I offer this as a means to consider the world, in perhaps a way not seen before. It makes use of private discussions with Another, taken place during my absence from world affairs. His words are clearly separate from mine. Will anyone recognize from where the title
came? Please do interpret these words as indeed, I do also interpret yours!

"ON THE FRINGE OF REALITY"

We travel through this world with our own notions of value and worth. Often giving little thought as to what part external forces play to impact our final conclusions upon these ideals. Nor do we fully understand the concepts that shape these same ideals in the minds of others.

"Another: My friend, "this game of chess" you play it well, yes? As do I. Truly, we understand the "rules of contact" concerning gold. If one player does touch his "most valuable piece", he must move it! But, in what direction will the "king of gold" or the "queen of Euros" be moved?
Each positioning, it does create different perception of "value" for opponent."

Truly, in this light we can see that our concepts of value and worth are clearly governed through the positioning of assets by political players. They move a strategic asset to the right and all other things on the board are reevaluated. To the left, a different worth is considered. Consider now, that all pieces, in this chess game of worth, hold a changing value in the minds of people in all world economies. Oil, copper, steel, currencies, they are, everyday, priced as to their usefulness not only to the owners, but also in the strategic value they hold in the eyes of our opponents. Those with whom we wish to trade! Only the King is held as the final player. When an opposing political entity posses your king in checkmate, we lose the strategic advantage to play the game. A king of gold gives the government the ability to declare this money game void
and start completely over. A move not taken lightly by the opponents.

Now consider the currencies ONLY, their daily changing worth, the value they hold in daily world trade and their value to us in our business of living life? A clear thinking person must agree with the conclusion that this is only a game. Do these paper security contracts really hold any
value for your life, except in their acceptance by others in trade? If our government moved an important chess player only one space, our native currency could lose all value to others! In such an event would this item still hold value for you?
Because the trading of paper securities (stocks, bonds, currencies, etc.) have become the only avenue for world economic activity, we are all compelled to play this game of chess. Like it or not, your very net worth is every day, in play! And, as such, we all watch for the next move on the board. Each, in his own quiet way, ready to act quickly and purchase the "next paper asset" that appears to hold value in trade. That is, before our neighbor beats us to it. Think now, is this the way of the free market and the democratic order that one was brought up to expect? Your life savings, not at risk of being lost, just at risk of being reevaluated to a lower level of importance in commerce.

But people, what if? What if this game of Dollar chess was quietly, out of sight, being lost? How will you know to move before others do if you cannot see the entire board? Confidence is a strange human emotion. It is fragile beyond compare. Many confuse "confidence in ones holdings" with "confidence in our judgment of others confidence"! There is a big difference. In other words, we depend on the judgment of others to protect the maintain the value of our assets. In seeking real security, our position of wealth is safe and fair as long as we can grasp how others are valuing our holdings! Openly, in the interaction of daily markets that we see "how others value what we have", thereby instilling our own confidence. But, In doing such, we take for granted one major premise, "we can see the entire playing field and all of it's players in the same light as others see it"! It is here that we approach a truth that, paper wealth today does occupy "the very edge of reality"!

"Another: It is asked that a dollar be strong in gold? It is done. These many years gold price is lowered. Brokers stand tall and say "we bring gold down" and "our judgment be correct". They hold the mind of "young boys" in early years, yes? Know them not their work was a biding for the central banks. They will come to know "good judgment" in short time. It is asked for another knight in the game? It is done better. A powerful queen comes for our use, this new Euro. Now they ask this Euro be strong in Oil. It will be done! Need dollar continue be held strong in gold? "my friend, old trees die long deaths, but die they will if water comes not" " this rain of oil will no
longer find your Washington Oak"

Today, we have come to the "edge of reality" in believing that our paper contracts (cash included) are actually more valuable than the the THINGS we buy with them! For most individuals and national governments, our net worth is denominated in contracts of Delivery. The cash in your pocket is a receipt for the delivery of one dollar. Your stocks are contracts for a share of the profits in a company. Bonds, cash in the bank (CDs included) are contracts for delivery of future cash. The only value found in all of these securities comes from selling them to
someone else. A game that is played using the value judgment of another. Take your time and think slowly through this. The laws of supply and demand are muted by the accepted concept that "paper securities can all be converted into real things at the present price of real things". In the
end, this is the value judgment that everyone basis their holdings of paper wealth on. The Thought that, "someone else wants my paper assets because THEY can convert them into the things THEY need at today's prices". How easily would this fragile confidence be shattered if suddenly the payment for these Things required "Things in payment"? Would this not create a realignment of the value judgment of paper, worldwide?

Consider oil? Supply and demand rules the price, you say? I say, that is your value judgment based on the supply and demand of oil as seen in dollar payment. Now, see the settlement of oil trades denominated in Euros only and require a payment of things to augment dollar settlements.
Suddenly, the price of oil changes radically even as the supply and demand stays the same! Because of this and at the same time, worldwide, the judgment of the value of Things as
expressed in paper contracts will changes! In this light we find that the excess capacity of our life's work, as stored in the value of paper assets is no longer worth the Real Things it could be traded for.

Here, one confronts the Reality that during our long life, we did not create as much excess worth from our endeavors as we thought. Truly, all these years the Western economies produced no more assets than many Third World Countries! I ask you, for the future, in what world class
money will you hold the savings of a lifetime? And more importantly, will others judge it to have value? Will you continue to "trade gold to make more paper currency" or "will you trade paper assets to acquire more gold"? Most will agree, the choice will impact one's net worth for the rest of their life!

"Another: It is to say, "these westerners are not as rich as there currency say they are"!"

Some day you will read in the financial pages: "It is in the value judgment of paper assets that
people found the lies."

"Gold, yesterday, today and tomorrow"

Thank You for reading, FOA

FOA (3/14/99; 14:36:15MDT - Msg ID:3355)
Alchemist - Msg ID:3352)

Thanks for reading! More of your thoughts will, in turn, help to broaden my perspective.

FOA (3/14/99; 14:38:29MDT - Msg ID:3356)

jinx44 - Msg ID:3353)

I do have a reply for you. Will send it shortly. Thanks

FOA (3/14/99; 16:17:55MDT - Msg ID:3362)

jinx44

jinx44,
Hello! Thank you also for your consideration. Your question: What keeps the euro so strong?

The Euro has not been strong, yet. The greatest hurdle for this new currency was just crossed, it was born! Every known Western power in the dollar economic world hurled against this new competitor for the reserve currency spot. Indeed, it is alive today and will impact the future
economic landscape for the next fifty years, at least.
jinx44, we have to understand that in today's modern world, currencies are not strong on their own. They are made week or made strong through usage. All of the same questions you asked about the Euro could also be asked of the dollar? I state them again in a dollar context: no statement or rule that ties the United States gold reserves to any mechanism of convertibility except the current manipulated commercial markets. ---- it is only the good intentions of
America's largest socialist states that back the dollar. --- The fact that the US possess 0% (how will we know???) of reserves in dedicated gold is not necessarily proof that they will give me any of that upon demand. --- California and Michigan have moved further left. Democratic socialism
and its' dollar isn't a dream date for my precious daughter gold --- !!! You see, all of these apply, yet the dollar has been very strong these many years.
For a modern currency to be strong, it must be used extensively to denominate trade. Truly, that is the only value of a digital currency. But why promote a digital currency such as the dollar or the Euro? The answer lies with the modern world, it's the only way we can trade globally in an efficient manner. Then we further ask, why promote the Euro over the dollar. Ironically, the very
prospect of free world trade, so fought for by the American Administration, is the condition that the IMF/dollar system cannot handle! The debt built up from all of the past, unfree, projectionist old world trade is killing the transition. The policy is to sell free trade and the narrow margins it produces as they shut down entire economies because the low profits cannot service the old debt. Do you follow the logic and the problem? This brilliant, modern free trade system and all of it's benefits cannot be implemented using the US dollar as a reserve currency. It shuts off commerce that in turn limits the use of commodities such as oil, metals, food and the like. Many hail the low price inflation in the US as a victory and ignore the intent other nations had in following "free
trade". That being to promote a world economy, not just a US economy.
Enter the Euro! Understand that the increased use of commodities is a good thing. It's not just for the purpose of making rising chart pattern so speculators can sell their calls! Commodity usage creates real things and helps the lives of real people. When citizens gain real productive
mechanisms, they hold real wealth. Some would have you believe that third world people are enriched by saving US treasury bonds, not true! The only way to increase world trade, with an eye on building new consumers in all countries, is to remove the

overhang of "dollar settlement".
The US started the free trade movement but quickly backed away when it was realized that the US currency, backed by debt through the fractional reserve system, would suffer sever inflation in the transition. Government guarantees would require the treasury (and Fed) to print unbelievable
amounts of new currency to cover the unserviceable debt that Free Trade would create! Now, Europe is going to finish the job using a new currency to supplant "dollar settlement". The ECB has agreed to allow their gold to be "marked to the market" quarterly. IN doing so, oil will slowly be transitioned to settle in Euros as the dollar is lowered in value against gold. The benefit to oil will be the increased world demand that a Euro settlement Free Trade will create. Once this train begins, everyone will jump on it. Why? Because it will benefit the largest part of the world population. The dollar will implode and gold will soar in dollar terms.

So you see, my friend, the world is changing! The evolving gold market isn't about shorts being squeezed, or manipulation by banks or lawsuits. It's much, much bigger than that! As Another so often puts it "we watch this new gold market together, Yes?" Yes! FOA

FOA (3/14/99; 16:22:33MDT - Msg ID:3363)

USAGOLD!

Michael,
Thanks for the welcome. I see many Thoughts and little time. Much to read here. Will try to reply, learn and commit to others as this free time allows. FOA

FOA (3/14/99; 17:33:37MDT - Msg ID:3369)

Aragorn III, Gandalf the White

Aragorn III, Gandalf the White

Again, thank you both for your welcome. This reply may also be addressed to SteveH! Yes, in both your lifetime! And do consider that I do not even know your age!

It should be obvious to all that I am not a trader. I do not think Another is either. Most of the observations given are offered to instill a path to follow for research, not to direct. Most gamblers (traders) try to find private information and act on it before it is common knowledge. Greed is the main motivation, certainly not the expansion of ones knowledge or protection of wealth. We often see people blindly follow the words of others without creating their own logical conclusions. No one will ever successfully manage their family wealth in this manner. Indeed, many have used the leverage of paper precious metals (including the white metals) to create great losses of wealth. Yet, Another has always striven to put the average citizen into physical gold as a percentage of their net worth. If you follow in the footsteps of giants, you gain proportionately as do these conservative people. My agenda is found in offering others an agenda that will hold true in a changing world.
Follow the news, think for yourself, observe the outcome of events in a different light. I think you will find this an interesting story as it unfolds. Yes, it is slow, but it holds true! The game of chess has many outcomes, but the objective is always to complete the journey with all of your
pieces (wealth) intact! FOA

FOA (3/14/99; 17:45:24MDT - Msg ID:3370)

Thank You all!

I hope to return in a few days.

FOA (3/16/99; 18:36:54MDT - Msg ID:3466)

EURO!

I will be back in a few days to spend some time and discuss several of the views written here. PH-in-LA, you should, perhaps, stab the Euro again, it isn't dead yet! However, I do understand the skepticism.

NEW YORK, March 16 (Reuters) - (PARTIAL PRINTOUT)
The euro, which had fallen as low as $1.0816, recovered to end above $1.09 in New York as traders began to take a generally positive view about the crisis in the EU.

FOA (03/19/99; 05:15:28MDT - Msg ID:3569)

Turbohawg and ALL

I hope to be here all day March the 20. Another should send in for discussion around 6:00 Atlantic Time. WE can ALL talk about Gold, Euro and OIL! Good post Turbohawg!

FOA (3/20/99; 7:41:52MDT - Msg ID:3603)

GOLD: YESTERDAY, TODAY AND TOMORROW!

Hello!

In a very broad view, the governments have never stopped trading gold. For many years it has been treated just like any other world currency. Why? Because it is one! Yes, just like the Yen, Dollar, Mark, etc., Gold the currency is manipulated for it's Ability to affect the "value Judgment"
people place on all paper currencies. Jump back to: FOA (3/14/99; 11:17:14MDT - Msg ID:3351), with this line of thinking we can see that digital currencies are truly a State of Mind!
And, among Central Bankers, (BIS in particular) gold is the key in this world game of money chess. Forget all the visual physical sales and leasing of gold as a negative for the market. This metal is brought and sold no different than the foreign currencies the CBs hold. Investors keep
complaining about the "War on Gold" and the "Manipulation of Gold", yet these very actions Prove that gold has an important currency/reserve function!
So why are investors so unhappy and applying lawsuits? Because they are on the wrong Long side of the Gold market. The ones that have lost the most have applied the wrong value judgment to gold. They have invested in Gold the Commodity not Gold the currency! If there has been any
manipulation of the public mind set, it was here. Somewhere, in the last twenty years, people were sold on the idea that, unlike paper money that cannot be mined from the ground, gold can and everyone should play it like a commodity! Buy shares, futures, options and the like. Yet, all the
while pushing the money value of gold as the reason to justify it as a commodity trade! However, somewhere in the sales pitch, no one mentioned that this world currency had an important part to play in stabilizing dying paper currencies like the dollar!
You see, contrary to what some Western investors think, a large contingent of world reserve currency holders wanted to see the dollar made strong in gold. These people

reap the real benefits of buying More Gold with less dollars! They even secure long term commitments (using proven reserves not current cash flow) to take delivery of far future physical gold while the price is low in dollar terms. It is in no small way that this function has improved, not only the demand for dollar based trade settlement worldwide, but the concept that it has gold value. Sure the process is unsustainable if everyone tries to convert, but most trading of digital currencies is for commerce, not conversion. The process of enhancing the value of the dollar in Gold is a short term fix in a much larger scope of change!
I find it curious that some world investors are on the correct long side of gold investing while so many others are on the wrong side and losing money?? Perhaps it is after all, our concept of money is just the value judgment of others. One day oil is 10 a barrel $US and gold is 300 $US,
the next day oil is 50 and gold is 3000! Yet the only thing that has changed is the Value Of Gold As A Currency and the Dollar State Of Mind.

I will build on this throughout the day and discuss with anyone interested.
Turbohawg, let's talk about this oil supply and demand? I sent your post to Another. I think he will write something for you around 6:00PM Atlantic Time (I think) FOA

FOA (3/20/99; 7:48:56MDT - Msg ID:3604)
Return?
I should return in appx. one hour. Thanks

FOA (3/20/99; 10:02:00MDT - Msg ID:3611)
REPLY?
PH in LA: I am working on a reply.

Goldfly: I am sure he will discuss this.

thanks

FOA (03/20/99; 11:34:12MDT - Msg ID:3615)
REPLY TO PHinLA
PHinLA:
Hello! If we look back at my "FOA (3/14/99; 16:17:55MDT - Msg ID:3362)" a broad outline begins to take shape with respect to the Euro. But, when searching for the end result of this world money chess game we have to apply all of the players in the contest. Let me expand:
If we can agree that oil is the most important world commodity then we can conclude that the "reserves of inground oil" constitute the real foundation for all future commerce. The owners of these reserves are very aware that any mispricing of oil (in real terms) can and does lead to
disruptions in the world trade. However, mispricing is not just a function of "the price" of oil but also how oil is priced, as in; What medium of exchange is it denominated? It was understood some time ago that the $US would indeed become "debted out" as digital currencies go. It was the logical conclusion to the world reserve money being removed from the gold exchange standard. If you have read Another, then you understand that the dollar was moved off gold, in 71 as a US strategic play to force the Middle eastern oil up in dollar price. This would allow the marginal reserves occupying friendly US nations to produce without competing against the "low cost" reserves that were soon to dominate world production. Thus giving the Western economic

structure breathing room to continue functioning on an IMF/dollar based settlement system, even while off the gold standard. We arrive at the final result today, with the dollar so expanded that it is failing the "free trade conversion" the world so craves. Entire countries are economically impaired in an effort to maintain the fictional valuations of "US assets"! (again please read FOA #3362)
The strategy to counter this outcome started with the formation of the ECU (European Economic Unit). It was started in the early eighties as a precursor to the now existing EURO. As Another said before, it took at least ten years longer than anyone thought, but it's here. In no small
way has this been responsible for the 18 year (gold bear market, as some would call it) upward revaluation of the dollar by the BIS. It was the longest "stop gap measure" I have ever known to exist! A tremendous success by any standard, to keep the dollar stable for such a time. Many
think it was "good old American know how" that did it. Well, now we will see "who knows how" as the world unwinds all of this dollar debt!
The Euro, in and of itself will never be a true reflection of the social and economic functions in the Pan European Arena. Much the same way as the global use and valuation of the dollar was truly never a reflection of the Real America! A true world reserve digital currency is maintained by usage in trade settlement and Gold Currency Valuations. As it is, this is created through BIS
manipulations of foreign exchange (dirty float) and "official money flows out of all non reserve currencies into gold (CB deals)". You have but to look at most native currency gold price charts to see how the dollar is benefited. The converse of this will show the Euro as the future stable gold pricing mechanism. However, we have never, in modern world affairs, had a world reserve currency of the current dollar scope removed from a supported gold valuation. The chart of the dollar in gold will be incredible for the short time that it is allowed to express the obvious. Then the controls will begin!

To answer your question: "Why has the Euro been so weak? One might have expected that others (as in the markets) would already be deducing the "secret moves" and re-evaluating the value of the dollar accordingly."
PH, please allow that this is not a "New York day trade", but rather a world money transformation that will affect you "down to the shoes on your feet". The current change in the
nature of Arabia should be telling! I'll let Another describe, later. Also, history usually documents that the most earth moving events were obvious, all along, but no one believed them!
And, Yes, I do think that the oil markets are going for the Euro, at least in Pan European trade for now!

I will offer more a little later, thanks for reading FOA

FOA (03/20/99; 14:18:54MDT - Msg ID:3622)
REPLY
Phantom,
Hello! I enjoyed the commits in your post (#3616). Your statement, "This manipulation of keeping the gold price down is politically one of the most important events which we can observe on the financial markets." is so very true! I am taken by how many investors completely underestimate the time cycle that the dollar is entering. It is truly old when considered in unbacked paper currency history. Many of the games being played today, in financial markets, would not be
considered if the players really grasped the enormity of the problem.

Your analysis of the international banking community should conclude, that bankers have also played fast and loose in a changing currency exchange environment. Many of the thinkers that dominate the US Federal Reserve may indeed lose the very game they created.
You say; "extremely exciting times in which we are living"! Indeed! FOA

FOA (03/20/99; 14:38:56MDT - Msg ID:3624)

REPLY

Gandalf,
We meet again! In your post (#3617), I would add to your brackets to read [Middle East and many others]. Perhaps the Central Bank Of China, a BIG TRADER that has had a lot to do with the evolution of the present gold market. I think, after a long absence (year or so) that BIG TRADER is about to reenter the gold market with a concerted effort, now that the Euro question has finally been resolved.
In your bracket, [FORWARD SELLING OF OIL FOR FUTURE GOLD DELIVERY TO EUROPEAN PARTIES], let's say that one option may be the selling of gold to the ECB for Euros! We shall see! thanks FOA

FOA (03/20/99; 14:57:22MDT - Msg ID:3625)

REPLY

Jade,
Hello! It is so very simple. Yet people stumble over the concept because most western investors don't value gold as a currency. They play it as a commodity and cannot grasp the importance of holding it as long term money. In reality, if you follow my earlier post that oil is the present value
foundation for this modern industrialized world, one must agree that it is the ultimate currency! In the context of real human things that we can touch and feel, oil is worth perhaps $200 a barrel.
Your present 19 barrels of oil now represent a 3,800 $US dollar value, a value we will return to soon! Thanks for reading FOA

FOA (03/20/99; 15:26:57MDT - Msg ID:3627)

USAGOLD--TEXAS OIL?

Texas Oil Patch,
Well, I have been in Houston and I can tell you that Oil Rumors are as numerous as rifles in the back of Pick-up-trucks! Weather they are doing in-fill drilling or opening up new proven reserves, the remake of Aramco underscores one point. The Arabian reserves are still the most important in the world! With Saudi overproduction at 8 mills/day, they were able to virtually shut down all new
potentials. The Caspian basin, as big as it is, was almost written off! The same applies to many other finds, so called "middle east killers". I might add that the offer to develop was also extended to European firms. I bet, that in the future the cost of drilling will be much cheaper in Euros than dollars? We shall see.
The middle eastern reserves, as currently priced in dollars, leaves them unable to service debt and even gives the appearance of going under! In reply I add; Why do we think the price of gold needed to be lowered in dollars, if not to appease this inoperable situation. The finances of this region are but in a transitory state. Reprice oil in Euros and watch the dollar collapse, then reexamine the balance sheet. The value of those massive reserves will overwhelm all debt!
As Euro oil settlement proceeds, watch for all producers, worldwide, to join OPEC! The US congress will no doubt have to pass laws (again) to prevent their native reserves from being sold at Euro rates. The chess game continues! thanks FOA

FOA (03/20/99; 15:49:15MDT - Msg ID:3628)

My thinking.

The Stranger,
I have an observation. I covered some of your items (#3623) in my post to Texas OIL. My question is, Who in their right mind would lend gold using high priced production reserves as collateral? Reserves such as Mexico, that can be made immobile with the turn of a desert valve?? Is this a super secret conspiracy? No, just the inner workings of free trade. All we have to do is open the books at the LBMA and see where all the gold commitments are assigned. They trade more gold than exists. Some entities are on the long side and they are not committed to it because it's a commodity used for watches and rings! Keep your eye on this as it unfolds, Mr. Stranger.
We will get back to reality!

Thanks for the Forum commit, FOA

FOA (03/20/99; 15:57:52MDT - Msg ID:3630)

WAITING?

ALL, I am waiting for Another's items, but nothing yet? I will continue to reply in a short while. Goibniu, in an hour or so. Thanks

FOA (03/20/99; 18:02:27MDT - Msg ID:3636)

REPLY

To: "little guy", from Alaska, USAGOLD(3/16/99; 16:49:03MDT - Msg ID:3461) and Goibniu (#3626)
Hello, both of you! "little guy", Your question is to Another, but it ties in with my reply to Goibniu, so here are both in one.
Gold mining is a business like any other. You mine it as cheap as possible for the express purpose of Selling It for Paper currency. The small miner does it to earn a living and the major miner does it for the shareholders. No one is in the business to mint legal coins, influence foreign
exchange rates or save the financial system. To the miner, gold is a commodity business not a currency business. The risks are obvious and the same as, say an oil company. That being that someone may unload, physical product or future product securities onto the market and drive the price below production. The problem with gold mining is that many, many publicly traded companies bandwagoned on the idea / trend of offering investors mining stock as a substitute for gold currency (physical bullion and coins). This has had the multiyear effect of driving the perceived value of everything from IPOs to seasoned companies, through the roof! That is, with respect to their value based on profits. (see my earlier post today).
The world currencies tumble in value because of manipulation, yet no one is filing lawsuits because of it. So When the gold currency falls against the dollar, every one that brought a gold stock on the perceived notion that it was a substitute for gold wants their money back? If it is manipulation that is unjust, what about all of the millions of people that are buying gold at a huge discount? Did not this "great manipulation" benefit them? So what if the scheme went the other way and gold rose tremendously, thereby forcing the dollar holders (big investor and small
investor alike) to pay a much higher price for physical, and the miners making great gains? Will the lawsuits still be filed? You see, the problem stems from leverage players making a commodity bet using the mines as a vehicle, while hoping the play piggybacks on the currency play in gold! It

didn't happen.
Truly, the sad fact is that most of the major miners are not gold bugs, they are mine bugs with only the intention of raising the PE ratio through a good story that will, in fact eventually leave them out of the game. The coming change in the world financial structure will value gold as such that any in ground reserves will be confiscated through taxes! We will not lose a world reserve currency system, without all the heart ache that implies and still allow the reserves of GOLD the MONEY to go untaxed. Unjust, perhaps. But no more so than closing the gold window in the early seventies.
In this modern day, we cannot go into the gold mining business and declare the dollar will fall because of a lack of GOLD backing, and then expect everyone to just eat their loses on US government issued debt! Be wary of the precedent you create, it may come back at you.

thanks for reading FOA

ANOTHER (03/20/99; 20:55:38MDT - Msg ID:3647)
REPLY TO: turbohawg (3/18/99; 22:30:26MDT - Msg ID:3564)
Mr. Turbohawg,
I read with interest, this thinking of oil demand! It is, as you say "the outcome of least desire"! Search the world, my friend and find me the result of present economic downturn? Is it not the dollar structure and debt it be built high upon? Oil demand is broken from dollar default, not less requirement of oil for manufacturing need. Future true valuation of all US dollar assets does show the equity lies low from present expressions of value. We see this froth in Dow Jones, yes? It is as the foam upon the ocean after the wind of much churning. Soon to become the calm sea of major loses for investors in this storm! The loss of this value, thru currency settlement change would indeed benefit world and harm only excess in America. Other nations would find much demand for products of local production, if priced in new currency that brings no default.
My friend, the drive to save oil demand does also save world commerce! This move to Euro, it is done for benefit of all and the one world we share! The devaluation of present reserve currency does bring loss of IMF environment and asset impairment for some, however, it finds freedom for
production expansion in the home of many, many more!
"the demand for oil is as the demand of humans for things, define this demand and you will number the need for oil"
Thank You
Another

ANOTHER (03/20/99; 21:27:54MDT - Msg ID:3651)
rEPLY TO: Goldfly (3/20/99; 9:42:02MDT - Msg ID:3609)
Mr. Goldfly,
In the past, this computer problem did bring "no concern". This day, it is now "the concern" for all! Perhaps, it does bring "the slow day" for "the tired family", a benefit for some, yes? For others, great loss.
"such is the life we live, on this modern road, untraveled and undefined"
Thank You
Another

FOA (03/20/99; 22:07:09MDT - Msg ID:3655)

LAST REPLY!

Aristotle (03/20/99; 21:07:40MDT - Msg ID:3648)

Aristotle,
I am at a disadvantage because Another is (I believe) off-line. I will reply to your #3648 and bid good day for several weeks. Upon return, I will make an effort to regularly check in and post on this forum.
The IMF gold sales are only talk. They would sell it in a second if it were theirs to sell. The real problem comes from the fact that the "laundry boys" (international gold dealers and brokers) over did the selling and leasing. For a long time they were doing the work of the CBs, then they just kept at it until completely underwater. It was Another, some long time ago that first said the gold short position was around 13,000 to 14,000 ton. This was when 3,000 was first being discussed. Now I read more estimates in the 13 to 14 range. Don't worry, it will never, ever be covered in any way except cash settlement. Mostly in Euros? They will most likely receive loans, but it will financially destroy them. Last year, right after the Belgian announcement bringing to light the last of the CB leasing, it was expected that the loss of physical supply would create a rush to settle and drive the gold price back into the mid $300 in the first wave of defaults. It didn't happen! Even
with the birth of the Euro, and the possibility of cash Euro settlement, they didn't cover. It has become so large that the paper just keeps getting shuffled from one entity to another. We will know when it starts, as the Euro will spike first, then gold will begin it's climb.
All of this may have been slowed, waiting for the EU clean up. With the old guard out, the official money will begin to roll in. This year? I think this summer. Either way, it's going to be something to observe. thank you all for this discussion. FOA

FOA (4/17/99; 13:26:04MDT - Msg ID:4815)

RETURN

Hello to all!
I have returned and will now remain involved with this forum for many, many months. The period of time immediately before us will offer the most exciting developments to world financial assets ever experienced. For all of us, "Change" is the lifeblood of human experience. Our written
history is the very record of the most important changes that impact current events. Towards this end, many books will be filled with interpretation of how the financial landscape so quickly evolved! Together, at this site, we will discuss these dynamic events and their true meaning, as
they unfold. I can tell you, today, the stage is set and the actors are ready to assume their positions. The drama of the century is about to begin!
I must take time to read the past discussions. Will return a bit later.

FOA

FOA (4/17/99; 19:41:59MDT - Msg ID:4828)

OIL!

ALL:
I have been reading many of the fine articles written here over the last several weeks. This forum has grown and many thanks are given to Mr. Michael Kosares for providing it. Rather than commit on the older posts, today, I will just jump in here with what Christine has offered.

Christine, hello! I read the "Missing barrels, paper barrels, illusion of oil glut" article linked to your post. It was an excellent piece by Mr. Mathew Simmons. It certainly does offer hard evidence that many of the conclusions reached by public thinkers are incorrect. How many times have we heard that oil is just a commodity, subject to the same supply and demand pressures as
other items used in everyday life? I think much of the blame can be laid at the feet of high level financial analysis that control much of the mainstream media highlight. These well educated figures are often dominated by "technical analysis" analysis and consider that the price of anything at the close is the correct conclusion. As it is, if oil trades at $2.00 then that must represent all the factors that come to bear and therefore, crude oil is indeed worth only $2.00 a barrel. This is true enough, except that "political encouragement" is never accepted as a component in these "factors", rendering their analysis to be out of context. Therefore, in real life, one of the real forces that would create this fictional $2.00 value are considered something irrelevant or impossible in modern society! These "Missing barrels" and "paper barrels" are indeed part of the western economic equation. Why would a society that accepts digital paper currency as money find paper oil a problem? I think that anyone that reads this forum would agree that cheaper oil has given them a higher living standard today than they would have had if oil was $100. How would you stand today if oil had continued upwards right after the Gulf War in the early 90s? Yet, the realities of Real supply and demand have not changed from the time of that event. Even thought Mr. Simmons article deals with the latest several year history, it can be used as an example of
how oil is politically priced. "Another" pointed out some time ago that the over production by Arabia (8 million+) did not occur because demand required it, rather it was "politically purchased". This was the bane of failure for many investors in the oil and gold mining industry. Their financial loss was truly used to purchase time! A purchase that benefited many more than it hurt. Today, we come to the end of this international currency chess game. Again, I make this conclusion from Another's Thoughts. In the spring of last year, the world economic system could purchase no more time. When the European Central Banks decided to cycle down the assignment of gold as an inducement for low priced oil in dollar terms, the world was going to change. In the
process of building a fort of refuge around Europe, the BIS has locked the Euro to gold by not allowing any more sales. Nor will they allow it to fall below $280US! When the dollar debt, worldwide, begins it's crash, all commodity settlement will rush to the Euro. What will make the dollar fall? A worldwide dollar inflation, induced by a soaring oil price, created by the non settlement of oil in dollars! Yes, just as Mr. Simmons showed you that the oil glut is not real, but a paper game, so will the price of gold show:
"you westerners are not as rich as your currency say
you are".

Christine and all, perhaps we can discuss this further? Then I would like to offer some thoughts such as " An Economy Biased On Paper Currency Inflation And Commodity Price Deflation Will Lead To Financial Disaster". Thanks

ANOTHER (4/18/99; 17:22:26MDT - Msg ID:4846)

THOUGHTS!

ALL,
Today my friends, this game of money, it does move to the center of focus? Many do bet the fortunes of life that this outcome will pass as "a quiet night"! It will not.
For weeks, months, days and years we have spoken of changes that come. It is of

the future we have thought and forward in the many miles we have seen. Together, this new gold market was observed, by us, indeed, as a people. A strange beast it be, for many the thinker looked
backwards to see forwards as was their custom. Devoured they were as this new market did arrive, without warning, from the future!
Other thinkers, they were short and make much profits as they did ride on the "coattails" of a much larger monetary transition. The early gold was real, as a grand purpose it did have and that purpose is complete. To this day these bullion houses and traders have not the idea why their
profits were of great size. A great show is made of their analysis and reason, as supply and demand is still on the side of selling say they! Little is seen, for they have completed the task of major rulers and the "coattails" offer "ride" no more. Today, their short gold paper is supported by governments and does move from coast to coast to retain value. It seems fools beget fools and this lineage is without end! For these, the old thoughts of out fathers will be as a new truth is to be learned. Now oil will rise and the world oil currency will rise by 100 times. How so will they now explain this new supply and demand, a demand so great, it must also, have come from the future, not the past! Think they this Swiss gold be for pawns? Not this modern gold. It be bid for by kings and queens as the ECB and BIS will be first and last.
For one year this paper gold residue is held, even as the lenders make good no more. This residue of 10,000 to 14,000 tonne will never see physical gold! Settle they be forced to do as BIS always clears it's name. Perhaps a loan of Euros at six dollarsUS to one Euro will help? With
gold at $3,000+ it be the smaller write-off, no?

Gold is held in many lands in pockets of wealthy men. In the future, only the poor sole will count his gold in paper terms, terms and dreams that blew into the wind.

"some hold the very sun and know little pain, for in true life, strong hands never burn"

We watch this new gold market together, yes?

thank you
Another

FOA (4/19/99; 19:33:56MDT - Msg ID:4895)

THE NEW BULL MARKET!

Aristotle Hello!
Your post (4/19/99; 5:16:35MDT - Msg ID:4869) pointed out the most compelling part of his speech. As he said:
" Whatever the paper barrel prices end up each day becomes the de facto cash price for oil almost every day."
It brings to light a key component of how modern commodity values are set. No, not all items, just the most important ones. Paper oil, paper copper, paper gold, they all are manipulated much the way currencies are. Just understanding this to be true brings us closer to grasping how our new economic world works! Most young investors today, follow "technical analysis" and supply/demand" factors when studying the merits of commodity based companies (be they gold/silver stocks or oil stocks). Yet they become shocked to see these enterprises stumble as their product is manipulated, in the face of, what should be positive trends.
The old story always told us that real things rise in price as the currency is inflated.

Yet, today the dollar has been inflated off the map and commodities fall in price. The old structure was changed not when the dollar became the chief reserve currency, but when it became the only
money that settled MAJOR commodities, worldwide. This trend began in the early 70s and has accelerated to the end time of today. In doing so, futures no longer responded to the underlying supply/demand of product, but reacted more so to the supply and demand for dollars!
I repeat. It has been the norm for world currency markets to be manipulated for many years. What we have come to today, is that major commodity futures are held and sold as a proxy for the underlying currency of the country of origin, not the actual product! This is abstract reasoning
for a modern world, I know. However, it is the only way you can inflate a world currency during a bull economic run without the citizens dumping it. In no small way gold and oil are very much part of this. They are so economized by the currency markets that the economy could shrink 50% and
their real value still must rise by a large multiple. Truly, we must understand that the demand for gold was off the charts years ago! Long before US citizens started their current coin buying spree. Oil and gold prices in US$ have fallen as investors have increasingly opted to carry the forward loans of these products instead of the actual item in storage. Again, this is how a government "economizes" a commodity by contracting it in "inflated currency" securities.
Now, today, we see the start of the greatest financial transition in history! That being, the collapse of a Global world currency reserve in terms of real things! Do not confuse this with the dollar strength against other money as all other world currency must by design be based on dollar
reserve and settlement. No, this downfall will come about as investors attempt to redenominate their commodity holdings into another reserve, the Euro! Why? Because the real value (and dollar price) of oil is about to be shown, worldwide as the Euro is given a major percentage of oil contract settlement! When events show how week the dollar truly is in oil terms, all other commodities will follow. Gold, the only true oil currency, will rise as never before! Many will
argue that this metal has no value for use at these new prices! True, for jewelry use it will be useless, but as the currency of Kings and wealthy citizens, it will be Priceless! The drama is about to begin!

Good Luck, my friend FOA

FOA (4/20/99; 10:40:49MDT - Msg ID:4928)

Modern Gold Standard!

Christine (4/20/99; 6:58:12MDT - Msg ID:4917)

Christine, hello again,
I don't think we will ever return to any form of the old gold standard, as it was constructed previously. Our financial world has grown far to complicated. Trade and commerce require a fast moving, self balancing system to retain the efficient use of labor and materials. Present digital currencies work very well in this new environment, except that they have evolved from and are based upon a dollar reserve standard. That reserve standard carries with it all of the past baggage of the old fixed rate exchange system (debts denominated in dollars world wide?). Only a general washout, with all that implies, will retrofit our present currency money system to match the class
act that free world trade is evolving into. Currently, the money war exists because the US/IMF wants everyone (trading partners) to lower trade margins (profits) to

reflect the new economics of high speed free trade, while still maintaining payments on the old international dollar debts built up during protected trade. This has the effect of imploding native currencies and economic structures of countries trying to play the game in dollars but maintaining a local currency. We cannot have it both ways and something must give. Because all IMF/dollars are created with debt, all dollar denominated debt assets, worldwide, must be kept whole to maintain it's status as the world reserve currency. Therefore, retaining the dollar standard requires constant unbacked government to government dollar based loans so countries may make good on foreign debts. The IMF /
Federal reserve doesn't push of this just to maintain our trading partners, it's done to support the dollar reserve system.
Christine, any movement or perception that the world trading environment is moving away from dollar based trade settlement will begin a nuclear chain reaction of abandonment and repudiation of old dollar treasury debt that is held as a currency reserve! This is where this end
time political game becomes so intriguing. Many financial analysis have pegged the current international commodity deflation with the wrong identity. Falling prices in dollar terms are a direct result of a slow trend of abandonment of dollar reserve debt. Prices fall because the weight of
maintaining that reserve debt and it's part in the cost structure, is slipping away. If it was being serviced from profits, commodity production would be shutting down and product prices rising. The US/IMF rushes to lend money and the debt is being paid from the proceeds of these new
loans, not working capitol. Through this process the dollar is crashing, behind the seans, as we speak!
This is why the introduction (not it's current exchange rate) of the Euro was so important. It holds the position of a "backup" digital currency and will keep the world economic system on track when the dollar fails. Back to your original point; neither gold or the old gold standard could work as or with our present digital trading universe. What has and is evolving is a new gold currency that trades worldwide. It is manipulated just like all currencies. What we are
experiencing with gold is the building of "open gold currency trade" not "unmanipulated free gold trade" and it has taken twenty years to create. This open trade will be vital in supporting (read that backing) the massive capitol extensions the Euro will be required to service. When the dollar is replaced by the Euro, gold will be open traded (manipulated) into many thousands of Euros per ounce. That pricing will create the largest major currency reserve for the Euro System Central Banks. They will need it as their old dollar reserves will be destroyed. The present lawsuits against gold manipulation will truly fade away and be replaced with lawsuits against the huge taxes placed
on gold reserves worldwide. They will tax away 90% of these new profits just as they did the American oil companies.
Also:
At one point, a while back when the Euro looked like it would not be born, the possibility of gold being used as a partial payment (along with the dollar) in settlement of trade was very real. In this day and age, had the oil producers selected that option, world trade as we know it would have moved back 50 years as the currency system would never have kept up! World economic trade would have continued but the efficiencies of free trade using digital currencies would have been lost. Not to mention gold would have skyrocketed! Today, the low price of gold has enticed
many dollar holders to maintain their dollar reserve while buying gold to offset a potential dollars reserve status change. It is true that the cost of maintaining the

dollar was very high as your paper barrel oil story has shown. However, gold was never purchased with current cash flow because (as so many people pointed out) they didn't have any. Oil reserves are easily used to purchase future delivery through the complicated world of "open manipulated gold trading". No doubt, much of that paper gold will be converted into a Euro package at the major expense and possible bankruptcy of modern gold traders.

Also:
CoBra(too)ID:4919).
Very good point!

Thanks for reading, FOA

FOA (4/25/99; 7:53:08MDT - Msg ID:5131)

Gold Talk, later today!

Michael and ALL:
Have been wanting to write here sooner, but knew today would be open so I waited. MK, I have a reply post from Another making comments to your Swiss question. That along with an extremely bullish (time frame also included??) post on gold! This could be the call? I will return later to send them in and make some commits of my own. I also have some questions for the fine writers now briefing this site! thanks all FOA

ANOTHER (4/25/99; 13:59:43MDT - Msg ID:5139)

REPLY!

Mr. Kosares,
Good evening. I see by this post (USAGOLD (4/23/99; 18:00:42MDT - Msg ID:5109) that you agree the Swiss still play all sides to their "shrewd advantage". Good minds have they. Nothing changes for them. A Swiss currency, heavily backed with gold would bankrupt their trade when that metal imparts strength to the Euro. They could not exist in a "new Euro dominated world" with their local currency much stronger than the Euro. They wished, from the beginning, to be part of the EMU when it takes hold of world commerce. Yet, they were locked from selling by the BIS as it stopped gold sales last year. Wait they must until the Euro was born, now sales proceed to ECB, in the open I suspect. If they do sell small portion into public market for political agenda, these sales will be neutralized with purchases by BIS at same time. You see, my friend, these sales are truly transfers of assets and will occur during a much rising gold price in dollar terms.
I do not think the Swiss think of the EMU as a swirl, much as do the Americans. Even Michael Kosares, perhaps? The new economic future of Switzerland will be tied directly with all of Europe. Please remember the Bank For International Settlements is very influenced by local
concerns, even the ground beneath their building is Swiss, no? Many traders in the West see the Euro as the failure after it's long life of four months. The BIS see it as a tremendous success that was to be created as only one to one against the dollar. The fact of initial opening months brought higher rate came about from other countries, as you say, "jumping the gun" with bids! Please consider what I have said long before, "the new gold market will begin after the dollar has increased against other currencies". This has now happened and process is complete and the gold price will fall no more. You will soon see gold begin to strengthen the Euro as the dollar continues into a mighty fall.
Many local citizens in Europe, including the Swiss, do not fully understand the Euro or the future benefits it will impart upon them. They do, as westerners also do, "vote pocketbook" with respect to current financial affairs. Only in times of change do

ordinary persons take the time for
observing conditions. In that time, real changes they do make, these usually bring the disruption of currency markets. We must understand and consider that the EMU was done for Europe as a community, not for the World. The order of events will show that the dollar will now fail, first,
then all will race for Euro. During this race, that now begins, gold will rise in dollars and Euros for a short time. Then continue rise in dollars and fall in Euros. This action will influence Swiss voters in the positive way and allow for smooth sale of gold to ECB. It be their trade advantage to sell gold reserve for Euro reserves, all done in rising dollar gold market.
In many ways we did wish to see gold fall below $280us. It would have forced the BIS to openly buy to support price so as not to destroy the Euro package and drive producers into physical gold. Today, gold will actively rise as events expose it as the "new currency of reserve". This thought is much opposed to actions of private bullion traders and western public money creators. In the end, all is good, for this world does balance life and wealth. Every item of worth
lost from paper gold traders will add ten times to the assets of private citizens. Persons of real wealth, persons of gold!

thank you, Mr. Kosares

Another

FOA (4/25/99; 15:28:00MDT - Msg ID:5140)

NEW CURRENCY?

Hello Stranger,
I have read some of your thoughts (and many others here) and would like to commit on part of one.
"(4/23/99; 23:07:47MDT - Msg ID:5111)- Bullion banks normally arrange CBs to lend the gold and for mining companies to sell it. The gold is actually delivered to the buyer for ultimate fabrication into jewelry, coins,what-have-you. The mining company gets payment in full at settlement."

This is the basic concept most investors have about gold lending. It's not what is said but the perception that it creates that I must argue with!

During the last twenty or thirty years, the public has been conditioned to think of gold as a commodity only, not a currency or money. This conditioning was so well done that when people even consider gold as a financial refuge they view it as a "useful item" that can be traded for it's
commodity roll (jewelry, coins,what-have-you) in tough times. The majority don't look at it as real exchangeable money, rather it's put into the same category as liquor or guns or soap. Something someone else needs for daily living. We never consider that gold may be wanted by the other person to use exclusively as money during hard times! Even the World Gold Council and the mining industry was taken to task for promoting this. See:

http://www.fame.org/fedwatch/fedwatch.htm
http://www.fame.org/famennews/ART-007.HTM

The Gold Mining Industry Shoots Itself in the Foot

"Because of an accident of fate, a large part of the gold mining industry has mistakenly spent almost a billion dollars over the past fifteen years promoting jewelry in an effort to stimulate gold demand."
" In the worst case, because it helped subvert the only use of gold that can possibly drive and
maintain its value —its monetary use"

The people at FAME saw the promotion for what it was, part of a broad based public disservice that helped create the misinformation printed today that is taken for fact! In the Stranger post above, we instantly see the gold leaving a CBs vault and heading for the Italian jewelry factories. If gold wasn't being traded as a currency / financial asset, we could accept this. However, one has only to understand that the commodity use for gold (jewelry and such) is easily
supplied by the yearly mine production! Yes, much of the mine gold is indeed sent to the fabrication yard. But, 99%++ of the financial gold never leaves the major vaults! Why should it? If a CB lends it's gold, it is indeed sold. A receipt is issued for it and a new owner holds that receipt. We have to understand that most of the financial gold is held in major depositories in NY, London, etc., even various nations reserves. If an investor buys 10 tonnes of gold from a CB lend / sale, why would he remove it? By far, most of the trading of gold today is done using deposit receipts. These receipts are indeed leveraged many times over by selling derivatives on the OTC markets. It's not a conspiracy, JA! By the way thanks for the definition. See:
((4/21/99; 18:23:47MDT - Msg ID:4988) Conspiracy theories).

What we are seeing is a new currency being managed as any other currency is. Listen to Greenspan:

http://www.bog.frb.fed.us/BOARDDOCS/TESTIMONY/19980730.htm

"Nor can private counterparties restrict supplies of gold, another commodity whose derivatives are often traded over-the-counter, where central banks stand ready to lease gold in increasing quantities should the price rise."

I will quote that same item in another way. I say: Central banks stand ready to lease gold, using paper derivatives, issued by bullion banks, should the price rise. This action will stop private counterparties from managing gold.

Creates a different perception doesn't it? Truly, the fact that gold is traded worldwide, in such huge quantities, completely negates the current dogma that it is just a commodity. As the Privateer web site has said often, gold is barely even moving in price. I ask you, why would any investor be buying or trading gold in these huge amounts if it wasn't part of a currency financial asset? They
certainly are not buying it to sell to the jewelry shops, are are they? Let's review how much is traded daily:

http://www.usagold.com/wgc.html

"The latest net clearing statistics released by the London Bullion Market Association showed a 6% recovery in activity in March from the depressed levels of the previous month, with an average 28.5 million ounces (886 tonnes) of gold being transferred

each day."

Notice they said "transferred". Now, any rational person will conclude that they are not placing 886 tonnes on ships and planes. Obviously they are talking about warehouse receipts for physical. Again, the world is not producing this much gold chain to justify 28 million ounces, a day in sales!

So why are they trading it in these amounts? Can we consider / commit on this for a while? I'll be back a little later. Thanks for reading, FOA

FOA (4/25/99; 17:40:44MDT - Msg ID:5145)

GOLD?

CoBra(too) (4/25/99; 16:45:06MDT - Msg ID:5141)

Hello CoBra,
You are right about this: "The gold lease game is just another over leveraged or pyramid scheme or scam feeding the paper casino bubble"! That is exactly what some of it became. But not all of this trading is by gamblers / traders. A very good portion of it is government CB money
management used to balance reserves against paper currency. Just as the days are gone when governments print paper currency outright to manage monetary policy, gone also are the days of outright public sales of gold. Even with all the discussion of CB gold sales these past few years, one has only to check the World Gold Council site and see that not that much gold was taken out of CB procession. Most of the sales were just redistributed between governments. And who is to know how much of the actual sales were purchased by other major entities as a currency wash?
Now, gold is going to be forced up by the same players that needed it down. Yes, the shorts will most likely create a major market problem as they are liquidated with Euro loans to pay off gold loans, but that is not the major economic play here! Gold will rise as the dollar gets
imploded, setting the stage for a reserve currency transition. It is starting now, today, this hour, as we speak. As I mentioned in an earlier post a few days ago, the IMF / dollar engine is shutting down. Just look at M3 money supply GROWTH, straight down! The IMF must quickly find
liquidity through government gold sales to support dollar debt reserves held in other countries. If not, the dollar will be destroyed in a nuclear currency event. By selling gold receipts, they can leverage the those assets ten times plus, using derivatives. That money will be used as loan
collateral. Ever wonder why we never see the physical trail of the real gold assets? It's because they never move the gold, just free it up to write derivatives against it in the OTC market.
Who will gain from this? Anyone that has leveraged dollar reserves into gold derivatives reserves that will be bailed out using Euros! Not to mention that gold will soar into the thousands. I wonder what entities would have purchased so much gold?

FOA

FOA (4/25/99; 17:50:44MDT - Msg ID:5146)

reply

The Stranger,
I used your elephant tail to make a point. I know it was a very small part of your overall thoughts. Many of which I agree with! thanks FOA

FOA (4/25/99; 18:30:19MDT - Msg ID:5147)

Christine (4/24/99; 19:46:49MDT - Msg ID:5125)

Christine,
Your statement: " Is the currency war really about how many of the oil states are going to switch to the euro for oil settlements. The oil states understandably want higher profit margins. Perhaps the euro/BIS is willing to provide that. Of course the IMF/US dollar wants the oil
settlements and the profits. "

No, it's not just "profit margins" that will drive the switch. It's total worldwide demand. If the IMF / dollar group continued with past currency policies, we would be looking at a financial depression that would destroy oil demand for years to come. In order to maintain dollar reserve credibility, every other country in the world would have to slowly convert into a dollar standard.
That was the only outcome from a policy of saving all debt denominated in dollars! As anyone should realize, the end of that trail would be dark, indeed!
In order to maintain some form of world economic function, the BIS and Europe embarked upon a plan to build not only an alternative currency, but an alternative "economy". Not much different than the US enjoys presently in the mist of financial turmoil. It was long ago known that
the only way a financial system could be build opposing the dollar would be to base it upon gold, as traded in an open market. Not a gold standard or a gold reserve system, but upon a reserve asset valued in a open world trading concept. This would allow any country to add reserves without draining the money supply from it's trading partners, as the "gold exchange standard" did.
True, the dollar does hold gold in national form, but, it's corresponding debt overhang will never allow that gold reserve to balance currency in circulation. As the dollar falls, hyperinflation will most definitely be required by the US treasury as a last gasp attempt at survival. More likely than not, the US will be selling it's gold to the ECB for Euros before this is over.
Back on the subject of oil demand, what good is economic demand for oil if the payment settlement is worthless? Better to support a low gold price to create a new currency than risk a total loss of oil usage. A complicated game involving many players. It always does when largest trading reserve currency in the world is about to be replaced.

FOA

FOA (4/25/99; 19:13:28MDT - Msg ID:5149)

OIL!

http://www.iht.com/IHT/TODAY/MON/FPAGE/embargo.2.html
Paris, Monday, April 26, 1999

Allies Order Military To Plan Oil Embargo Russia Refuses to Stop Shipments; France Backs Off Its Objections

By Joseph Fitchett International Herald Tribune

WASHINGTON - The NATO summit meeting, apparently united in its determination to cut oil supplies reaching Serbia, told the alliance's military commander to work out

plans to interdict ships carrying oil to Serbia via the Adriatic sea, U.S. officials said Sunday.

The officials, who asked not to be identified, said that this new action to isolate Belgrade had enough backing in the alliance to ensure that effective steps would be taken, using the U.S. and European warships patrolling the region.

Objections to an embargo, spearheaded by France, reflected fears of a clash with Moscow if NATO sought to halt and search Russian ships at sea, but U.S. and British officials played down the risk of a major confrontation.

The British defense secretary, George Robertson, said: ''The idea of refueling the Serb machine is not really on the Russian agenda at the moment.'' Privately, British and U.S. officials at the summit meeting said that Moscow seemed to be tiring of public challenges to NATO exposing Russian weakness in the crisis.

President Boris Yeltsin spoke at length about the Kosovo conflict withPresident Bill Clinton in a telephone conversation Sunday, apparently without signaling any intention to defy NATO over the oil issue, said Samuel
(Sandy) Berger, the national security adviser.
Before that conversation, the Russian foreign minister, Igor Ivanov, said on Russian television: ''There are only 19 member countries in NATO, and NATO's decisions extend only to those countries that are a part of the alliance. According to international law, sanctions or embargoes can be imposed only by the UN Security Council.''

Speaking to reporters in Cairo, where he was visiting, Mr. Ivanov added: ''We will continue delivering oil in keeping with our international commitments.''

Although the French reportedly agreed to the plan to tighten the economic noose on Belgrade when it was discussed at the start of the summit meeting, President Jacques Chirac later warned publicly that a blockade would bean ''act of war'' - apparently a reference to Russia, where officials threatened publicly to continue supplying Serbia with oil. Russia has been the main supplier for Serbia, and U.S. officials said that they thought Moscow might try to continue getting some oil to Belgrade along the Danube River route.

Later, at a news conference at the French Embassy in Washington, Mr.Chirac said that there were ''no divergences among the allies'' about action to halt deliveries of oil products to Yugoslavia. His remarks appeared to indicate that he was satisfied that his concerns had been allayed in the closing hours of the summit meeting.

When asked about French and other reservations on the embargo, Mr. Clinton defended the plan energetically. ''How can we justify risking the lives of the pilots,'' he said, and ''then say, 'But it's O.K. with us if people want to continue to supply this nation and its outlaw actions in Kosovo in another way?'''

FOA (4/25/99; 19:20:21MDT - Msg ID:5150)
Swiss Franc?
http://www.grantspub.com/GIRO/index.html

THE COMING SHORTAGE OF HARD CURRENCIES

"'I just came back from Switzerland,' relates Yves Mojonnet, a San Francisco investor and paid-up subscriber, 'and I have witnessed a shift in public perception about the long-term benefits in joining the [European Union]. And I
would put some money on it that, sooner or later, the Swiss will be in favor of this.' The Swisss joining Europe? Without their precious franc? In exchange for the sinking euro? Whether or not you would take Mojonnet's bet (be advised that he's Swiss-French by birth), prudence in the monetary-policy context continues to be redefined. The keepers of the world's strongest currency are bending over backwards to protect their franc against excessive strength. In this deflationary time, the Swiss are becoming less and less like themselves and more and more like everybody else."

FOA (4/25/99; 20:07:24MDT - Msg ID:5154)

Christine (4/25/99; 19:29:18MDT - Msg ID:5151)

Christine,
I believe this entire scenario was the work of very sharp people. As Another once put it, "it is the master plan"! They launched this fully, during the present administration in washington which has lasted almost two terms. Think about it, the present US political factions wanted the dollar to be strong at all cost in order to push through their economic plans. What better bait than to lay
down a dollar strengthening decline in gold? The US went for it with both feet and encouraged it from the beginning! Perhaps you are right, in that they even helped the process. Truly, they never thought the Euro would fly and even considered that this dollar building scheme, would help kill
the new currency before it launched. It must have been the biggest shock when it was realized what a trap was laid. Maybe you are also right that this brought on the war?
I think the US thought most of the European CBs would be on the hook for all the gold derivatives once the Euro failed. Now the whole thing is reversed. The US must figure out how to negate all of the gold paper without lowering the dollar in the world's eyes with a soaring gold price!
Oh yes, they knew about oil. But, so what? If the LBMA assignments were lost because of a failing Euro, who was going to suffer a loss of confidence? Europe of course, but the Euro succeeded! The game continues! FOA

FOA (4/25/99; 20:15:46MDT - Msg ID:5155)

Gandalf the White

Hello Gandalf the White,
Timing? Now! We should not see the gold price falling again (five or six dollars up or down is no more than fluctuation). Pressure is coming to bear that should see it climbing through the rest of the year and on. Another did not predicate this on a possible short covering rally caused by the loss of CB sales (as stated a while back). This time the major governments will be behind the move. FOA

FOA (4/25/99; 20:28:19MDT - Msg ID:5157)

reply

Hello again beesting,
We have only just begun to read and hear about gold. The coming action in this arena is going to wear out many traders accustom to a dead market. Physical gold will be the only way to participate in the harsh moves of the future. I look for the US to attack this rising market with all the accumulated wealth their citizens own!
thanks FOA

FOA (4/25/99; 20:41:25MDT - Msg ID:5159)

reply

Christine,
I an sure you will agree that we must watch how this unfolds. As Another said, events will mark the trail. Also, I never said Clinton, only the US political factions! There is a big difference.
I will be leaving now. Will return tomorrow.
Thanks for the discussion FOA

FOA (4/26/99; 7:04:58MDT - Msg ID:5171)

Aragorn

Aragorn III,
Exceptional post, sir! I will send it to several other people that will certainly enjoy it. If you will allow, I will use it as a reference for several further posts. Thank you for your thoughts, FOA

Aragorn III (4/26/99; 6:49:34MDT - Msg ID:5170)

My thoughts for a new day, complete with plenty of typos and poor grammar!

Canamami asks the good question "The US possesses massive (I believe over 50% of the world's) gold reserves. What country or group in its right mind would start an economic war against the US, using gold as a significant weapon, in the face of such awesome US reserves? [...]to me it implies the equivalent of an economic war against the US[...]"

Perhaps, do not try to think in terms of an act of war, but instead in terms of an act of liberation. When the money has gone bad, the "committee to save the world" grew out of the efforts of self-preservation. Why does efforts toward the return to a clear monetary role for gold gain scorn and scepticism as an economic aggression leveled at the body of the U.S., when it is only the dead U.S. currency (along with all others) that is being replaced in favor of a live one. Should we not rather place our focus on the "act of war" the U.S. Govt declared, waged, and has won since it first ceased domestic convertibility in 1933, followed by the blitzkrieg in 1971 to end its obligations to international settlements of trade in real money?

True, the U.S. does report to hold over 8,000 tonnes of the world's 33,000 found in the official sector. But as all nations must look to their gold to "square the books" against outstanding issue of currency and debt, the U.S. is seen to hold much, much more than is easily covered even by so much gold. A single pat of butter for a large loaf indeed! Again, this need not be viewed as a personal attack against the U.S., as all nations will be under the same prospect whereby gold will "prove" their currency. But the focus naturally goes to the U.S., for it has been left in poorest position through the very same actions by which it reaped such great rewards for nearly three decades--buying the world's goods with numbers written on paper.

Please consider excerpts from this only days ago: Aragorn III (4/24/99; 17:14:16MDT - Msg ID:5123)
"As the framework for world economics was deteriorating by a failing [reserve] currency, it was in the interest of those having the most to lose to circumvent the problem--that the real supply of dollars was outpacing real supply of goods. This fed upon itself as ever more dollars were created, borrowed into existance for purchase of goods today by those who saw that their future production would easily repay

these loans. (It was not to be, as we can see how many nations now struggle under a debt despite the hard work and good production of commodities valued by life the world-over.)
The solution was found for the dollar's problem through the alteration ... supply and demand pricing of key commodities was moved to the futures markets where the goods are but promises also.
This past vicious circle: borrowing many dollars with the prospect of easy repayment with future production, was now effectively replaced with an equally vicious circle: selling much future production (on paper) with the prospect of easy replacement (on paper) with future dollars in an "oversupplied" market!
In consequence, all those that borrowed easily have found that repayment has been hard, even as real demand for their products have grown! And further development takes a back seat to debt service."

Also, consider an excerpt from this post: Aragorn III (3/25/99; 3:23:55MDT - Msg ID:3827)
"What folly is it to suggest that a body [OPEC] is impoverished that commands a position atop a commodity [oil] needed the world over? Impoverished, no. In dire need of contract renegotiation to undo past [currency] mismanagement? Yes. Much like the United States renegotiated its debts in 1971 by saying "no more gold shall be paid to settle accumulated dollar-denominated debts". Dollars at that point became very cheap and easy to come by. OPEC is in the position to do likewise, though they will say "no more OIL will be paid to settle accumulated dollar-denominated debts". By pricing oil in euros, the U.S. will find that euros are not easy to obtain as the U.S. is a net importing nation. And what more need will any net exporting nation have for U.S. Dollars as balance of trade when oil requires euros? Suddenly, the outside world is not eager to accept any few dollars for its real products. Exchange rate of the dollar falls, and all countries use these newly cheap dollars to settle all accumulated dollar-denominated debts. That is the exit strategy of nations. The U.S. will be at a disadvantage until it achieves meaningful balance of trade. It cannot continue to print its primary export value. This will not kill the future demand for oil. The world is a much larger place than 50 united States, and any group of nations would be equally happy to rise to the occasion to be the fat consumer of of last resort.
These are the few remaining days of easy money. I suggest you use them wisely. Here's a hint...gold is the universal currency."

We can see that the struggle for a fair and viable currency walks hand in hand with the effort to revitalize global trade and economic development.

Further, I have read the various comments attempting to represent this as a battle of wits and wills of the "evil" IMF/dollar powers against the "evil" BIS/euro powers. This is not to be, as we see many players to be on both teams!
Think instead of the monetary structures being pitted against each other, as only one will win, while the men behind the scenes work both sides. Let us take a look...

The IMF sprang to life in 1947 out of the Bretton Woods conference in 1944. The purpose of the IMF was to RETURN the international settlements to a GOLD STANDARD! When this was ended by the U.S. in 1971, the IMF evolved to oversee and facilitate the wayward system of currency exchanges in a global fiat system of currencies. Of its 182 member nations today, the EMU 11 represent 22.4% of the voting shares, while notably the U.K. has 5%, the U.S. has 17.5%, Switzerland has 1.6% and Saudi Arabia has 3.3%. The IMF currently has eight of its 24 Executive

Directors representing individual countries: China, France, Germany, Japan, Russia, Saudi Arabia, the United Kingdom, and the United States. The other 16 represent regions. Its Board consists of such notable Governors and Alternates as Hans Tietmeyer and Hans Eichel of Germany, Dominique Strauss-Kahn and Jean-Claude Trichet of France, Robert E. Rubin and Alan Greenspan, Gordon Brown and Edward A.J. George of United Kingdom, Hans Meyer of Switzerland, Paul Martin of Canada, etc... and its managing director is a Frenchman. The IMF Accounting Unit, the Special Drawing Right (SDR) as of April 23, 1999, SDR 1 equaled US$1.35327 and is calculated from this basket of currency: USDollar 39%, Deutsche Mark 21%, Japanese Yen 18%, Pound Sterling 11%, French Franc 11% (Since the launch of EMU, the euro has replaced the currency amounts of the deutsche mark and the French franc in the SDR valuation basket.) Clearly, the euro world is well represented in the IMF.

Let us take a briefer look at the BIS. As excerpted from their documents, "The Board of Directors comprises the Governors of the central banks of Belgium, France, Germany, Italy and the United Kingdom and the Chairman of the Board of Governors of the US Federal Reserve System, as ex officio members, each of whom appoints another member of the same nationality. The Statutes also provide for the election to the Board of not more than nine Governors of other member central banks. The Governors of the central banks of Canada, Japan, the Netherlands, Sweden and Switzerland are currently elected members of the Board."

I hope this proves helpful for further discussions, as much time can be spared from the speculation why IMF does not "fight the good fight" against the BIS. They once had much in common managing gold currency, but of necessity the IMF's role grew apart, even as the governors remained the same.

This "battle" may be oversimplified as a selection of monetary systems...of gold assets versus fiat currencies. Gold wins this one. No more. No less.

got victory?

FOA (4/26/99; 10:10:31MDT - Msg ID:5183)

M3 money supply!

http://www.kitcomm.com/pub/discussion/M3.gif

All,

This is why they want to free up and leverage the IMF gold. The other world CBs are not selling so the only way to force it out, for paper liquidity creation is through an existing IMF structure! The game continues. FOA

FOA (4/26/99; 10:21:09MDT - Msg ID:5187)

The Stranger (4/26/99; 8:54:30MDT - Msg ID:5178)

Mr. Stranger,

Don't forget to include the rest of the elephant along with the tail! Yes, today and for the next several weeks I, myself, will be buying! thanks

FOA (4/25/99; 20:15:46MDT - Msg ID:5155)

Gandalf the White

Hello Gandalf the White,

Timing? Now! We should not see the gold price falling again (five or six dollars up or down is no

more than fluctuation). Pressure is coming to bear that should see it climbing through the rest of
the year and on. Another did not predicate this on a possible short covering rally caused by the
loss of CB sales (as stated a while back). This time the major governments will be behind the
move. FOA

ANOTHER (4/26/99; 20:37:39MDT - Msg ID:5208)
THOUGHTS!
Christine (4/26/99; 18:43:40MDT - Msg ID:5207)

Christine,
You see this world with eyes much stronger than mine. I think the years of time does wear the truth from ones vision. My thoughts once were strong for things that benefit all people. Now I view only with the logic of what is "feasible" under current conditions. It is the sad conclusion of a life brought to reality, yes?
The interaction of productive peoples, of many cultures, does require an economic function of
"broad scale". The choice for this day in time does not include the best solution for monetary ills, rather it be the selection that offers most economic production for all nations. The irony does prove that the currency platform I support be also the structure upon which we all will stand.
Most will seek out this position as the "free choice" not "forced choice".
You say, " I believe it will be detrimental to us all here". Perhaps, some will walk "the lower road", but many will rise from the shallows of economic despair. For most of this world, life itself is the "detrimental" journey that brings a yearning to walk "the higher road" that some consider low. Truly, our eyes will join to view this change that must come.
"in every life, time will prove all things"

Another

FOA (4/27/99; 6:03:27MDT - Msg ID:5222)
(No Subject)
http://www.digisys.net/futures/chart/ts_cha70.gif
The end of a long politically inspired downtrend. This is the last opportunity to exchange dollars for gold at this level. Forget the IMF sales and all others because they will be selling into a rising market! None of that gold will be sold anywhere near current prices. Yes, the failure of the dollar, masquerading as "a simple return of inflation" will mark the end of gold values as we currently understand them.
FOA

FOA (4/27/99; 6:11:35MDT - Msg ID:5223)
20 year chart of gold!
http://members.home.net/rjgold/metals/ghist.htm
This period will be seen as a base for an explosion in dollar gold prices. A time that many investors learned what they thought money was all about! The next generation will learn something "very different". FOA

FOA (4/27/99; 6:46:19MDT - Msg ID:5224)
Same body with a new look?

Christine'
I also understand your response to Another. But, I understand his stance in a different light. In
your #5212, I read "solutions rest in greater individual responsibility and freedom". Most certainly
people have reached for these ideals sense time began. A search through history will find that they
were never fully achieved, as reality always dictated the final agreements. Yes, the US was
founded "upon principles of freedom, not principles of prosperity", but these components are truly
convoluted in that country today! I believe that people evolve and resolve there highest goals as
reality dictates. Where paper money today is, at best, only a receipt for your life efforts savings,
surely society will reach for the something different. Sometimes, even something a little different is
a major change.
The dollar will fall from it's own weight of unpayable debt. That fall will occur because people
will exercise their "individual responsibility and freedom" and grasp for the next best "existing"
system. Hopefully, that system will continue to allow for a world wide "open trading" gold market.
Will it's price still be manipulated in Euros? Personally, I don't care, as long as I may buy physical
gold, the history of wealth retention is on my side. Thanks for your thoughts FOA

FOA (4/27/99; 15:09:04MDT - Msg ID:5251)

THE END OF A GOLDEN AGE?

http://www.aei.org/eo/eo10301.htm
The End of the Golden Age

By John H. Makin

-------"The major obstacle to a continuation of the U.S. golden age with rising stock prices and a growing U.S. economy is a global shortage of savings at current interest rates, especially if Japan recovers." ----------

FOA (4/28/99; 7:04:43MDT - Msg ID:5261)

IMF

Arizona Hiker,
I had to laugh when reading that post. Someone has to have a really good brain for humor to put that together. thanks

Aristotle (4/28/99; 0:05:40MDT - Msg ID:525)

Aristotle,
I think the IMF gold sale has been worked out already. Any further public statements are just political posturing. The term "sales" is indeed misleading and true words like "leveraging assets to provide further loan guarantees" will never be used. Aristotle, gold is now the last asset and the

US / IMF factions are going to have to make it rise to provide liquidity. As I said before, the BIS and it's European / other allies have (for the past year or so) blocked any further lowering of the gold price. If the US wants to protect it's remaining dollar reserve viability, (by maintaining all foreign dollar reserve debt) it now must allow it to depreciate against gold to provide liquidity.
That, my friend is the only avenue left for them! This will, as Another has pointed out, drive assets to the other new reserve system. As I mentioned to Christine, national entities will have a choice as will you and I and Christine. That being, stay with a falling dollar or move into Euros and gold.
Free choice is what it's all about, not conspiracy. FOA

FOA (4/28/99; 7:38:47MDT - Msg ID:5263)

More on Gold

Aristotle (4/28/99; 0:56:40MDT - Msg ID:5259)

Aristotle,
When the BIS stopped gold sales and leasing (that largely benefited major dollar reserve holders, such as oil) a year or so ago, many of the CB heads thought the public gold shorts would cover and create a minor liquidity crunch in the gold market. That action could have driven physical upwards into $340, $360, $370??
Many gambler investors "coat tailed" that private information and went paper long. However, the dollar supporters managed to roll over all of the paper shorts and leveraged even more shorts on top of that. In essence, as Another said, the paper moved from coast to coast, just turning over! Actually, this has played even further into the hands of the BIS as this turnover has created much more fuel to unwind the dollar through gold strength! As I said in my last post, the US now must accept a "diminished" reserve status for the dollar, if it is to maintain any reserve competition against the Euro. This "new acceptance" comes in the form of throwing the paper gold shorts to the dogs and actively pushing up gold!
Watch the open interest on comex, over the next monthS, it should start a rise that will blow people away!
400,000 OI+ will be the result of small shorts trying to hedge by going long. Notice I said hedge, not cover, as covering is out of the question as the IMF and Swiss gold will never hit the streets! Also notice I said "small shorts", as the big players are now "politically shut out" and will eventually be liquidated with cash settlement in a "going out of business sale"!
Yes, inflation will roar as gold rises perhaps 30 times or more. It's going to be a dynamic process that will make investing in the stock market look "small time'.
good luck FOA

FOA (4/28/99; 8:12:04MDT - Msg ID:5265)

Y2K

Tomcat (4/28/99; 7:13:58MDT - Msg ID:5262)

Tomcat,
Hello! I just read your post and have a question. The dollar is a function of digital creation just as all other national currencies are. 90%+ of all currencies are digital blips. If a foreign national finds his local banks / economy shut down or failing because of Y2K, how will he exchange /
transfer his money into an operating US bank? Conversely, if that person has saved himself by placing their assets into a dollar account at a US bank, beforehand, how will he bring this money home for self sustaining purchases / investing if Y2K has destroyed the local digital banking system?

Also! Please understand that the dollar exists as a world reserve currency because all dollar denominated reserve debt (treasury and others included) is maintained through timely interest and principal payments. This servicing of reserve debt requires a "functioning" foreign exchange system, whereby foreign currencies can be converted into dollars for payment. No payment
brings debt default and dollar reserve destruction. Exactly why the IMF never writes off foreign dollar debt! Big time Y2K will bring big time dollar destruction! Physical gold will be much better as history and recent world events have shown that real gold can and does trade worldwide
"without" a functioning exchange market or banking system! Also, the tremendous increase in gold values that Y2K would bring would more than offset any loses of paper reserves that currently makeup the ECB system. Their debt is not held worldwide as a reserve function for the Euro. The ECB "System Banks" could eventually reopen with a manual gold based Euro currency. So could the dollar, but at a greatly reduced function as the ratio of dollar destruction as a factor of gold reserves is far out of balance!

What do you think Tomcat? Anyone? FOA

FOA (4/29/99; 6:05:32MDT - Msg ID:5305)

Oil

http://www.usagold.com/FifthHorseman.html
Michael Kosares (Usagold),
I just read your "The Fifth Horseman" piece on the Gilded Opinion page. Very nice write-up, indeed! With crude rising some $.60 yesterday, it looks as though we are beginning a new era of commodity pricing. I think that most people have completely forgotten just what an impact oil
prices can have on inflation. Just as you write,

" This Fifth Horseman could very well be the most
intimidating of them all", also I add, so will it be an intimidation on the dollar! Another fine point is
also made with

" What makes the current situation more dangerous than the 1970s, as shown in Chart 2, is that during the 1970s the United States imported roughly 20% of its oil. We now import nearly 60%".

The pricing changes, that such a percentage disparity suggests, will deflate many portfolios. When the asset shift begins it will be of a "historic proportion" and require long hours of discussion on this forum.
FOA

FOA (04/30/99; 06:45:35MDT - Msg ID:5374)

The $1.5 trillion gamble

http://news.bbc.co.uk/low/english/business/the_economy/newsid_331000/331877.stm
ALL: This item was the short killer!

"disclosure by financial institutions of any material exposure to hedge funds "

AND: These are the BIG GUNS behind it! All of this started many months ago.

"the President's Working Group on Financial Markets, which brought together officials from the US Treasury, the Federal
Reserve Bank, and the Securities and Exchange Commission, which regulates the stock market."

FOA (04/30/99; 06:52:21MDT - Msg ID:5377)

Saudi Arabia, the world's biggest oil producer and exporter, spearheaded the March agreement.

http://biz.yahoo.com/rf/990429/62.html

ALL: "only one oil producer counts, only one" The political picture is changing and it will impact gold!

Thursday April 29, 12:31 pm Eastern Time

By Michael Georgy

DUBAI, April 29 (Reuters) - Saudi Arabia is certain that OPEC and oil producers outside the group will fully comply with output cut pledges made under a March agreement to rescue petroleum prices, a Gulf source said on Thursday.

``Saudi Arabia is sure that there will be a 100 percent compliance in May, and for the rest of the year,'' the Gulf source told Reuters.

``What has to be taken into account is that there is a new spirit of cooperation among all of the countries (OPEC and non-OPEC), like Oman, Mexico and Norway. Anything that is done will be done collectively,'' added the source, who is familiar with Saudi thinking.

He said Saudi Arabia did not expect any violations of the agreement, even if prices, which have shown recovery since the deal was signed, rose further.

``Saudi Arabia is not very worried,'' he said, when asked if there was danger if prices rose too quickly.

``We are trying to bring balance back to the market, to bring stock levels to normal levels of 1996 and 1997. We are dealing more with fundamentals,'' said the Gulf source of oil producers.

June international benchmark Brent traded at $16.35 by 1300 GMT on Thursday, down five cents from Wednesday's close.

The Gulf source said Saudi Arabia believes compliance in April was ``high'' but declined to give a figure, saying accurate judgment of implementation of the pact could only be made one week or so after the month ended.

``Maybe there was not full compliance because of contract problems. But Saudi Arabia thinks compliance was high. There is no point in guessing now,'' he said.

OPEC and other producers in March agreed to remove 2.1 million barrels per day (bpd) from glutted world oil markets in a third bid to prop up prices since last year.

Saudi Arabia, the world's biggest oil producer and exporter, spearheaded the March agreement.

Violations of previous pacts undermined efforts to rescue prices, which hit 12-year lows in the months before the March agreement.

Analysts have said the Organisation of the Petroleum Exporting Countries (OPEC) seemed to have complied with the cuts so far and would continue to do so for the short term.

According to preliminary data from consultants, OPEC cut oil production by 1.35 million bpd in April after agreeing to the new limits that took effect at the start of the month. That translates into 81 percent compliance.

The Gulf source rejected those assessments, saying it was impossible to accurately track all loadings from ports and make a judgment before the month in question ended.

``Some people like to create doubts whatever OPEC does. They are negative. If we talk about guessing, I can guess what oil production will be two years from now,'' he said.

FOA (04/30/99; 07:11:28MDT - Msg ID:5378)

Gold discussion?

USAGOLD #5339

Michael,
Something is in the works and I only hope these "maneuverings" are forced to become more transparent. Then everyone will be able to interpret these events in their own way. This is a "new gold market" with far reaching implications. I hope to be here much later (late Atlantic Time) for some discussion and reply's to recent posts! thanks FOA

FOA (04/30/99; 07:33:13MDT - Msg ID:5380)

OI on Comex!

Michael,
I think the Open Interest gained some 4,000+ again. Some entities may be trying to lay off their exposure, quickly?
Also, we must remember, the ECB now "marks to the market" their gold reserves (every three months or so?) and the US cannot because it belongs to the treasury (not the Federal Reserve).
This points to the odd circumstances that require America to free up gold through the IMF so they can benefit. Whereas, the ECB has but to only let the price rise! Another pointed this out to me and it does make the situation more clear. I must go now,, FOA

FOA (4/30/99; 21:57:13MDT - Msg ID:5417)

Reply

The Stranger (04/30/99; 07:20:53MDT - Msg ID:5379)
FOA
I confess, I was originally put off by your posts. I thought your and Another's writing

style was unnecessarily cryptic and even pseudo-mystical. I am quickly coming to recognize your insight and appreciate your contributions to the dialogue.
If misery loves company, so does delight. Yes, we do watch this market together....as friends.

Stranger,
Another writes the way he does because he is not interested in teaching. He wants others to think, consider and conclude (right or wrong) for themselves. We will never be allowed to prove him right or wrong, rather "time will prove all things" as "events" will be your teacher! That
concept, my friend is a favorite of his. When we consider it, which is better, to "follow in the footsteps of giants" or " learn to leave your own impressions upon the ground we walk"?
Indeed, ...as friends, we watch this new gold market together" FOA

FOA (4/30/99; 21:59:59MDT - Msg ID:5418)

Gold

ALL,
I am watching Comex gold trading now, because this should be the place where local (US based) funds attempt to reduce their exposure to any future rise in gold (perceived or other wise).
Private investment funds, that have raised capitol through any form of gold short securities, may be asked to expose their "risk". The full group of investment entities may also be expanded to include "any" other parties that have dealings or actual exposure to these funds that are short. In essence, every major player in the gold market could be looking for a way to "neutralize" their books to scrutiny. Even though your exposure may have come from the unregulated part of the OTC world gold market, if one is "hedged long" on a "politically acceptable" exchange, then your position is "politically not at risk"! The books stay closed.

So why watch Comex, open interest? If a certain political faction suddenly changed direction and wanted to revalue gold as an asset to lend money against, the fasted way to do it is to drive currency traders into the paper gold traded on comex. When looked at in this light, gold takes on a very different appearance than the commodity we thought it was. Think about it and perhaps we can discuss this further.
If you notice, on Thursday, Comex gold traded app.. 45,000 contracts and rose $3.00+. Yet the OI dropped 11,000+. Today, a friday, some 60,000 (estimated) contracts were traded and it rose $.50. This general trend should continue, in that every time there is a major closing of
speculative positions, the next day should show high volume. The major players are taking advantage of shorts closing and buying "insurance". Over the next months, OI should increase
greatly! We will watch and learn. FOA

FOA (4/30/99; 22:10:57MDT - Msg ID:5419)

"to your safe return"!

High Density (04/30/99; 11:22:37MDT - Msg ID:5393)
"Soon I must depart this table and continue the age old toil I have committed myself to: liberating the yellow metal from its entombment. But I will do so now with a zest!"

Hello HD,

While digging for metal, do not forget to mine the USAGOLD forum for knowledge. Let us know where you go, the trail traveled and what was learned? Thank You FOA

FOA (4/30/99; 22:33:18MDT - Msg ID:5420)

Reply

USAGOLD (04/30/99; 10:08:12MDT - Msg ID:5389)
Insights.. FOA

Michael,
Hello again! I'll reprint the item you committed on:

"This points to the odd circumstances that require America to free up gold through the IMF so they can benefit. Whereas, the ECB has but to only let the price rise!

When one puts on a political thinking cap, that statement does say a lot! Why else would the ECB establish a precedent of routinely "marking to the market" their gold (and the gold of the Euro System banks also). Then add to that your remark of:

"becomes clear that this is a very risky business and that they are being asked to sacrifice their
gold to defend another country's currency."

Suddenly, we see who's gold was really at risk, all along! Are we in the last days of the dollar, as the US agrees to politically drive gold higher to benefit the IMF? And by extention, world dollar reserves as expressed in dollar debt! Will the US be forced to drive it's own dollar down against gold in an attempt to save it's reserve status? Dynamic times, indeed! FOA

FOA (4/30/99; 23:30:04MDT - Msg ID:5426)

Reply

JA (4/30/99; 0:02:50MDT - Msg ID:5365)
FOA

Hello JA,
I see your point. Much of what I have said is in the context of a much larger point. That is, that gold never did become a commodity just because the dollar was taken off the gold standard. It's used as a currency to buy "credibility", influence events and provide financing for speculative
investments. Much in the same way as companies use their stock as currency, so do governments use gold! Say a company knew of a major break thru that would eventually increase it's stock value many times. Then, say they offered you that stock to purchase your natural resources at what appears to be a ridiculous price. All of your piers think you are nuts to take the offer, until the company stock explodes in price. Then it looks as if your sale was appropriate! This scenario happens every day, yet, the stock isn't called a currency and the deal isn't looked upon as a conspiracy.

My point is that some people still look at gold as a currency that is so undervalued it's ridiculous. They accept it with the (inside?) knowledge that the dollar is going to plunge. Not because politicians will force it down, but because politicians have forced it up for so long. The
true conspiracy was in the dollar reserve standard, not gold.

The world often values things wrongly, because people as a group invest using their present life experiences as a guide. They learn using a continuation of "present trends" established during their short existence, instead of allowing the real results of history to teach them. The present lawsuit by mine stock owners is a good example. It's not about gold, but about getting their money back
because they invested using the wrong "interpretation" about gold. They did not think it would be managed as a currency, because they thought it was a commodity! Now, as the gold currency is sought after by many, as a replacement for a failing dollar, they will find themselves wrong again.
Will they then bring legal powers to bear as gold soars from manipulation by the buying public?

thanks FOA

FOA (5/1/99; 15:39:10MDT - Msg ID:5439)

canamami

canamami (5/1/99; 9:39:41MDT - Msg ID:5431)
All: please reread #5431 as my reply is for this post.

Hello canamami,
I am happy that your reading here has prompted a further break in said "posting moratorium"!The thoughts and reflections of others help everyone to view the world in a different light. Our bodies are not engineered to see 360 degrees at once. Therefore, at any moment in time,
someone else will always see something hidden by our lack of complete visual perception.

For, myself, Mr. Donald Coxe displays the same style of thinking that has cost many investors dearly during the 90s. He correctly states "gold has been a reliable inflation indicator for at least four millennia" but then associates the correct investment plan to play this "historical precedent" was to hold "precious metal stocks"! Search the western world of investment professionals and we will find the exact same thinking in almost every case. Billions of dollars have been lost using this very style of "association", yet even in the face of these loses, they will still buy shares instead of gold bullion. Why? Because every holder of modern currency is using their present "life trend experiences" to dictate the possible future value of gold! Even the well written history of paper
money, with all of it's chronicled destruction, cannot convince modern man that Gold can and will fully demoney paper! In our present lifetime! Yes, these shrewd trust managers can only accept that the value of gold will only increase to it's commodity value plus a premium for inflation. Hence they buy into the commodity story of gold and hold shares.

Standing upon a hill and looking in the same direction, none of them will view the other 180 degrees of history that is quickly approaching them. Today, the IMF appeals to the governments to use gold as a currency. It will be sold, yet no buyers will be listed! The books will be squared and show 10 million less gold, yet none of it

has left the vaults. The bullion is "securitized" and multiplied into billions of loan guarantees, yet we only hear that it was sold to feed hungry people. During the past few years, millions and millions of ounces are leased, loaned and borrowed with only four or five hundred tonnes shown as deleted from total worldwide CB books, yet we are told they are selling it completely.

Yes, my friend, gold is returning to it's centuries old roots, as it is used as the last resort for financing in a failing debt ravaged, outdated currency reserve system. I submit, that managing the price of gold lower has helped create, what the gentleman has pointed out, as the "rapid money supply growth and some of the lowest interest rates the world has seen". That effort has got us this far today without a currency collapse. The "influence" of low gold created the energy to effect this present state of affairs. Now, that energy has been used up. Now, gold will be managed UP in a final washout of the dollar. Holding physical gold, now will provide a return in proportion to it's past position as "the asset class".

This act will play out again today, just as history dictates. In reference to your post, I add:

The "Good Guy" will "get the girl", "win the lottery" and "never have to make a profit doing it! All because he (she) was dumb enough to hold gold!
thanks for reading FOA

FOA (5/1/99; 16:19:03MDT - Msg ID:5440)

Christine

Christine (5/1/99; 7:30:46MDT - Msg ID:5429)

You give these world leaders a lot of credit for knowing all about gold! My problem is that your credit to them is out of context. Any smart politician will never act to build on a system that denies "money creation". That is the mind set they apply to gold, and for them, the only one that counts. It, by nature, works against their agenda. Just as in my post to canamami (#5439), I again submit that most major western leaders want to use "gold the commodity" as an "asset creation" mechanism for their constituency benefit, not for the creation of a stable financial reserve. Always, when a politician is under pressure, they think of gold in the "present trend", it's a commodity that we can borrow from. Just don't let it into our house to control us.

This is where we are, today. The demand for gold from entities that want to remove dollars from reserves is creating a "piggy bank" for dollar / IMF countries to borrow from. Your supposedly, knowledgeable leaders don't understand that they are using the last asset in line.
Truly, they will be very surprised to learn when the gold they "sold", so to speak, was loaned out so very cheaply. But, fear not, it will be the other gold "in the ground" that they will not be so dumb not to attach! FOA

FOA (5/1/99; 19:58:11MDT - Msg ID:5459)

Reply

Chicken man (5/1/99; 8:44:42MDT - Msg ID:5430)

Hello Chicken Man,
Your post is written from a standpoint of "a battle for world power". Well, I don't think it's as much a battle, but rather a sliding of assets from one place to another.

More like untied cargo in a ships hole during a storm. The task (battle) is to lash the "assets" down in one place before they sink the ship! Please go to Aragorn III (4/26/99; 6:49:34MDT - Msg ID:5170), as it gives an excellent description, using most appropriate language (he said what I could not).
I would think your "grain robbery" scenario will come about. However, it will be but one part of the "cargo" sliding around the ship. America can expect to receive a "sudden impact" from all of these overseas dollars once it is realized they will lose most of their value. Local US investors will do well investing in almost any useful, needed, exportable basic product. Many an investment
advisor, with commodity tunnel vision, will tout their "single idea" as proof of how good they are. I say, money into commodities will be the same as ".com" stocks. No brainer?

Also, Michael (UsaGold),
Thanks for the mention about my post. It is hard to describe the other 180 degrees. How was Titanic? FOA

FOA (5/1/99; 21:04:42MDT - Msg ID:5465)

Reply

SteveH (5/1/99; 18:10:10MDT - Msg ID:5449)

Hello SteveH,
Yes, Steve, you have it about right. I have to admit that money will be made in gold stocks. They will move until action is taken against them. The problem is that anyone that would truly understand and agree that physical gold will return much more, would have to say, why bother with stocks? I offer these guideline problems (Tomcat!) to watch in a functional way.

We are dealing with two phases that will impact gold stocks. The first will be the falling world stock markets in general, particularly the US. The decline, this time, will not be like in the 70s when gold and metal stocks went up as the markets fell. This downturn will be the result of a
"collapse" of the reserve currency system and the resulting "strategic repositioning of assets" worldwide. Indeed, a big difference from a (70s) falling equity market as a result of relatively minor inflation (13%). This new downturn will slam all equity investments, no matter WHAT they are earning! It will not matter if a gold stock is earning $10 a share and selling for $10, no one will hang around for the story, or the return, or the perceived ownership of gold. History shows that in such conditions people grab what they have and take it home, for a long time! The problem for gold stock investors, this time, is that they are waiting for the very event that will impact the markets the most! That being the driving of gold prices higher in a gasping attempt to save the last of the dollar system! That act will crater the DOW from these levels. With Gold stocks, so
depressed, the higher gold prices will take at least six months to filter through into earnings in a meaningful way. If you were a big player in gold equities would you hold on for months with rumors of: foreign exchange controls, state of emergency, new banking regulations. a 50% drop in the dow, a currency crisis and gold flying through $3,000+?
Steve, watch the xau for a small rise, then a stall as things unfold. If it stalls for several weeks as matters worsen, you know what to do!

The next phase of problems for gold equities will come after gold crosses it's old high

of $800! No doubt, foreign exchange controls will lock gold into the local market. The country of origin. Yes, the commodity every gold equity investor has followed supply and demand for will now
suddenly become classified as a "currency" and subject to all emergency measures. Remember, the governments will not coin it because it's a commodity, but during an emergency, it's much to valuable a currency asset to allow it to leave the country. Now, locked into a domestic market it's
sources will be subject to "windfall profits taxes" of sufficient amounts as to match the scale of the financial crisis. Steve, at this point there is nothing to watch because, if you still hold gold stocks, it's to late. Sorry for this very real discussion. Now you may consider your moves. FOA

FOA (5/1/99; 21:17:32MDT - Msg ID:5468)

Time to go!

Thank you everyone. Aristotle, a fine M3 report. Yes, "I got me some" and will "get some more"!

Gold, Yesterday, Today and Tomorrow!
FOA

FOA (5/2/99; 11:54:54MDT - Msg ID:5489)

OIL

http://www.nandotimes.com/noframes/story/0,2107,44496-71801-518849-0,00.html

Canamami,
Earlier, you had stared many items that would conflict with the outcome that Another and myself see ahead. One of them was this:

canamami (4/25/99; 22:10:30MDT - Msg ID:5165)

"However, and first, many of the Middle-Eastern countries are dependent on the US for military protection. No country or alliance in the world can match the US with respect to military technology. Only the US maintains a military of the size and mobility to assist those Middle-Eastern countries if they are threatened. The bottom line: only the US can protect these traditional regimes (The US being the successor to Britain and its Empire in this as in many other
roles)."

Please note that times and circunstances change quickly in the fluid world of politicts. Even today, Arabia takes a further move. First oil, now defence! Next, finance! This world is changing and we are part of it. Read below or see above link:

"Saudi defense minister makes 1st visit to Iran in 20 years

DUBAI, United Arab Emirates (May 2, 1999 10:04 a.m. EDT
http://www.nandotimes.com) -
Saudi Defense Minister Prince Sultan arrived Saturday in Iran on a groundbreaking visit that could bring the two Gulf heavyweights closer to a defense agreement.

Sultan, who arrived in Tehran late Saturday, is making the first visit to Iran by a Saudi defense minister since the country's 1979 Islamic revolution.

Iranian Defense Minister Ali Shamkhani said Sultan's visit was "a turning point in relations" between the two countries and called for a military pact with Saudi Arabia to defend the Gulf, the official Islamic Republic News Agency reported.

The defense ministers will discuss "the general outline of a security plan for the region," said Iran's ambassador to Riyadh, Mohammad Reza Nouri Shahroudi.

A Saudi diplomat, speaking on condition of anonymity, said there was a possibility the two sides would draw up a defense agreement. "

(more)

FOA (5/2/99; 12:07:50MDT - Msg ID:5492)

In poor form.

All:
Sorry for the poor spelling in my #5489 as I am in a rush and wanted to send this quickly. Will return much later. FOA

FOA (5/2/99; 18:44:55MDT - Msg ID:5505)

Reply

canamami (5/2/99; 15:44:49MDT - Msg ID:5500

Canamami,
I went back and read both your post and my reply / analysis to it. You are right and I see your point. My intent was to show the "mind style" used by many manager / strategist for the evaluation of gold market investments. In doing so I walked on your major purpose for offering the piece in the first place. I made my point, but took your work out of context to do so. A very sad mistake, for me, my friend as I lost much more than I gained. My apologies.

The fact that he made this statement was indeed a confirmation of the "changing analysis" of the gold market:
"Since gold has been a reliable inflation indicator for at least four millennia, weakening its price at a time of soaring oil prices is politically smart. It will help convince economists and central bankers that disinflation or even deflation is still at work, despite rapid money supply growth and some of the lowest interest rates the world has seen."

Your story by Somerset Maugham brings out many of the feelings honest, hardworking people have when hearing of the "easy riches" they have missed. It seems, these days, a conservative person exists to service the needs of those who gamble and live on the edge! But life is dynamic and trends always change. Perhaps the justice, so due for your "Good Guy" will return as the exciting history of gold is played again in a modern world. Thank You FOA

P.S. I would offer a further analysis to your #5500, but courtesy will require permission.

FOA (5/4/99; 20:57:32MDT - Msg ID:5591)

Muslim defence force with Saudi Arabia!!

http://www.khaleejtimes.com/

Khatami for military alliance with Riyadh

"TEHERAN - Iranian President Mohammad Khatami
yesterday stepped up calls for the creation of ajoint Muslim defence force with Saudi Arabia, saying a powerful alliance with Riyadh would make their enemies "fearful."

"The security of Saudi Arabia and other countries in the region is our security. We don't need foreign forces for that," the Iranian president told visiting Saudi Defence Minister Prince Sultan bin Abdulaziz."

ALL: I think the region needs a new gold coin to start things off correctly! Perhaps one is in the works?
Will have more to say on this defense pact in a few days.

FOA

FOA (5/7/99; 8:09:11MDT - Msg ID:5699)

BOE gold sale!!

ALL:
A quick post, then I must go.
The decision by the UK Treasury to sell gold, points strongly towards the severe political pressures upon the IMF / Dollar Reserve factions! The "dollar reserve system" is truly in trouble. With the IMF gold sales in doubt, or delayed. And the EURO / BIS factions blocking any new gold. New gold cannot be found to maintain the backing of collateral for existing paper shorts and the massive liquidity they provide. The UK is directly in the middle of this as the LBMA would all but "disappear" if world dollar liquidity were to shrink from a higher gold price!

Notice what the Bank Of England said: "It also said that eligible bidders will be limited to members of the London Bullion Market Association and central banks and monetary institutions holding gold accounts with the Bank of England." Truly, the IMF / Dollar faction alliance is
failing, with each now about to support it's own entities! The BOE will most definitely back the LBMA first and foremost with fresh collateral!

The beginning of this new bull market in gold will be mired with "extreme" volatility! We never expected anything different. With the ending of the largest circulating reserve currency system about to ensue, nothing less than an investment in "actual gold bullion" will work. For some time, Another (and myself) have pointed out that no one will be able to play this change using any form of leverage!!! Major gold buyers and investors know this, especially oil producers and holders of "paper gold backed by the Euro CBs"! . Today's action, will be nothing compared to the swings to come, as these moves will be "political" attacks of a timed nature. There purpose is "NOT" to destroy private "paper gold" investors", rather "to respond to an ongoing currency crisis"!

This is perhaps the "Third" reason for not holding gold stocks (see my first two in FOA (5/1/99; 21:04:42MDT - Msg ID:5465)). Each 20% gain in the XAU will be given back with the swings in the physical market. Again, during a currency crisis,

hold currency, but, in a gold currency crisis, hold gold!
I will have much more on this dynamic market in a day or so! FOA

FOA (5/7/99; 8:33:38MDT - Msg ID:5704)

Today USAGOLD report!

Good Day MIchael,
Nice report about today's market. Bullion is back to where I started adding to my position from a week or so ago. As stated, I will be buying over several weeks. This "suprise" is welcome and buying by many physical entities is ongoing! Gold may, indeed rebound before the close. We will watch this crisis develope! FOA

FOA (5/8/99; 11:24:28MDT - Msg ID:5755)

Gold Talk!

Canamami, Michael and ALL,
I hope to post here about 8:00 MDT. Many very good posts written here these last few days. They need discussion!
FOA

FOA (5/8/99; 20:16:12MDT - Msg ID:5772)

BOE!

ALL,
Well, by now everyone must be aware of the "open management" of the gold price. "Another" had been bringing this picture to light long ago. In puzzle form, he offered ideas, Thoughts and directions for consideration. Only a short time ago most analysts completely wrote off such
"thinking" as being absolutely "on the fringe of reality"! Today, the "absolute fact" is that gold is used and managed as a "world currency" of major importance. After the BOE announcement on Friday, currency traders are grasping the concept that gold is, as never before "at the center of
reality"!

Many different factions are maneuvering gold these days, and each has their own agenda. The IMF / dollar faction, many years ago, went along with Europe in lowering the gold price in dollar terms. It made the dollar look stable and enforced it's continued use as the "currency of settlement" for strategic commodities. Any country running a balance of trade surplus of dollars, was free to buy gold at a stable to lower price, and partially replace the paper dollar reserves. Because the dollar is the "world reserve currency" many countries ran dollar surpluses with trading partners outside of the US. In this light we can see how the integrity of the dollar was expanded, even in countries of nonnative dollar origin!

Not only was physical gold purchased, but paper gold with distant CB backing was also accepted. Ever wonder how all of this gold was placed? You see, over the last many years, there has been a quiet boom going on in gold ownership. The sheer number of world gold buyers has
more than doubled, along with the amount of gold owned! The problem is that the amount of physical gold in existence has not doubled, only the warehouse receipts.

Most of it never, ever left the vaults, as the true placement was done in receipt form. Yes, slowly, over the years, even major private bullion holders offered up their physical for "convoluted, future delivered, leased and released gold". Much of what is now held is little more

than a form of gold options for "future deposit". Not unlike the "cash dollar that is supposed to be in your bank", but really isn't? As the bank only holds your deposit as a "credit" to your account, so is much of the world traded gold "only a credit of account"!

When Central Banks (mostly the European, at first) began to lease / lend gold, they were beginning what was to become "the master plan". The creation of a broad, liquid paper gold market that would ulltementally undermine the dollar, in time. As I said above, initially it was offered as an "appeasement" for continued dollar use. However, even the IMF / dollar faction never expected the successful creation of another competing reserve currency, the Euro! Right up
to it's offering, the political money was on the side of a complete failure, 100% with ten to one odds.

Not only did they lose, the Euro even accepted a percentage of gold as Euro reserves. If that wasn't enough, the ECB also instituted a policy of "marking to the market" it's gold reserves and effectively blocking any new sales or leases. These actions, as subtle and misunderstood as they
were have had the effect of officially making gold money again. Yes, this new broadly traded paper gold market, standing side by side with the physical market has become a world currency.

The problem this creates for the IMF / dollar is that most, if not all of this new gold market is settled in dollars! Dollars that broke a contract with the world in 1971 and went off the "gold exchange standard" at $41 to the ounce. The same dollar reserve currency that is not supported when the gold price rises. If the ECB does nothing but stand firm by not allowing physical out of it's vaults, the dollar will be trapped by gold. The US treasury cannot use gold as a backing reserve as the ECB does, because the BIS would claim it at $41 to settle trade imbalances. They
have that authority and as such it leaves the US the only option of outright gold sales. However, with the dollar as "the" reserve currency, we can expect many nations to bid "aggressively" for any US gold. China, among others comes to mind! That is what America found when they tried to auction it's gold in 1978. The Euro carries no such baggage.

This all leaves us in the present political situation, where the IMF entity, that was formed to replace the gold standard, is now trying to back the present paper gold with physical to prevent a run on the dollar. It is a futile effort as the ECB / BIS have grown the gold market into massive proportions by encouraging the many year expansion of holders through paper securities. All denominated, ultimately, in dollars. We will see $10,000 gold, count on it! It's the only way this can be resolved. That same figure will create massive backing for the Euro and hasten it's journey into world reserve currency status. Expect most of the ECB liability for gold to be easily converted into Euros at the dollars expense.

Now, the BOE action clearly shows the split between them and the IMF / Dollar faction. They have given up on freeing up IMF gold to support the dollar and are actively trying to help their LBMA. England will be forced into the EURO as they abandon ship. I expect an explosion in open interest on Comex as major players try to hedge themselves against short gold. The US now has no choice but to encourage gold to rise and use that action as a political ploy. They will no doubt try to gain much mileage out of the fact that the treasury has 8,000 tonnes of gold for dollar backing or outright sales. It will be a political discussion, only. As the gold market

becomes more dynamic and gains media attention, many congressional investigations will target the short funds. After all, with gold killing the dollar, something must be done.

I have some other commits and replies to other posts. Be back in a minute.

FOA

FOA (5/8/99; 20:35:41MDT - Msg ID:5774)
Reply
Richard, Oregon (5/8/99; 12:09:55MDT - Msg ID:5756)

Hello Richard,
First I want to say I'm sorry I posted 8:00MDT without a PM after the date. Not only that I am very late!

Your questions: " It would seem that your preference of precious metal ownership would be gold and in the form of bullion only. Correct?"
Yes, Richard. It should be viewed as an appreciating cash currency, not an investment.

"Any particular choice of one bullion coin or another? I've observed numismatic precious metal ownership is for more subjective than straight bullion. Do you agree?"
In a way, I agree. However, major investors do look at "numismatic" coins as an "Art Form" not unlike paintings. And, just as paintings were carried off by invading armies, rare coins will also hold their higher value during a currency war. Note: I didn't always feel this way. Another guided me into this style of thinking.

"I too see the news of recent days leading us to very "opportune buying moments in history", the likes of which we may not see again for a long time. Any further thoughts or things I may of missed?"
Please read my last post #5772. thanks FOA

FOA (5/8/99; 20:46:16MDT - Msg ID:5776)
Reply
THX-1138 (5/7/99; 17:14:19MDT - Msg ID:5739)

Hello THX-1138,

I think you are on the correct trail. Please read my #5772 post as it may add dimension / expansion to your considerations. It is complicated, but then so is currency trading!
FOA

FOA (5/8/99; 20:51:18MDT - Msg ID:5777)
Reply
PH in LA (5/7/99; 15:47:31MDT - Msg ID:5729)

Things are getting clearer now!

Hello PH,
I'm happy this is opening up. The BOE action should bring some high powered

analysis from the public investment sector. You mentioned Mosel, I think Another had some discussion with him before. If he post here, they would talk again, I'm sure. FOA

FOA (5/8/99; 20:58:58MDT - Msg ID:5778)

Comment!

canamami (5/7/99; 7:27:41MDT - Msg ID:5697)
Gold Manipulation - Popular Frustration
I found this on a stock investment Board. There's a lot of anger out there:

Hello again canamami,
Yes, many who invest in the gold "industry" are upset with this current state of affairs. However, investors that buy gold as a dollar replacement find this action much to their liking. For them gold is a currency that can not be purchased too cheaply. You see, it all depends how you view gold?
Is it a commodity or is it money? FOA

FOA (5/8/99; 21:10:56MDT - Msg ID:5780)

comment

Chicken man (5/6/99; 18:32:10MDT - Msg ID:5671)
Christine
A very productive walk!.....why not another virtual currency like the EURO....? keep everybody in a state of total confusion.....If FOA or ANOTHER would like to comment as to "Will the Brits (LBMA) rescue the EURO ?
If gold goes to $1000 ,then the Euro would have reserves backed with 45-50% gold instead of 15%....right...?

Hello Chicken man,
No the Brits will not rescue the Euro, but the Euro may well rescue them from going down with the dollar! The BOE sale is but a small drop in the bucket, attempting a political statement that supports the LBMA with gold.
If I remember right, Another never thought that England would survive the currency change. It now looks like they will, at least, go down fighting!
Yes, the ECB system banks will be well backed with reserves, even if their dollar holdings crash! I expect they will be buying gold with dollars, in the open if the US congress does sell any IMF gold reserves.

FOA

FOA (5/8/99; 21:29:28MDT - Msg ID:5782)

comment

St. George (5/8/99; 21:08:00MDT - Msg ID:5779)
THIS IS WAR

Hello St. George,
Good Idea! What really allowed this "master plan" of gold manipulation to work was investors putting their money into the gold industry, not physical gold. Far to many entities purchased paper gold in one form or another (most mutual funds included). This action became an accelerating
trend that the BIS acted upon. They played the gold market for their own purpose. In the process they did give many people an avenue of escape in physical gold. Let's

face it, buying gold in the $380 to $280 range was and still is an incredible deal, considering it's history. Now, for reasons I have laid out in the past, any paper gold may have a problem of "perceived value". If the crisis is as bad as the BOE action indicates, the very world currency system will need real gold to survive.
Holders of "gold in the growing" will be fighting an accelerating public outcry for the government to do something! Know what I mean? FOA

FOA (5/8/99; 21:32:20MDT - Msg ID:5783)
My last post???
"correction" My mistake!

Holders of "gold in the ground"

FOA

FOA (5/8/99; 21:48:31MDT - Msg ID:5786)
Reply
Golden Truth (5/8/99; 21:23:33MDT - Msg ID:5781)

Hello Golden Truth,
Thanks for reading and participating in this discussion. We can also thank USAGOLD for creating a "civil" forum on the net. I know some very high powered people read this and will some day sign on. They do enjoy ALL the fine thoughts presented here. Please understand that Another writes when he wants to offer Thoughts to the minds of others. He does read much of this and gets a "world perception" much the same way we do by talking to others. When someone says, "Up yours Pal", they have no input for consideration. And consideration of each others thoughts is more valuable than wealth. You would be surprised at how many wealthy people hold that opinion.
FOA

FOA (5/8/99; 22:07:00MDT - Msg ID:5789)
Reply
USAGOLD (5/4/99; 11:18:50MDT - Msg ID:5564)
E-Mail Question for Another and/or FOA from Steve
Michael,
I'm at work and don't have my password, but I don't want to forget these thoughts. The Saudi/Iran talks seem to have
vast implications, not only on possible oil prices, but with
regards to reliance on the US military. Could it be that
Saudi doesn't have the same faith in the US, could it be thata Saudi repudiation of the dollar might anger the US? An alliance with Iran would lessen the need for US military presence, thus opening the way for pricing oil in Euros or, perhaps, a basket of currencies, ie dollar/euro/yen.

Could you post this for opinions. I'd be interested to what
you, Another and FOA think.

Reply,
I think the political aspects of that sector of the world is evolving, and doing so in a way most analysts did not consider. Often, I would make a statement of possible alliance changes and would receive the typical "they would never do that because

the US has the military for their
protection"! Well, does anyone ever consider that the US would defend that oil supply no matter what currency or price is used to purchase it. There is no possible political or strategic purpose to simply walk away from the middle east if Euros, gold or a basket of currencies were used to
price oil. To do otherwise, would allow the possible complete destruction of the oil fields, and that is a misplaced logic promoted by dollar advocates.

No, in time, oil will be revalued by it's true value for world commerce and that value will be denominated in the strongest currencies. Euros and gold!
Thanks FOA

FOA (5/8/99; 22:24:54MDT - Msg ID:5790)
Reply
Goldfly (5/8/99; 22:04:55MDT - Msg ID:5787)
FOA - 15% backing?

Goldfly,
Hello again. Truly the ECB percentage as a number does not mean much at this time. It's the concept that is 180 degrees against the IMF / dollar system. For anyone to measure the value of Euro backing at present, is like looking at gold at today's price. It's out of context.
The beauty of the ECB ploy, is that it doesn't lock them into a rigid gold exchange standard. With gold trading in the open, all currencies are free to be exchanged for gold at any given point in time. The old IMF / dollar manipulation of gold, used from the early 70s gained nothing and cost the world dearly for the benefit of the fictional US living standard it created. Had they just allowed gold to rise from the beginning, commerce would have been much more balanced, nation to nation.
Prior to the Euro, Europe had to play the IMF game. The same game that has now backfired on the US today. They truly don't need the IMF and may pull out later. FOA

FOA (5/8/99; 22:47:46MDT - Msg ID:5791)
Time to go.
I hope to return early tomorrow.

Thank you FOA

FOA (5/9/99; 15:40:38MDT - Msg ID:5814)
oil
el St.One (5/9/99; 3:31:32MDT - Msg ID:5795)
FOA
I know well your thought on Gold stocks, do you hold the same opinion about stocks of USA oil producers?

el St.One,
That is a good question. I have thought about this for some time. Of all the world corporate citizens, oil companies will have the worst time of it. The 1970s oil shock was induced by the US taking the dollar off the gold standard. It had nothing to do with supply and demand or the world running out of oil. Plainly, it was a shock of "pricing" oil to allow for the depreciation of the
currency. Some said oil rose far to much to have represented the resulting

depreciation. Nonsense! Oil was priced far to low, at the time, because it was expected that the dollar would honor gold conversion at $41+/- and then slowly depreciate by changing the rate to $500+ over time. A form of official, sliding devaluation against gold, while maintaining international convertibility. It was then, just as today, that the "expectation" of receiving gold at a bargain rate that allowed for cheap oil. When the dollar broke from gold, it's oil conversion rate (oil price) had to make for "past lost value" first, then rise to equate "current value". Nothing has changed, as oil has come down over these past years because official gold was made liquid through a paper exchange. The only difference is that gold is off the official exchange standard and trades in an
open, highly liquid market, LBMA. No one has to set a rate, you just buy it. Of course, all of this is yesterdays news, as the entire system is in evolution.
What does this have to do with oil stocks? The second oil shock is coming, and this one will not be about the dollar going off the gold standard. The shock will arrive in the form of world oil no longer being traded in dollars as the major settlement. If you think nations will run to grab "gold in the ground" during a currency crisis, wait till we see how they grab "oil in the ground" during a
"REAL" oil crisis.

A country can operate without gold during a hyperinflation for some time, but they cannot even defend themselves without oil. Think about it? FOA

FOA (5/9/99; 19:11:04MDT - Msg ID:5826)

Reply

BC (5/9/99; 16:15:20MDT - Msg ID:5817)
$10,000 gold
Michael and FOA,

Michael, Thank you for your quick response re: selling gold during/after US$/Euro currency switch. I've been following the recommendations and news in News & Views as well.

When FOA and Another were talking about $3000 and $6000 gold, I thought: "What a great potential for profit." But with the mention of $10,000 gold, I got a gut feeling that this kind of huge appreciation would have to be just too big a temptation to the US Government as a source of tax
revenue or confiscation.

I do remember FOA mentioning (10/10/98; 18:51:39MDT - Msg ID:494): "Physical gold purchase, contrary to most analysis, will be encouraged in America as an alternate form of wealth
(401-K or retirement savings) because it will redirect money from going into the Euro."

FOA, from the perspective of seven months later, do you still think that the US government will encourage private gold ownership as an alternate form of wealth to keep money from going into the Euro. Especially with gold going to such an astronomical price of $10,000? Or has something
happened to modify your viewpoint?

Thanks. BC

Hello BC,

My post of #494 is taken from Another's Thoughts of some time ago. I am forced to agree, in that there will be no other political strategy. Indeed, that concept must be looking across the "valley of doom" and observing life in a changed economic environment. History demonstrates the
precedent of gold often taking the drivers seat as "the asset class of choice" when paper money is destroyed. Most likely, the leaders are forced to go along because politicians cannot govern when no one will use their money! Yes, I am aware that many inflations find the citizens still using the hyper inflated currencies, long after it's value has become nothing. Many South American countries come to mind in their present state. But, that action is just the force of "legal tender laws" expending their last inertia energies.

As for $10,000 gold, does this sound strange? If it does you have probably been listening to the advocates of "gold the commodity". This group of educated investors usually "voice" their beliefs in an endearing, logical light that shines from the "pocketbook". How else can one view gold when all of their money is in the mining industry? As present events demonstrate, the use of gold as a currency subjects it to wide value swings, outside the it's most recent history. Truly, "gold the money" is bad business for industry investors. Gold's downside bankrupts them and it's upside negates them to mining taxes for the state! BC, all present gold operations have bet on gold maintaining a stable value, ($500??) in the realm of it's commodity function. That is why they cannot and do not want to discuss gold in a currency mode. None of them are prepared for that
occurrence. However, history shows that gold is valued far higher as a currency medium than a jewelry item.
Please read my FOA (5/9/99; 15:40:38MDT - Msg ID:5814). There you will find the same relationship of oil to gold as we find gold to currencies today.
Gold does not presently register it's true value in terms of things. That is because it still valued as a "backup / insurance" currency against the world paper reserve system. Yes, most of the wealth holders, today would like to see the dollar system operate, as is. For them it still offers the best of all worlds. In that environment, three fourths of humanity work to service the one fourth.
Were gold allowed to trade in the open as a currency value regulator, it's benefit to the vast majority of working people would create a "human" premium. That premium would price gold out of it's "store it in the back room insurance" value and into it's historic place as "the asset that
represents my life's work and dreams". A premium that says, "My families efforts are worth more than a paper account in the bank that is lent out for the use of entities I do not know"!
Yes, BC, the change from this present system of debtors will bring $10,000 gold, at the least.

thanks for reading FOA

FOA (5/9/99; 19:16:30MDT - Msg ID:5828)

Comment

Richard, Oregon (5/9/99; 16:46:45MDT - Msg ID:5818)
FOA - You're still here!

Richard,
Thank you for reading. Yes, I'm in and out for short reads. The world is offering a large plate of "political maneuvering" for us to digest! FOA

FOA (5/9/99; 19:46:45MDT - Msg ID:5829)

Another's past Thoughts!

TYoung (5/9/99; 19:16:03MDT - Msg ID:5827)

Hello TYoung,
As one reads those Thoughts from a little over a year ago, can it now be explained "Why" the ECB and the BIS forced the agreement of gold into the Euro? Western political factions never thought the Euro would trade one to one against the dollar, much less higher than that ratio. Has some entity outside the European arena now given backing to the Euro? Who does hold so much of that gold paper? In time, my friend, we will all know not only where our wealth sits, but how well it sits. FOA

FOA (5/9/99; 21:15:44MDT - Msg ID:5832)

Reply

Aragorn III (5/9/99; 20:21:23MDT - Msg ID:5830)
FOA (5/8/99;--Msg ID:5772)...thank you for this remarkable post

Aragorn III,
The BOE does want to help the LBMA to some extent. Politically the Central Bank must attempt to support them, after all look at who the Bullion banks are! I think it would be understood between these entities, that if England does run for the Euro at the expense of the dollar, these gold merchants are dead in the water. Yes, political favors will require BOE to offer gold, even if it is a drop in the bucket, but as a soldier will fire his last round in a lost battle, so will "The Bank" ship it's last ounce of gold. This is serious stuff and the Friday news shows just where
they are going.

True, the merchants are only the middle man in this "war of giants", but the US and it's dollar also need this market to function if they are to keep the paper gold longs from "wholesale" jumping ship also. Right now the big longs are balanced, if they lose contract delivery from a failing LBMA, it's made up in a soaring oil and gold price held through secure ECB commitments. They "called the tune" a long time ago when big money started supporting paper gold in dollar settlement. The gold market is now locked and has but to react to the shortage of physical gold priced in dollars. As we run out of major CBs that offer to unload gold, so does the dollar run out of time. The BOE may have been the last?

However, this ship is going to sink slowly if for no other reason than the IMF / dollar factions are still trying to save it. In this environment, investors (TYoung?) need patience and an un-leveraged position as this major act unfolds.
FOA

FOA (5/9/99; 21:53:19MDT - Msg ID:5834)

Reply

Christine (5/9/99; 20:30:48MDT - Msg ID:5831)

Christine,
Thank you for reading and thinking out loud. This forum would be blank if we all saw the world through the same camera. No offense taken.

By your numbers:

1. It does appear that the Saudi's may be re-aligning with Iran for defense, and moving away from the US. This would support a Middle-East re-alignment with the euro.
2. The price of oil was held down for 2 1/2 years, doing much damage to the US oil industry, and reducing our ability to respond to oil cartel pressures on price or supply. Also, with all the refinery fires, I feel that a US gasoline shortage is being currently set up. The US power structure appears to be orchestrating this component of what is unfolding. ie. US gasoline price hikes and potential shortages now unfolding appear to be orchestrated from the inside, not by the euro/BIS or the Middle East.
3. It appears that US/IMF/BIS/Euroland are all complicit together at the moment in holding the euro down and the US dollar up so as to make their currency exchanges from dollar to euro at best rates.
4. As far as I know, Euroland is a block of countries without much natural energy or gold in the ground.
5. The countries not in Euroland have a wealth of energy and gold in the ground.
6. I do agree it is logical that some oil nations are unhappy with US dollars and have insisted upon a gold payment, and this is a factor in what is going on.

1. Agree!

2. Partial agreement. At first, the falling oil prices (over many years during the 90s) was a shared goal by all. This included the US, Europe and most of the dollar world. I don't think the powers that drove this think like James Bond, but it could have been a dollar trap from the beginning. That is the current perception. Yes, the long effect was to damage the viability of the local US oil
industry, but again, they didn't intend to drive gold (and therefore oil) that low in the beginning. It was only after the dollar was trapped by paper gold that it needed ever lower physical prices to keep a chain reaction from spiking gold. This in turn drove the dollar higher in world markets
creating the asset bubble in America today. True, I do think the US players are sending out "readings" to the public to get them ready for higher oil prices and the price inflation that will create. However, they are being pushed in this direction by the reality of a changing dollar reserve system. The same reality created by the Euro faction. NO, the refinery fires are a sad loss of accidental consequence.

3. Disagree! Recent history will dictate the animosity between the BIS and the US! Please don't take my word for it. Mr. Mosel (kitco) is well educated on this, ask him? Or, read up some of the 1960 / early 1970s money wars that were fought. Old bankers never forget!

4. True, and they have outlived America for how long? Great nations are made from great people, not resources. The US did not get where it's at because it had gold. Gold was delivered to this country (far more than was mined) to buy it's economic productivity.

5. Same answer.

6. Yes.

As Mr. Another would say " We watch this new gold market together, Yes?"! Christine, more will come to light and prove us not right or wrong, but observant.

FOA

FOA (5/9/99; 21:58:29MDT - Msg ID:5835)

Time to go.

Thanks All!

FOA (5/11/99; 7:00:32MDT - Msg ID:5905)

BOE

ALL:
Back on (FOA (4/30/99; 22:33:18MDT - Msg ID:5420) I offered this:
"I am watching Comex gold trading now, because this should be the place where local (US based) funds attempt to reduce their exposure to any future rise in gold (perceived or otherwise)."
In that post and several others, prior, it was shown how and why major short hedge funds would cover their positions from political scrutiny. They are doing this, but, as yet, not by going long "actual comex" contracts. The action is taking place in the "Comex Options" market. This
area is usually used by gamblers that bet on gold. Few, if any of these players actually take delivery of the "comex gold future's". Now, a different operator (s) is buying in, the above mentioned Funds. These people have the "real" short exposure necessary to hedge long, buy taking delivery of the contracts.

As stated before, over the coming months, expect the "comex futures OI" to expand tremendously as long positions are taken "outright" or established from exercising "gold futures options". This "play" has begun on the world OTC gold market, often used by LBMA traders. The amount of gold offered by the BOE sales will be a "drop in the bucket", it is creating an avenue for hedging (perhaps it's real intent?). Local investors cannot watch the OTC figures, but
that trading is spilling over into the "comex gold options floor".

This recent fall in price was but a "trading range move" to allow for an "ongoing" repriceing of gold. They will not dare to keep it below $280 for long. A warning shot may be fired by the BIS controlled ECB this week! We shall see! FOA

FOA (5/11/99; 7:19:10MDT - Msg ID:5906)

comment

Hello Cavan Man'
I agree with your assessment. Also, I add, that stocks, bonds, currencies, real estate and "water use" are all manipulated daily! It is a built in component of the "Western" 'Politically Free" society! The only time people become outraged at this "obviously unmoral" practice, is when it effects a large vocal group "negatively in their pocketbook". I don't see gold stock owners suing the
Federal reserve board because the dollar is "too strong"! Yet, millions of third world citizens are impoverished by this move. Most novice investors accept the notion that the currencies are "priced and balanced" fairly by market forces.

I off a past post thought: (FOA (4/30/99; 23:30:04MDT - Msg ID:5426) "The world often values things wrongly, because people as a group invest using their present life experiences as a guide. They learn using a continuation of "present trends" established during their short existence, instead of allowing the real results of history to teach them."

Christine, I know you agree? FOA

FOA (5/11/99; 8:34:18MDT - Msg ID:5911)

Reply

Christine (5/11/99; 7:37:42MDT - Msg ID:5908)
@FOA--puzzles and missing pieces

"Once, FOA, I remember reading that you or Another had said this plan you speak of by the BIS has been in the works since the 70's. Clearly any plan like my version of a much larger coordinated scheme would require the cooperation of the BIS and the oil states. Is it possible thethe Middle East oil states have been mislead as to the bigger picture from the very beginning? Could the Middle East believe the BIS plan is the plan, when a much broader plan is in effect. "

Christine,
A very good observation / question!

" Is it possible the the Middle East oil states have been mislead as to the bigger picture from the very beginning?"

I, personally, think they were for a while. After all, the Euro group will, just as the US group, take all the power they can get! But, world power struggles are always a funny thing, in that no one entity is as great at maneuvering politics as they think they are. Each group has it's own strengths the other cannot counter.
Look at Russia, a full blown nuclear power that rivaled the US, yet, all of that military might went out the door when the "money war" broke them! Then there is Japan? One of the biggest economic, financial powers in the world, and they went bust for lack of "political agreement"!
China has none (relatively) of the above, yet they are the major desire of the US and Europe for all of their ability to produce economically. And they play that card with incredible ability.
However, all of it pales in comparison to oil. If they did suspect that the BIS was playing them into a "new World Order" then that explains their use of the "gold card". It was allowed to be known that the failure of the Euro to replace the dollar would bring on the reprice of oil using
partial payment of a tiny fractional gold amounts per barrel in the settlement mix. Real gold, not paper! It would have forced every oil producer in the world to follow as the gold price would have blew past $30,000 as the new oil currency. Quickly, at the last minute, the ECB and the BIS announced that Euro system Central Banks would stop all selling and wind down leasing. Then gold was brought into the reserve mix for the Euro. Perhaps a counter play? You bet!

The game goes on. FOA

FOA (5/11/99; 11:37:56MDT - Msg ID:5928)

Reply

Gandalf the White (5/11/99; 9:07:31MDT - Msg ID:5913)
Keep Talking Folks --- Very informative Today !
"FOA -- a Question Please expand on the Comex options trading and where this is to be seen. Is it quoted
somewhere also. Thanks. GW"

Gandalf,
Check your WSJ commodity options page. It will give you a quick idea of what is happening. The total OI in the call side is, I think, over 400,000 already. Of course, that would grow much higher if I'm correct.
ALL: I will be out for a while and return to comment on the many interesting thoughts here today. FOA

FOA (5/11/99; 17:37:51MDT - Msg ID:5948)

The OI thread:

Gandalf the White (5/11/99; 9:07:31MDT - Msg ID:5913)
BC (5/11/99; 10:39:35MDT - Msg ID:5923)
Peter Asher (5/11/99; 13:53:47MDT - Msg ID:5935)
Peter Asher (5/11/99; 14:18:42MDT - Msg ID:5937)

Gandalf and All,
I want to expand (or repeat) about the Open Interest Posts. First, I quoted from the wrong post. It should have been #5418 as it gives a better background. Here is part of it:

""""""FOA (4/30/99; 21:59:59MDT - Msg ID:5418)
I am watching Comex gold trading now, because this should be the place where local (US based) funds attempt to reduce their exposure to any future rise in gold (perceived or other wise).

Private investment funds, that have raised capitol through any form of gold short securities, may be asked to expose their "risk". The full group of investment entities may also be expanded to include "any" other parties that have dealings or actual exposure to these funds that are short. In essence, every major player in the gold market could be looking for a way to "neutralize" their books to scrutiny. Even though your exposure may have come from the unregulated part of the OTC world gold market, if one is "hedged long" on a "politically acceptable" exchange, then your position is "politically not at risk"! The books stay closed.

So why watch Comex, open interest? If a certain political faction suddenly changed direction and wanted to revalue gold as an asset to lend money against, the fasted way to do it is to drive currency traders into the paper gold traded on comex. When looked at in this light, gold takes on
a very different appearance than the commodity we thought it was."""""

I went on to talk about volume. The point of this post and my one earlier #5905 was to prepare a background for the coming major trading that will take place on Comex. It will not be about trying to take delivery of comex gold, rather to match paper longs against "uncoverable" paper shorts". As the gold market becomes more dynamic and media attention increases, most major traders that are short will need coverage on their "books" not actual delivery. In a way,
what I said above.

Peter, a few dollars out of line will be nothing compared to the financial and political liability about to be heaped upon the world "gold shorts". As I told Gandalf, it is already spilling over out of the OTC trading and showing up on the gold options open interest. Small as it is at 400,000+, it will grow until that arena becomes frozen from use (read that the premiums will explode)! Then

the real Comex OI will start growing. They will exercise some options for future contracts, if only to roll them (Futures contracts) over to further out delivery.

BC, hello! There is most certainly a correlation between the BOE sales and the expiration of comex futures. It points to the whole reason for the BOE sales in the first place. An announcement that this is the end of the game! They are going to take out as much of the "most favored" Bullion merchants as possible and let the rest burn.
I know that Michael (USAGOLD) does not think that England will go for the Euro, but some line has been crossed. The US is now about to drive gold UP! Please read this partial post:

----------FOA (4/30/99; 22:33:18MDT - Msg ID:5420)

Michael,
Hello again! I'll reprint the item you committed on:

"This points to the odd circumstances that require America to free up gold through the IMF so they can benefit. Whereas, the ECB has but to only let the price rise!"

When one puts on a political thinking cap, that statement does say a lot! Why else would the ECB establish a precedent of routinely "marking to the market" their gold (and the gold of the Euro System banks also). Then add to that your remark of:

"becomes clear that this is a very risky business and that they are being asked to sacrifice their gold to defend another country's currency."

Suddenly, we see who's gold was really at risk, all along! Are we in the last days of the dollar, as the US agrees to politically drive gold higher to benefit the IMF? And by extention, world dollar reserves as expressed in dollar debt! Will the US be forced to drive it's own dollar down against gold in an attempt to save it's reserve status? Dynamic times, indeed! FOA----------

As opposite as it seems, the BOE is selling gold to soften the dollar exit for their members, not to bring their gold ratio in line for entry! They are spliting fron the US because the gold / dollar game is lost. Now from #5699:

----------The "dollar reserve system" is truly in trouble.
With the IMF gold sales in doubt, or delayed. And the EURO / BIS factions blocking any new gold. New gold cannot be found to maintain the backing of collateral for existing paper shorts and the massive liquidity they provide. The UK is directly in the middle of this as the LBMA would all
but "disappear" if world dollar liquidity were to shrink from a higher gold price!

Notice what the Bank Of England said: "It also said that eligible bidders will be limited to members of the London Bullion Market Association and central banks and monetary institutions holding gold accounts with the Bank of England." Truly, the IMF / Dollar faction alliance is
failing, with each now about to support it's own entities! The BOE will most definitely back the LBMA first and foremost with fresh collateral!----------

I an going to post this then continue with PH in LA as it all ties in. thanks FOA

FOA (5/11/99; 18:47:49MDT - Msg ID:5952)

PH in LA (5/11/99; 9:59:21MDT - Msg ID:5920)

Hello PH,
Thanks for your consideration.

I'll start with one very important statement, "the gold market is cornered"! When one reads your Clarification post it becomes evident that the "gold card" was never played. Or was it?

During the last number of years, possibly most of the 90s, the gold market was expanded tremendously. The result was that the holders of "paper gold" and "physical gold", as a group, now own more gold than exists! Is no wonder that the "technical analysis" and "supply / demand" "investment managers" are in a shambles to explain the workings of this new market. Truly, as said before, they are commodity analysis, not political currency analysis. For them, a cornered market must be soaring to reflect the imbalance of longs and shorts. Now can one understand that gold, the political money, is managed on a world scale for the purpose of control of currencies.

From the beginning, the BIS knew that if gold ownership was spread far and wide by leasing from a few European banks, one day, gold would control the value of the dollar. Today, the major longs, that are the recipients of all of that expanded gold, now control the bullion banks, and quite possibly, the CBs. All of this through the threat of delivery that the act of playing the "oil gold card" would "demand"!

Is it then, any wonder, that the quite, cool, suffering longs, watch as the Swiss, the IMF the BOE, all struggle to sell gold in an effort to only "maintain" the credibility of the shorts? All done in a desperate act to save the IMF and by design, the dollar! In this light, was there really a problem if gold falls?

A fine gentleman I know has said, "the Euro, it be a success, for I do see it written in the wind"

FOA

FOA (5/12/99; 8:54:40MDT - Msg ID:5984)

WASHINGTON — U.S. Treasury Secretary Robert Rubin is to resign

ALL:
Will the gold market see changes in the future because of this? You bet!!

FOA (5/12/99; 9:07:33MDT - Msg ID:5988)

USAGOLD report

Michael,

----------Joining the growing Congressional chorus opposed to official gold sales, four U.S. senators, including prominent Democrat Tom Daschle, wrote Treasury Secretary Robert Rubin voicing their disapproval of the British proposal, backed by the Clinton administration, to sell
some of the International Monetary Fund's gold.----------

I wonder if he quit after they sent him this letter? Now that Britain is closing the books for some of their "preferred" bullion banks, the whole game is washing out! Now we must look at the timing of his resignation (BC, your BOE sales and comex contract correlation) for the fireworks to start!

Also,
Thanks for the reprint of Another's discussion. You are right, in that context, Britain is in the middle of a bad situation. FOA

FOA (5/15/99; 10:33:20MDT - Msg ID:6173)

Gold Talk!

I will also have some words to add to this Forum a little later in the day. Good posts from everyone, much to read and consider. thanks FOA

FOA (5/15/99; 20:44:11MDT - Msg ID:6207)

Gold!

Hello Everyone,
There are so many posters now, I no longer have the ability to reply / comment using each name. Because of my circumstance, I must read several days writings and then post! It is still very interesting to grasp the minds of so many thinkers. A true joy.

How many times have we seen this comment: "If gold went to $10,000 or $30,000 do you know what the price of hamburgers would be?" That is a good observation, but still, one taken out of context. I ask, what is the point of his statement? Does it say that it is no use to own gold if
common items are priced so high as to make the holding of gold a neutral action?

Usually, these side remarks are made with a "currency frame of mind". In other words, the person fully expects the present financial / currency system to continue to function for the duration and plans to profit from any ongoing crisis. The catch word is "profit", because this investor will "trade" the gold market, using leverage to multiply his currency holdings as the profit. Again, that mind holds that their is nothing to gain, if physical gold only maintains the loss of purchasing power during an inflation. It is at this juncture that I differ from most gold investors!

But first, a few questions / statements of mine to counter: " If hamburgers went to $100 each, for god sake, what would the price of gold be?". Or: If hyperinflation was 50%, and foreign exchange controls blocked me from buying other currencies, how would anyone possibly "afford" gold?" Or: "Gasoline just went up $.50 a gallon last month, now it's $8.00. My salary has not kept pace with this inflation, because it only doubled last year to $215,000. After taxes, I'm behind and now my broker says I should buy some gold at $6,346.00 an ounce. It's up a thousand in six months, totally unaffordable for me, an "average utility worker"!!" Or: "There is talk of rationing and bank withdrawals on a percentage basis, how can my neighbor still buy gold
with what is available, what a fool"!

The above train of thought paints a strange picture of a currency going bad, along with the human perception of that event. It is under these circumstances that our original "hamburger man" thinks he will "outsmart" the brightest paper traders on wall street. He will not have a chance! Not
to mention, he doesn't even think the system will fail in this manner. Perhaps,

everyone will be getting killed while he outmaneuvers the government's new laws and regulations! Yes, they may try to seize gold and / or tax it's transactions. Or they may encourage it's use as an asset saving account However, these actions will be the "Result" of gold soaring in price, not because it's returning to $40 an ounce! Yes, the very regulatory actions most analysts exclaim as reasons not to invest in gold are truly the result of a world trying to grasp the yellow metal.

Search your own feelings and consider, If our "burger man" "REALLY" understood that physical gold could go into the thousands, would he not be buying it with both hands, regardless of any government action or price inflation offset. Killer investor traders do not walk away from
real things with a huge price dynamic on the horizon, they buy and hold forever, if necessary. But, only if they "believe in" the "dynamic" and the "real wealth payoff".

One of the strangest comments Another ever made was something to the effect of "gold is falling because so many people are buying it"! Some of you, no doubt remember it. What a ridiculous statement to consider,,,, if you are a "burger man" (or woman). He made this point some time ago without explaining clearly. Today, if you have read some of my other posts, it is becoming clear!
Truly, the reason people think gold is being manipulated in a conspiracy, is because it's price is falling while it's ownership is expanding. Usual supply and demand factors don't allow markets to react that way. "Burger people" resent this because it cuts them off from participating in this market, on the long side, using their favorite vehicle, paper leverage. They do not use leverage to short because the fundamentals say it should be going up. Indeed, today, the more the world gold market is expanded, the lower it's price. Yes, the only way to walk in these footsteps, is to buy physical gold.

The buying is not conspiratorial, and has been evident for some time. We have but to look at the massive volume on LBMA to see it. That is a fact, not something hidden away. A gentleman named "Big Trader" pointed out some time ago, that the buying would start as soon as gold fell below $360! It did and it did! Right after that, LBMA had to start announcing it's volume because it became so large. Most of you remember that day. Also, the fact that many brokers (GS) and bullion banks now guarantee the delivery of this massive new area of gold ownership (they are short), does not mean they are shrewd or smart. Or that they are "controlling" the market, it just means they are selling lower and lower. Nor does it mean that they are "profiting" from these
transactions as, to date, most of them are marked to the market, not completed or closed. Yes, some of them are concluded, but, you know and I know that these are but a tiny percentage of outstanding transactions.

If all of the "burger people" truly believe that the gold market is this short, then common reason must dictate that "the someone" is massively long?? An open fact for all to see. It is not hidden! Again, the problem with this state of affairs arises because gold is being massively brought at
lower prices, and expanding it's ownership, all the while, leverage players cannot make a dime from it! Manipulation?? NO!! Investment, done in the open by savvy, smart investors? You bet!

Now, why would major entities buy physical or buy the "short paper" of gold in a world of falling prices? It makes no sense to "burger people" because they expect gold to return to it's natural "commodity value" of say $500/ oz with the world

financial system in tact. Just as soon as
the manipulation stops, that is.

My friends, what we are witnessing here is history in the making. Western investors, analysts and gold fund managers are asleep, holding gold industry securities with loses. They are waiting for "gold the commodity" to return to it's "deemed correct price", while major world entities are planning for the end of the dollar as a reserve asset. While local economist use the recent twenty eight years as a "precedent" to price gold in dollars, others use the "total history of currency failure" as the reason to buy real gold at ever lower prices. European lending of gold started as an "inducement" for one oil producer to lower the price of oil and expand the use and value of a failing dollar. This began in earnest in the early 90s as a straight forward way to "buy" cheap oil. Then it expanded into a method of selling gold to anyone that wanted to trade dollars for it "And
Not Gun The Price"! It is painfully obvious for anyone to see, if they look closely. Gold was frozen from use when the IMF was formed and subjected the BIS into a locked dollar world. The late 1980s clearly demonstrated that no one would be allowed to exchange dollars for gold at a reasonable price. The world would use the dollar or the entire financial system would fall. Today, by effectively returning gold to currency status through multiple "gold carry" transactions, under the guise of mine forward sales and lending, the BIS has created a reserve asset base. A base that competes directly with the dollar and benefits the Euro when the dollar is "unreserved".

"Burger People" will and do find this offensive, mostly because they are not positioned for this event, nor do they believe this is happening. Events will prove that the next rise in the dollar price of gold will be from the beginning of a complete meltdown in the IMF / dollar asset world. That
rise, will most certainly not represent the "commodity value of gold", however, it will represent the "commodity value of the dollar"!

Now my friends, you know why I stand entirely in the center of the "footsteps of giants" and by reason, "what gold means to me".

Thank You FOA

beesting (5/15/99; 20:21:44MDT - Msg ID:6206)
@Christine msg 6176-Subject $10,000 GOLD!
GOLD IS NICE!
From msg.6176: If price of Gold went to $10,000 as FOA suggests would it not become virtually out of reach of most citizens?

Since a question was asked,here is my humble personal response.
Up until the late 1970's I always felt physical ownership of Gold was for very wealthy people only,Kings, Queens,Governments Central Banks etc.

In the 1959 or there abouts time period when Gold was fixed(in the U.S.)at $35 per ounce,I was in the military,they had the draft in those days.Take home pay for me was $80 dollars per MONTH,I also got $8 dollars overseas pay. Even if Gold ownership in the U.S. was legal in those days I didn't make enough after bills to own any.
Things have changed,in the world, and in my personal financial situation.

Private ownership of Gold coins is encouraged by most,if not all,countries of the world.
Lets examine $10,000 per ounce price of Gold with current choice of coins:
1 ounce pure Gold coin-cost $10,000 plus premium.
1/2 ounce pure Gold coin-cost $5,000 plus premium.
1/4 ounce pure Gold coin-cost $2,500 plus premium.
1/10 ounce pure Gold coin-cost $1,000 plus premium.
1/20 ounce pure Gold coin-cost $500 plus premium.

If Gold goes to $10,000 per ounce, coins with more alloy and less Gold(although it would be pure Gold.)would probably be minted.Gold is also measured in grams and grains:
1 troy ounce=31.103 grams.
1 troy ounce=480 grains.
So if my math is correct:
1/20 of an ounce=1.55515 grams or 24 grains.So lets make a coin using grains of Gold.
A coin with 2.4 grains of Gold(with Gold at $10,000)would be worth-$50 dollars plus premium.
A coin containing .24 grains(a little less than 1/4 grain)would cost(with Gold at $10,000) get this--$5 DOLLARS plus premium.To make another comparison:
Gold is about $280 dollars per ounce right now The *#*~^@* Bank of England just announced possible sale of 400 ounce bars of Gold they would cost $112,000 per bar at current prices.How many reading this are buying bars this size?FWIW.....beesting

FOA (5/15/99; 20:59:43MDT - Msg ID:6209)
Comment!
beesting (5/15/99; 20:21:44MDT - Msg ID:6206)

Beesting, Excellent point!

FOA (5/15/99; 21:03:47MDT - Msg ID:6211)
Question?
Richard, Oregon (5/15/99; 20:19:40MDT - Msg ID:6205)

Richard,
Why didn't the USG just revalue gold to, say $200 and allow everyone to keep their money? Your comments?? Anyone??

FOA (5/15/99; 21:38:42MDT - Msg ID:6212)
Comment on earlier discussion!
Barrick - hedges

One of the first signs that a new gold market was being created was when bullion banks were allowed to sell Central Bank gold "ownership invoices", for cash to the benefit of Barrick. The CBs got only a very small rate of return for this risk. The money set in a bank account and interest
was made. The new owners of the gold paid cash but let the gold set in the CB vault. All that happened was that Barrick could earn interest on it's unmined reserves and call it "the higher price they were getting for gold"! In addition, the CBs said they could roll it forward for ten years +/-,

if the price of gold rose!
Really clear eyes could see that the CBs were paying mines interest on unmined reserves if they would replace the CB real gold with mine collateral. Because the gold didn't really leave the vault, the new securities were used to match the mine future assets against the new owners of the gold!

Neat trick. After the public bought it as "the CBs earning interest on a nonpaying asset", the gates were opened. It wasn't long before gold was lent without any gold at all! No different than "fractional reserve" banking. The mines were (are) being used to expand the gold trading arena
and they don't even know what is happening. Now, as the price has fallen, all mines must earn interest on reserves, just to survive. The dollar bears are, in effect, nationalizing the mines gold reserves at ever lower prices. Tell me the CBs are dumb? ??

FOA (5/15/99; 21:51:45MDT - Msg ID:6213)
Comment!
USAGOLD (5/15/99; 8:41:59MDT - Msg ID:6161)

"Beesting: Thanks for interesting link. I think alot of water is going to go under the bridge beforeLondoners fold euros and stick them in their pocket. (Sorry FOA)"

Michael,
I bet you one "Paper American Dollar" that England will "pound" the door of Europe in a desperate attempt to enter! The BOE would have never bailed out some of their Bullion Banks in such an "open" action, unless they were about to split from the USA money team. Watch for the US to push for higher gold prices because the game is lost. That's why RR quit, no? GS and the LBMA are in it now! I'll bet you will refer to me as a "hamburger person" after this! We will see. Thanks

FOA (5/15/99; 22:23:29MDT - Msg ID:6216)
Comment!
canamami (5/15/99; 21:54:44MDT - Msg ID:6214)

Hello canamami,

---------- "If "yes", will this disestablishment pertain to the $US solely as an international reserve currency, or also as the domestic US currency, leading to the introduction of a new American currency even for domestic transactions and savings?"----------

If the reserve function of the dollar is degraded, that action will most certainly affect it's internal trading value. Inflation will rule the day as the local (internal) money is locked within it's borders with "foreign exchange controls"! Most external dollars exist in the form of interest bearing securities (US debt) and they will be handled just as the Russian debt is. No one will declare it
worthless. It will still trade on foreign markets at a discount.

----------"Do you anticipate "Weimar Republic"-type hyperinflation? What are your time frames?----------

It has to! There is no practical use for the excess amounts or valuations of a reserve currency that has been replaced (unreserved). As I said several weeks ago, the

change is starting. Yes the price of gold has fallen, but still within it's framework. Someone, here asked if the BIS would still buy in the open below $280? I think they will to protect the scale of the market. However, if the US is now actively, about to gun gold, the BIS may wait a bit. Also, If Bill Murphy of GATTA (??) really wants to get action, they should go to Switzerland and present a public appeal to the BIS. That could be all they need for a "precedent", especially if it coincides with a new US policy push!

----------An interesting tidbit. There is a program called "Cities at War" on a Canadian cable network called the History Channel. In the episode on Berlin, the narrator stated that the restaurants which had anything left to sell continued to do a brisk business, even with the Russians
within 35 miles. Can you imagine: Some restaurant owner hustling like crazy amid the destruction and mayhem of March 1945, for payment in Nazi Currency! I think payment in gold would have been a much better bet!!!-------

Good point! Add to that the present day action of citizens still using currencies like the Mexican Peso and we see how old habits lead to wealth destruction. FOA

FOA (5/15/99; 22:39:56MDT - Msg ID:6220)

Comment!

Aragorn III (5/15/99; 21:58:18MDT - Msg ID:6215)

Hello Aragorn III,
Nice answer. I hope everyone enjoyed it as I did. I know you have little time, but your responce demands a further question. Gold was money then, and the gold weight created a
problem. Then, why did the US close the gold window in 71 instead of just raising the gold price? Again, even $200 may have worked? Anyone?

FOA (5/15/99; 22:55:38MDT - Msg ID:6221)

Comment!

Peter Asher (5/15/99; 22:33:24MDT - Msg ID:6219)

Hello Peter,
Thanks for the consideration! No, my posts are, at best, food for thought in this changing world. As events turn, the fine writers that make this forum will grasp hold of world affairs with a writing style that shapes public opinion. This they will do using newfound "hindsight" that fresh readers will call "wisdom". I look forward to this as do all. Peter, what does gold mean to you?

FOA (5/16/99; 13:50:14MDT - Msg ID:6244)

Comments!

Christine (5/16/99; 0:50:52MDT - Msg ID:6227)
@FOA--It is unlikely that Barrick Gold is some passive foil of the BIS in this currency change. With board of directors like George Bush and Brian Mulrooney, Barrick has been a key tool manipulated by US. Cover your ears, conspiracy dislikers, but my guess is that at some point as gold soars, the US will come out with a new gold-linked currency similar to the euro. Still keep you ears covered--I also suspect that Britain is lowering the pound value to join the dollar, not the euro.

Christine,
Why would anyone conclude that Barrick was a "passive foil" of the BIS? At the time, they made a smart, innovative move that allowed them to earn interest in unmined reserves. Why would they want to be part of a grand expansion of gold ownership that drives gold lower to achieve that end? These people are miners, not goldbugs. The bottom line is all that counts, no matter who is on the board of directors. Gandalf the White is correct, in that the big names are on the "international" Advisory Board. That position is used to open locked doors for new projects, not plan strategy to counter declines in gold prices.

Barrick is only interested in the broad ownership of gold if it increases it's price. Had they understood the process, as you point out that they must have, leasing gold would never been part of the plan. They didn't need to, for their mines operate at a very low cost. The stock price fell, anyway, so what good did the return do for the shareholders? The precarious position of their portfolio, along with it's risk is now well understood! They, like everyone else, planed for gold to fluctuate in a range of "appropriate commodity value" and saw an opportunity to earn interest on ore reserves during what was perceived as a "lower price period". We are out of that range now and on the verge of blasting through to the other limit.

What of their exposure? It was never done before on this scale, but that is only because the CBs never had a reason to lend gold for almost zero return. I am taken by the naivety of the public and the boards of these companies. It shows the extent that greed holds when no one asked why the CBs were suddenly giving away gold to lend. Remember that interest rates were much higher when all of this lending started. That comparison makes the return discrepancy even
more obvious.

As far as your new gold backed currency for the US? Just how do you expect it to trade along side it's current unbacked unit? As much as the world has power struggles, there are "rules of engagement" that every must deploy under. For the US to issue a new currency, the old one
would have become completely worthless! NO? Comments?

FOA (5/16/99; 13:57:47MDT - Msg ID:6245)
Reply!
Tomcat (5/15/99; 23:42:09MDT - Msg ID:6226)

Sir, I thank you for your thoughts and consideration. Just as the new US movie Star Wars is about to play, the "Gold Story" is about to play out in "real life" fashion. It will contain more interesting "special effects" than the film. The game goes on! FOA

FOA (5/16/99; 14:05:58MDT - Msg ID:6246)
Comment
Xavier (5/16/99; 12:44:48MDT - Msg ID:6243)
Gold and the Chinese Language

Hello Xavier,
Thanks for the details. We should all learn about gold through Chinese eyes. They will be major players in the Euro transition. For then, trade with the US is a problem necessity, because the IMF / dollar does not allow for gold as an "ASSET IN TRADE". To this end, Europe is doing a fine job of playing the "China Card".
Are you sir, Chinese in mind?

FOA (5/16/99; 14:19:27MDT - Msg ID:6248)
Reply
USAGOLD (5/16/99; 10:58:08MDT - Msg ID:6240)
Comments/Responses
FOA....I take the bet, my good friend. Do I get odds? I've got another one for you, FOA. I think that Chancellor of the Exchequer Brown may have exposed the British pound to a speculative attack much like what Malaysia experienced a few years ago. The Asian contagion in Britain? Too far out to comtemplate? Maybe not. Remember Soros.

Hello USAGOLD,
No odds in this major bet! Seriously, the odds of this event will be exposed in a possible lifestyle change in the US. As Christine would say, "they are much too smart not to have known the outcome". I think Mr. Brown has placed the pound "in play" and that course of action will culminate with the British public reaching for the Euro! Politics requires the voters to voice a popular opinion, before action is taken. A pound, severed from the dollar union will crash resistance to a currency change. I believe oil money has been pulling out of London for over a year, now! The game continues!

Christine (5/16/99; 14:26:51MDT - Msg ID:6249)
@FOA--I propose another wager
How about Britain will be joining up with US in new US gold-linked currency. Do you know who has been buying all the gold at firesale prices these last few years. You have wisely pointed out that with all the selling, there has to be buyers.

FOA (5/16/99; 14:34:18MDT - Msg ID:6251)
(No Subject)
Christine (5/16/99; 14:26:51MDT - Msg ID:6249)
@FOA--I propose another wager

Indeed, please explain what would be the gain in such a combination?

FOA (5/16/99; 18:37:40MDT - Msg ID:6261)
Fahd Foresees Good Outlook For Iran Ties!
http://www.iht.com/IHT/TODAY/MON/IN/iran.2.html

------"The door is wide open to develop and strengthen relations between the two countries in the interests of the two peoples and the Muslim world," --------

FOA (5/16/99; 18:47:58MDT - Msg ID:6262)
Asia Hails Japan Plan To Guarantee Bonds
http://www.iht.com/IHT/TODAY/MON/FIN/apec.2.html
------Tokyo is eager to develop its yen-denominated bond market, which has withered since the financial crisis struck. But Mr. Miyazawa did not go as far as to say that all the bonds guaranteed would be issued in yen. He suggested bonds ''denominated in a basket of currencies'' including the dollar, euro and yen.----------
-

FOA (5/16/99; 19:18:34MDT - Msg ID:6264)

(No Subject)

Exceptional writing today. I have read each one and hope they continue!

FOA (5/17/99; 8:17:43MDT - Msg ID:6307)

Comment!

canamami (5/17/99; 7:38:58MDT - Msg ID:6303)

Canamami,
Most of the recent history of the world was written to record the human struggles for power and dominance. These efforts were compensated for, using the value inherent in real money, gold. Practically all of the activity in our past stands as the proof that "gold" represents the goals and aspirations of mankind.
The difference between "conspiracy" and "strategy" blur in the context of "the lust and greed to control political events" and "right planning for the nations future"! Only a sharp mind can separate the two and understand their implications. Often, a group of minds, as we have here, can find the truth.
Please continue.

FOA (5/17/99; 9:01:11MDT - Msg ID:6311)

Comments!

Christine (5/17/99; 7:55:29MDT - Msg ID:6305)

Christine,
Your position holds that the world is coming together. The "power leaders" are working together to create a "one world" "all controlling" currency /economic system. If true, your thinking will rewrite history as the actions of the past are not supportive in this aspect.

Nowhere in the recorded history of mankind have world leaders "colluded" successfully without opposition!. Always, our earth has been broken into power groups that have fought each other. You will find on agreement from scholars, that our "human nature" supports the actions you present.

What you ascribe to would represent a true international "conspiracy" of a strange nature, as the political elements would all be on the same side of the "gold position". They would "in effect" be buying gold from themselves. Nor do capitol flows indicate the US as the buyer. The vast pool
of dollars that support the purchase of gold, all reside outside that country. Indeed, the very concept of linking gold to the dollar, by the US would hasten it's demise under the current reserve system. You will have to resolve that conflict of political wills, for your thoughts to be
constructive. Also, you stated that the US could issue a new currency in the same format as the Euro. Again, you will have to resolve the debt / international currency reserve issue, residing with the dollar that is not present with the Euro.

Please do address these in depth, we look forward to your thoughts.

FOA

FOA (5/17/99; 9:03:42MDT - Msg ID:6312)

Correction!

You will find --NO-- agreement from scholars, that our "human nature" supports the actions you present.

FOA (5/17/99; 9:41:53MDT - Msg ID:6314)

Comment

canamami (5/17/99; 1:01:35MDT - Msg ID:6294)
A Troubling and Perhaps Insane Theory

Canamami,
Perhaps, the English definition of "conspiracy" will have to be rewritten! It is now often applied "out of context" as the definition of natural political maneuvers. I ask you, how can a country plan it's direction without establishing a protocol for responses to international assaults? Be they attracts of physical nature or economic in form. The average citizen goes about their affairs and
views these actions as "highly controversial", yet given the same set of attacks in private life, they would peruse the same course of action. We are governments of "organic" people with common wants , desires and responses not "machine like"!

Would the USA attempt to control events in the Middle East? Of course. The record shows this as an ongoing operation for many, many years. Why would it change now if oil was repriced to the degradation of American economic strength. Myself, and most of Washington would not label this "conspiracy" or even "theory", as it would be a just counter play on the world arena. It is a "given" and "accepted" action, not a "contemplation" of shadow groups. The question to be explored is: "What would the response be and how would it effect the flow of oil"?

I have a reply to this, does anyone else? FOA

FOA (5/17/99; 9:56:08MDT - Msg ID:6316)

Must go!

SteveH (5/16/99; 20:30:06MDT - Msg ID:6270)
FOA
Seems like this person had a few comments for you. I would be curious of your response:

Christine (5/17/99; 9:33:08MDT - Msg ID:6313)
@FOA--Please help check my logic

All,
I will return to discuss / reply to both of these later. Also the question of oil?

Thank you, FOA

FOA (5/17/99; 19:44:28MDT - Msg ID:6353)

Discussion

Christine,
Before we pursue this discussion further, I would ask you to please define your use of the word "conspiracies"? Because this forum is read by hundreds (or thousands) of lurkers, in all fairness, that term must be put in "context" as it's use is applied by the author. Your understanding of the term could be different from others. As an

example, PHinLA offered a partial view of his "context", even though it was only a small application of his broad views.
(thanks PH)
Msg ID:6317)
"As far as the topic of the "conspiratorial nature of international power plays" is concerned, I would suggest that such labels tend to betray a shallow understanding of human endeavor on the part of the commentator. It is all too easy to dream up conspiracies based on what COULD happen without regard for what actually IS happening (either behind or in front of the scene). Such thoughts usually fall more easily into the realm of entertainment than into that of
understanding: Imagination unfettered by reality onstraints; certainly a valuable commodity in today's Hollywood-influenced mental processes, but hardly the way things work in the "real" world."

You have often referred to my views as if I was offering them in a "conspirator" format. I respectfully submit that , I do not offer them as such. At least in my definition of the term. As examples of your writing:

Msg ID:6331 " I do not think FOA has spent innumerable hours here and elsewhere posting of economic upheavals coming for no reason. However, all interpretations nvolvingconspiracies must be questioned and challenged, and none accepted on blind faith. "

Msg ID:6320 "Do you not think FOA is proposing a conspiracy for his view of why things are the way they are?"

There are many more. Therefore, as public discussion always demands, please define how you view my writing in your "conspiracy context", so as to allow me to agree or reject your conclusions. This is, of course, for the benefit of others understanding.
Thank You FOA

canamami (5/18/99; 10:43:52MDT - Msg ID:6393)
Everyone - Thank You - A Courteous Forum
…To clarify my conclusion and beliefs, I agree with PH in LA that it is unlikely that the US would invade Saudi Arabia, because of the huge multiple risks involved and because the US populace and the world community would be suspicious of any human rights pretext, given the palpable possible economic motivations for such an action…

FOA (5/18/99; 15:05:10MDT - Msg ID:6403)
Comment
All:
I thank everyone for offering their conclusions to "A Troubling and Perhaps Insane Theory #6294".

The duscussion that followed this post offered a great example of "making ones point". Often thinkers discuss topics by stating what they think, without adding "why they think it". The "why" is always the most interesting part and the one that others learn from or challenge using respect.

In the world of international politics observers and analyst must often draw conclusions from historical precedent, natural human tendencies and sometimes just "feelings". Many times, just the "sequence of events" can create "a chain of thought"

that leads to a "logical" conclusion. As much as the world investment community demands "facts" before investing, it is rare, indeed if that
luxury is offered. I submit that many generals have won wars using little more than "anticipated human reaction" to create a battlefield strategy.

Mr. canamami, in your excellent piece it was stated "Invade" can include a sponsored coup to set up a compliant regime". I do agree and believe that such an action may even be on the books. It is most certainly consistent with past / present US actions. Would it be accepted in today's
world? Let's see.

Whenever I read of a new US adventure, I always get the "feeling" that they are "fighting the devil" as you have stated. You continue with examples from the " Spanish-American War" on into the present. In each instance, America accomplished more good than harm. Standing in the
context of each event, using "sequence of events" for logic, most would agree that each conflict would have degenerated had the US not intervened.

Further, you use the term "US Elite" as the driving force behind an active "forcible seizure" (as Ann Ryan details it). I ask, why not the "public" as the driving force? Would a need to control oil not originate from citizens, caught in an economic turmoil? This would be a real event, brought on by a newly uncompetitive industrial base. A manufactured event would prove unnecessary as
every unemployed worker would know who the "devil" was.

I bring this up because in many instances, there is always a "background presence" in American thought. That being, "if the driving force behind our economy (oil) becomes so expensive, our leaders (elite?) would initiate the seizure of the oil fields". Do you see the conflict I observe?
Always, the corrupt power broker elite will do the job, yet, in the minds of the people, they demand a response!

While the use of a cause, Susan B. Anthony feminism, human rights or Christianity v. Islam could work, I question if it would be necessary, this time. Your point, " The American people won't support a war for such mercenary purposes" is well taken, in the context of the present
economy! But, would that view hold in the different economic world that would exist at that time?

Let's continue:

canamami asks, "Can the world continue to bank on US virtue?" And Cavan Man (6298) replies:
"do you mean all of us in the collective or are you referring to the government? If you are referring to the collective than you are implying that there are more virtuous citizens than not. In that case I hope you are right. If you are referring to the government than I submit that "US virtue" in that context is an oxymoron."

Mr. Cavan Man, thank You! My observation is that your statement does, indeed reflect the current US economy more so than actual held beliefs! I also extend my "hope" for the virtuous citizen when the times change. Perhaps, the government will be the moderating force in the future?

I offered my thoughts in: FOA 6314: "I ask you, how can a country planit's direction without establishing a protocol for responses to international assaults? Be they attacks of physical nature or economic in form. The average citizen goes about their affairs and views these actions as "highly controversial", yet given the same set of attacks in private life, they would peruse the same course of action. We are governments of "organic" people with common wants , desires and responses not "machine like"!"

Again, we view our leaders as "controlling elite" during the fat years, yet all of us hold the same human values in times of stress. That being, "not only protect what is ours, but grasp what is our given right to control"! The given prosperity of oil, of course.

In #6303, canamami states, "As great powers go, the US is positively saintly, at least most of the time." I add that saintly actions will be a "steep hill to climb" if the US dollar is threatened in a fashion that generated the German inflation leading up to the World war.

In PHinLA #6317, he writes,
"Such a military adventure would negate every historical trend in international politics of the 20th-century. The US does not pursue such naked political and military adventures; it prefers more subtle measures such as the cultivation and maintenance of a reserve currency to bring
about the desired results."

That, my friend is a very true fact! It is also the very "chain of thought" that leads me to ask: will the trend in politics be negated by the loss of a "reserve currency"? PH, I should just print your entire article, as it says much about western concepts. Here is more:
"Any contemplation of such a military course of action, even if it were labeled a civil rights campaign in favor of women's liberation (a concept I doubt could be seriously entertained by any sane and/or thinking person in 20th-century America) would imply so many philosophical changes in US policy that the natural evolution of this idea would change the world as we know it beyond recognition. It would bring about enormous and radical changes in the global balances of power it would seek to prevent; an obvious contradiction! The flow of oil and today's economic system would be vastly and unrecognizably different."

The next paragraph in your post was (I believe) directed towards another discussion about "conspiratorial nature of international power plays" and did not apply (completely) to this subject.

And this fabulous discussion continues with:

canamami 6367:
"I submit the main change in the international order is the abandonment of the theory that what goes on within a country is that country's sole business (let's call it the "Westphalia principle"), replaced by the new notion that the international community can intervene to protect "human
rights". The current actions of NATO (unapproved by the UN) in Kosovo are conducted in the name of "human rights", to prevent ethnic cleansing. When the Soviets "cleansed" eastern Europe of ethnic Germans, when India and Pakistan religiously cleansed themselves, when the Turks cleansed eastern Cyprus of Greek-

Cypriots, where was the international intervention in the name of "human rights". I submit that something new now exists - countries will now go to war in the name of "human rights".

And he add the question of: "The problem is: what are "human rights"?

I would add that this answer will be in context in the future, to repeat myself, "the human right to a sound reserve currency and a stable economy brought about by cheap oil"!

Mr. PH writes again in 6373,
"No, it is one thing to topple a dictator here or there in a marginal country with little clout. It is quite another to take on a behemoth like China or Saudi Arabia. I take the liberty of putting those two countries in the same category because an attack on the Saudis would be taken as one on all
countries in the region by local inhabitants."

PH, I think the recent move by Arabia to bind with Iran is telling in that they may have read our minds. However, their conclusions were directed towards a future era. Not the present atmosphere that produced this excellent discussion. With the US unable to complete it's goals in
Iraq and now other parts of the world, a charge into the oil fields brought on by the repricing of oil would be a disaster. The precedent (and soon the troops) are now in place. All that would be required to triger an event, is an incident, financial and far reaching in nature. When, as
USAGOLD #6386 noted, "Britain's Tony Blair is about to step up pressure on the Clinton administration to use "American" ground troops in the Balkans." it becomes evident that the
financial system is at risk today, more than ever in history. And the only currency that can survive "risk" will move to the forefront of attention. I believe that in the future, this discussion will take the lead in world media, if no other reason than "this cannot be happening"!

Gentlemen (and ladies) please continue. FOA

FOA (5/18/99; 19:43:43MDT - Msg ID:6421)

Britain was the only European Union country without an ambassador in Tehran.

http://www.iht.com/IHT/TODAY/WED/IN/iran.2.html
Paris, Wednesday, May 19, 1999

"Britain and Iran Move to Restore Full Ties"
Compiled by Our Staff From Dispatches
LONDON - Britain and Iran, whose relations plummeted 10 years ago after Tehran issued an Islamic death edict against the writer Salman Rushdie, announced Tuesday that they had agreed to restore diplomatic relations to the level of ambassador.

Britain was the only European Union country without an ambassador in Tehran.

''This step marks the end of years of dispute,'' Foreign Secretary Robin Cook said. ''It fulfills the agreement we secured with the Iranian government in New York in September 1998.''

Note: A very European action! Why Iran now? Why Britian now?

FOA (5/18/99; 20:06:59MDT - Msg ID:6423)

comment

Aristotle (5/18/99; 15:54:52MDT - Msg ID:6407)
FOA, here is a reminder of our ideological roots. I wonder how far our wisdom has strayed?

Hello Aristotle,
I don't reply to your posts very often, because so much time is spent studying them for reference! I understand that the life of Mr. Madison was one of inner conflict and turmoil. Strange how such stress can create one of fine qualities.
If I may shrink his last sentence to, " the presumed opinion of the impartial world may be the best guide that can be followed.". Have we strayed?
"the appearance of honor becomes the mask of deceit as the tempest does rage" author? I do not know. FOA

FOA (5/18/99; 20:19:32MDT - Msg ID:6427)

comments

Atahualpa,
Good day and welcome to you.

TownCrier,
Perhaps your added thoughts will also create a montage of ideas for everyone to consider. thank you

FOA (5/18/99; 20:35:31MDT - Msg ID:6428)

Reply

Christine,
Thank you for reading and offering your interpretation. I have some discussion for you that dates back several posts. I hope to offer it tomorrow, USAGOLD time. FOA

FOA (5/19/99; 6:39:26MDT - Msg ID:6438)

Reply / Comments

These are my replies / comments to several of your posts:

Christine (5/18/99; 20:51:07MDT - Msg ID:6429)
@FOA--Timing of oil rise
------"It appears that every manipulation possible is being done right now to hold the price of gold down, the dollar up, and the euro down."------- I agree, it does appear that way. But manipulation is not the best word. "Manage" would work much better because this is done in the spirit on national politics, not "internationalist control" as you often state!

------"Consider my hypothesis (I know you don't like this)"------ I "like" all discussion that offers
a "chain of thought" and / or the "sequence of events" that brings one to make their "logical" conclusion". These may be offered in many posts, over time, or all in one. If able, please state your "historical precedent, natural human tendencies or "feelings" that brought you to make a
statement. Facts are always good, but often unavailable.

------"Consider my hypothesis that all this manipulation is going on right now to facilitate the internationalists in exchanging dollars for euros. I know your thought is, like most others, that we are simply seeing the last gasp of the dollar as the US struggles to maintain the stock market,
etc."---------- Christine, many have read "my thoughts" many times and drawn their conclusions, good or bad. What are your thoughts? How did you conclude "internationalists are exchanging dollars for euros" not necessarily why? What do they gain?

----------"Price of oil was raised firmly by OPEC in March. This was likely orchestrated in response to the euro being "ready to go."-------- Did you infer this from my thinking? Or do you have another "chain of thought" that makes this clear?

----------"Recently we have seen the tone of OPEC as well as the price of oil soften again some. Do you think it is possible that OPEC has been maneuvering for some additional advantage via controlling how rapid the price rise in oil is."--------- No. Reading through my posts should
suggest that their moves are much more slow and long term. The price rise in March, was because the Euro was "ready to go". However, is was a long term change. Again, I use the the thought of "management of price" in a political format, not "conspiracy" as you often infer that I do.

----------"My thought is that OPEC knows that the process of dollars to euros is underway, and they would have some leverage to gain advantage during this time" -
----------This is very different from mine and Anothers thinking, as their "advantage" and "leverage" was established some time ago. Please read my posts and his Thoughts. What is the advantage and leverage you speak of? Are they buying dollars, or silver, farm land? Why do you think they would do this, your thoughts?

----------"A too rapid rise in price of oil would hurt the dollar and interfere with dollar to euro exchanges at a bargain rate. Just a thought."---------- How would the dollar to Euro exchange be interfered with by a rise of oil? And, what brought you to conclude this?

Christine (5/18/99; 20:07:09MDT - Msg ID:6424)
@FOA--I can only say bravo for your post today

----------" canamami states, 'As great powers go, the US is positively saintly, at least most of the time.'---------- (FOA note to Christine: I stated the next line) I add that saintly actions will be a 'steep hill to climb' if the US dollar is threatened in a fashion that generated the German inflation leading up to the World war."

----------"You have verbalized what I am very fearful of in a very different way than I have been able to. I feel the US has lost its way."----------I agree with this!

----------"Those that control our country are out of control. I don't know what can be done to stop them. And I don't know if we the people have the will to stop them. They will mislead us with many lies and false blame for what is going on. Will we the people be able to see what they are doing and the wrong of it."---------- I did not say or imply this. This is your interpretation of my post. I concluded that it was the "people / citizens" , "NOT THE Leaders" that would demand action. Please read it

#6403 again! Please explain "your theory" about "out of control leaders" and how you came to that conclusion?

----------"And FOA, the only point we now disagree on, I realize, is that I do not think those who are running the US are going to be defeated by these currency events." ---------- What historical precedent, human tendency or sequence of events brought you to the idea that "currency events will not defeat them? In review of my many posts, one may conclude that the US / IMF factions will be defeated. Please read them.

----------"I do not think "they" have been outwitted or outmaneuvered."-------- Why?

----------"I believe that they have engineered this for their further gain and control." --------- How did they engineer this? Thoughts?

---------- Christine (5/17/99; 23:37:04MDT - Msg ID:6374)@OverHerd If I understand you correctly, you are offering a similar argument as FOA. And certainly not implausible. But you raise one of the core issues that has made me a "conspiracy theorist" I do not think the BIS has some great wisdom or vision that the IMF does not. What I
mean is, IMHO, the IMF/dollar has been well aware of the eventual outcome of what it was doing all along, as has been the BIS. After all, someone else commented that there is much overlap in who are key players with BIS and IMF. The fact that the IMF must have anticipated the present situation just as the BIS must also, forces me to look for another explanation. I have concluded that this is a designed outcome by the IMF/dollar. ----------

What actions has the BIS taken that leads you to this? If not actions, then what is the "sequence of events" or what "political advantage" would they gain. Their written history has always been one of "adversity" with the IMF. What actions have they recently taken that change this "feeling"?

----------Why would the IMF/dollar deliberately set the dollar up for a huge crash. For one thing, I think it will create the kind of economic disruption to convince the US citizens and Congress to start entering a global currency, as Martin Armstrong of the Princeton Economic Institute suggests is the goal.---------- I agree that this may be the outcome, but the only other currency to replace the current system would be the Euro. Unless the trend is changed, it will inherit the global currency system. The BIS is much more politically and financially aligned with the Euro. A review their many written articles will confirm this. You must offer how the IMF / dollar faction will benefit by crashing their system. Trillions of assets will be lost, long before they are exchanged for Euros. If your theory is that they are holding the Euro down to facilitate an exchange, then how will the lost assets be moved without spiking the Euro? The dollar faction would be wiped out , as I have stated in many posts. Please address these issues.

As OverHerd 6372 states: -------"The BIS is merely getting out of their way and letting them fall on their own." ---------
I absolutely agree with this assessment and do not offer that the BIS is in a "secrets deal" to bring down the dollar. Christine, that is your interpretation of my posts. The ECB, BIS and the Euro faction are only filling a void. Indeed, it is to their liking and have done nothing to support the dollar, rather it is a political / management

operation, in place from the early 70s. The actions of
the private citizens and companies of this world will strengthen the Euro, as they leave the dollar. Not, the "industrial controllers theory" you subscribe to. We are very, very different in this aspect.

----Christine (5/17/99; 20:50:22MDT - Msg ID:6360)---------- "FOA, I do not use the term conspiracy in a derogatory way, although others may view conspiracy in that manner. I believe your hypothesis that there is a covert attack on the US dollar by the BIS is a conspiracy theory.----------
My hypothesis does not and never has concluded that the BIS is operating a "covert attack". That is your interpretation. Just as stated above, they are working in the open as events reveal this.

---------"One of your main arguments is that in your opinion such a secret maneuver by the BIS would be both justified and necessary on the BIS's part, to save the world from dollar fiat currency" ---------- Wrong again!

------- I do agree that the world is in a mess now because of US dollar expansion/inflation. I do agree that we are going to see some dramatic economic events.---------- Agree.

----------"But your statements that the BIS has planned a secret attack on the US dollar to save the world from the dollar problem is strictly a theory" ---------- Your thoughts!

----------" I believe there are likely a number of equally plausible theories to explain events going forward. What is a theory versus a conspiracy theory. There really is not a difference in my mind" ---------- In my mind and many others there is a large difference.

----------You or others may say the BIS/euro motives for the hypothesized attack on the dollar are logical economic policy and high-minded, so therefore it is not a conspiracy theory. ---------- High-minded, no! Logical, yes, because they follow a historical political
precedent that continues, unbroken through this day. One must use a thinking process of evaluating past events to gain future perspective that is used successfully to guide national leaders today. You have not offered this to support your ideas, therefore they do remain in a "more theory" form.

--------"The BIS is doing this to save the world from the dollar. My opinion is the world needs to be saved from the BIS and the IMF, the euro and the dollar. What if I am correct that the US is the country that has been buying the gold, and is also planning a new euro-like currency, and the
game just goes on and on, only with further loss of freedom." ---------- Is this your "feeling" or can you offer "political analysis and history" for support?

----------"I do not think there is only one interpretation of what is unfolding. It may be logical to assume the world needs a new reserve currency, but I would not be sure the US dollar can be simply overthrown."---------- History has shown that currencies are "overthrown" by citizens
failing to respect them. When people no longer want to hold or use a currency, it is thrown down from lack of value. "Internationalist" must conform with the medium of exchange and can only control a failing currencies use, not value. Therefore, they

gain nothing from it. Christine, this is
not logic, it is the history of your past!

--------(But overthrow might be the best thing that ever happened to the US in terms ofstrengthening ourselves, our economy, and our freedom.) We are all either proposing theories, or we are all proposing conspiracy theories, but IMHO, I am not proposing a conspiracy theorywhile you are just reporting the inevitable logical valid scenario of what is going on. That does not mean that in the end you may not be 100% correct, FOA, but at this time we are all
unproven.----------
As Another has said, "time will prove all things" and "the history of your past is before you"! My money is on the "never" changing history of human interactions with paper currencies. A theory for some, real life for many.

----------"I would be curious as to why you worry as to what those lurking will think"--------- I deplore the callous nature of that remark. We all search for understanding of current events in the context of how they impact our lives. I do not worry "as to what those lurking will think", rather, I am considerate of what they (and myself) understand"

I repeat my earlier post.
FOA (5/17/99; 9:01:11MDT - Msg ID:6311)
Comments!
Christine,
Your position holds (#6305) that the world is coming together. The "power leaders" are working together to create a "one world" "all controlling" currency /economic system. If true, your thinking will rewrite history as the actions of the past are not supportive in this aspect.

Nowhere in the recorded history of mankind have world leaders "colluded" successfully without opposition!. Always, our earth has been broken into power groups that have fought each other. You will find no agreement from scholars, that our "human nature" supports the actions you
present.

What you ascribe to would represent a true international "conspiracy" of a strange nature, as thepolitical elements would all be on the same side of the "gold position". They would "in effect" be buying gold from themselves. Nor do capitol flows indicate the US as the buyer. The vast pool
of dollars that support the purchase of gold, all reside outside that country. Indeed, the very concept of linking gold to the dollar, by the US would hasten it's demise under the current reserve system. You will have to resolve that conflict of political wills, for your thoughts to be
constructive. Also, you stated that the US could issue a new currency in the same format as the Euro. Again, you will have to resolve the debt / international currency reserve issue, residing with the dollar that is not present with the Euro.

Please do address these in depth, we look forward to your thoughts.

FOA

Your reply came as follows:

Christine (5/17/99; 9:33:08MDT - Msg ID:6313)
@FOA--Please help check my logic

----------FOA, even though I have some economic education, it is not even in the ballpark of yours. In response to how the US would liquidate debt, I will have to rely on Mozel--

Date: Tue May 11 1999 05:04
mozel (@If I have this wrong, tell me.) ID#153110:
Gold is at about $300 in round numbers. If the greenback falls to 10,000 per ounce of gold, then Euro denominated debt will have an improved exchange value ratio against greenback denominated debt. The advantage will be a function of the ratio of gold as reserve and is
theoretically unlimited. The more greenbacks required per ounce of gold, the greater will be the improvement in the exchange value ratio. This circumstance has the potential to liquidate greenback denominated debt from the international monetary system pretty quick, I should think." ----------

------FOA, please give me your thoughts on this. After the dollar was devalued, assuming that the US has been accumulating much of the gold involved, then wouldn't it be
feasible to establish a new currency at the point, converting the old inflated dollars into new
dollars at some rate"----------

Christine, Mr. Mozel is an excellent thinker and uses his sharp mind to "make his point". The above is a fine example of the dynamics that support my statements. Among other things, it outlines the "impossible nature" of the US buying gold to back it's money or further create a new reserve currency. Long before this action was concluded "greenback denominated debt", the very assets that would be used to conduct the transaction, would be destroyed or immobilized!

----------"I have always contended that everybody who is anybody is busy right now exchanging their US dollars into euros-- those who have power will not suffer the devaluation. ---------- True!

----------"Once the devaluation is over, then they can move back into the new US dollar".----------
"Human emotions" and "historical logic" do not suggest that this would happen, even if a new dollar was offered, it would be "politically scarred". Besides, why move back? Just stay in Euros and or gold as they will perform the "one world currency" function you subscribe to.

----------"Regarding your second question/critique--I can only surmise that Western nations are hardly separate nations any longer. Whoever runs things(internationalists) already is esentially running things.---------- OK

--------I would repeat my reference to Martin Armstrong of PEI's comments. Global currency implies a single global power. I have heard recited that historically a currency does not survive if the entities that use the currency are not politically as well as economically integrated. The
euroland countries are moving toward political union--that right there would go against what you suggest. How is it possible that euroland is cooperating and moving

toward unity. ----------

It is not only possible, it is happening! Current events as reported daily point in the direction of unity. Even the American Enterprise Institute has commented on how the European family is finding happiness with the Euro system. If Martin has erred, it is in that the Euro will become the
very global currency he is looking for.

Christine, I offer this montage of comments (as TownCrier called it) out of respect to everyone's interpretation. Your thoughts / theories are interesting / enjoyable and I wish to read more of them. As events change the landscape, so does public opinion change political outcomes. More
analysis will be needed. Thank You FOA

FOA (5/19/99; 12:20:49MDT - Msg ID:6454)

Comment

Peter Asher (5/19/99; 11:26:11MDT - Msg ID:6452)
FOA's morning course in Logic #101

Peter,
No one, including myself, always follows these protocols. Sometimes, I try to make a point over several posts using ongoing news events. Even the logic and knowledge of Another is still in the process of playing out over time (perhaps years?). My purpose was to address the many items Christine had applied to my writing, but I was never able to respond to. Even now there are several posts from others I want to discuss, but have no time.

Also: I have now completed another addition of bullion to my portfolio, as have many others. We shall see if I have the chance to "make more gold" if prices drop further. Several weeks ago I offered that "NOW" was the time to buy bullion, as it's price was in a stable range due to political changes. Even with the BOE "emergency" shuffle, gold has only dropped about $10US from the $283 range at that time. It would be "our loss" if the BIS does clamp down on the market, as this opportunity to "make gold" would be lost in a spectacular flash. It seems that most people still do not grasp how the currencies will react to a major spike in gold. I read where they are trying to find an entry point to buy gold stocks or futures, so as to sell (trade) for more paper on the upside. As Another says, the move in this market will be "as none before". Indeed, the dynamic
selloffs and runs will lock 90% of the traders out, and they will never ever, in their lifetime catch it again.

I don't know about everyone, but some people are "making gold" on this move! FOA

FOA (5/19/99; 20:36:30MDT - Msg ID:6486)

Comment

TownCrier,
Looks like the WGC knows who controls the gold in the US! Your link to them through the USAGOLD site offered this: -----"Reports that the Bundesbank, the Bank of Italy, the US
Treasury, the Japanese Finance Ministry and the Australian central bank had denied any intention to sell gold then appeared to lend a measure of stability to the market, and gold firmed to a fixing of $279.45 on Tuesday afternoon."--------- Sharp eye, "Professor Gandalf"!

FOA (5/19/99; 20:39:31MDT - Msg ID:6487)

Reply

canamami (5/19/99; 12:40:59MDT - Msg ID:6455)
How long before the BIS intervenes?

Canamami,
I have to ask the same question, how long?
When one looks at the total exposure of longs in the physical gold market, it amounts to major money! It's major if for no other reason than the total amount of gold in existence is owned by "someone". Add to that the longs that have taken the opposite side of all of the short paper, and we have a huge block of real investors, many of whom are influential! Viewed in this light we can grasp that it isn't just gold miner stock holders that have a stake in the value of gold.

There is another class of gold owners that are the most influential of all, the Central Banks. Yes they are portrayed as the villains, but, "as a group" they have actually sold very little of their reserves as a percentage of holdings. A look through the WGC site will give details to confirm this. Most of the industry is consumed by the short side of the story and their connections to CBs.
However, the long side faction also represents some "big time connections" to the CBs and they share a common interest of not allowing gold to fall too far! The difference between the two groups is that the shorts utilize louder mouthpieces. I think Mr. R was talking again today! The longs are more quiet but are truly the larger guns. People in the background (Another?) already know where these players want the price of gold to stop. The public gets to hear it when the price passes a certain "no fly zone". TownCrier #6458 posted: "Market players today paid little heed to statements by Bank of France governor Jean-Claude Trichet, saying that France, US Federal Reserve, Bank of Italy and Germany's Bundesbank were not planning to sell their gold reserves."

All of these entities are major "ticket holders" on the BIS! Even the US is talking now, in obvious conflict with Mr. R..

Canamami, when I offered several weeks ago that now (then) was the time to buy, I said that the US was throwing in the towel on resisting an upmove in gold! They now want it higher, because all of the major benefits of having gold fall against the dollar (making it look strong) have dissipated with the advent of the Euro. I offer this because the Euro is now the competition, not gold! The ECB stopped all gold sales / leasing this year because big money (oil) doesn't need to take gold any longer. It's a political "sea change" of huge proportions. That's also why I feel the BOE made a sudden "emergency" turnaround and sold gold. They were not trying to force it down, they were wise to the "new currency competition" for the dollar, and what that implied for gold! As I said, they are only partially bailing out some of their favorite Bullion Banks (not Goldman S.) because the gold carry game is over. The US is now going to try and make some "political hay" out of the fact that it has a lot of gold, just like the Euro! Even though, it belongs to the US Treasury and is not treated the same as the ECB gold. It's will be seen as a ploy to attract further settlement of international trade in dollars, if it has high priced gold in the background.

With Arabs tying with Iran, it's obvious they are about to "disinfluence" themselves

to a small degree with the US. For them, a loud political statement like, "we will now settle oil sold to Europe in Euros" will be the beginning of the change. We have but to only look at how much oil
Europe gets from the Middle East to see how they are tied, trade balance wise. Note that England has now sent ambassadors to Iran. I posted this the other day, TownCrier, did you see it? All of these factors, lead me to see that Britain is going to drop dollar ties and head for Europe.

To answer the BIS timing question, I think JCTex may have hit it:
JCTex (5/19/99; 14:05:14MDT - Msg ID:6459)
FOA and Canamami: BIS
Could it be that BIS is following the old adage, "when your enemy is destroying himself, let him alone."?

Thanks and welcome JC! My thought is that the BIS may wait for the US to privately push for gold through the contention that the LBMA has created a monster and let's do something. That would most certainly work politically for the US if England has "cut and run"! After all, London is the one on the hook if gold takes off. I can add more if this is not clear. Am open for interpretation or critique. Discussion? Anyone?
FOA

FOA (5/19/99; 21:05:41MDT - Msg ID:6489)
Euro Is Emerging Again As a Key British Issue!
http://www.iht.com/IHT/TODAY/THU/IN/brit.2.html

By Tom Buerkle International Herald Tribune

LONDON - The euro moved back to center stage of Britain's political and economic debate"--------

Michael, they are at it again!

FOA (5/19/99; 21:13:33MDT - Msg ID:6490)
Time to go.
Aristotle,
Thank You. The "make gold" item is not mine. I took it from Another. It does give a different slant as opposed to "make money". Yes, Gold. "Make" you some! That's good.

HB Mitchell, Hello! You are one of many new faces here. Welcome!

FOA (5/20/99; 6:57:55MDT - Msg ID:6513)
Comment
Christine (5/20/99; 6:01:24MDT - Msg ID:6507)
@Aristotle
Don't you find FOA's words unusual--"If the trend is not reversed".

Christine,
You took my meaning as I intended. Thanks. I do believe that the ECB issued Euro will become the dominate currency system. Much as the dollar has to date. The

largest difference between the two (Euro / Dollar) is found in how the exchange rate value of each is "Managed" for political
purposes.

The dollar is ruled by one country and one country only. This implies that only one Economy is taken into consideration when policy is discussed, the USA. The management of interest rates, inflation, dollar value and crisis intervention, are therefore politically motivated to benefit one world group, again, Americans. We have seen the news events of how this tramples upon the needs of other geopolitical groups (countries).

On the other hand, the Euro will utilize a totally different structure of consensus management. It
will be governed by many nations of obvious conflicting needs. This very weakness, that is so well documented by analysts, is the "major" strength that will contribute to the popularity of the Euro. In time, it will be governed by many cultures, including an "open market" valuation of gold.

Your observation of it becoming a "all controlling" system may come about. However, I submit that people will be drawn to it more so than the current "America only controlled" dollar system. I "feel" (my interpretation) that you are looking far across the valley of plenty, to observe the mountain of fear. Let's see how it works out as we (Another says) "walk this trail together".

Thanks FOA

FOA (5/20/99; 7:11:37MDT - Msg ID:6514)

Comment

The Flying Scotsman (5/20/99; 6:29:20MDT - Msg ID:6512)
The Euro and Gold

Hello Scotsman,
I don't know if gold will follow the Euro. It may at first, but I believe that all currencies will fall
dramatically against gold in the crisis atmosphere that is coming. Then, because the BIS and the ECB saw fit to isolate the Euro in, what is currently perceived as a private trading block, the Euro will be seen almost as the only alternative after gold. This perception of "geopolitical isolation" of Europe's money is working against it now, but will be an inspiring attribute later.

The countries that "make gold" from the ground will get a good run in their currencies, even as the authorities "try like hell" to keep them down. The Aussies will no doubt sell gold again, but this time in a rising market. Will the All Ords. follow gold later? Your call!

FOA (5/20/99; 7:16:19MDT - Msg ID:6515)

Comment

SteveH (5/20/99; 5:09:00MDT - Msg ID:6506)

Steve,
Excellent point on investor / public perception! thanks

Also, did you ask me something using Ted B.? I lost it.

FOA (5/20/99; 7:37:20MDT - Msg ID:6517)

Comment

Chicken man (5/19/99; 22:17:02MDT - Msg ID:6497)
FOA-msg 6487
US treasury owns gold?.....the 260 million ounces the treasury is "suppose" to own is listed under "assets" on the weekly Fed data....260 mil.oz @ $42.50 = 11 bil...same number Fed uses.....so the citizens might not own anything...the shareholders of the Fed have OUR gold!

Chicken Man,
Have you ever tried to sell American Real Estate with a Deed full of attachments? If yes, then you know how it will be for the Federal Reserve to sell gold. Just because they say they own it doesn't mean they can sell it. It's held "for the benefit of the treasury" as an "asset of the Fed". Right now, the Fed would like to sell it privately "for the benefit of GS and LTCM and the like", but that would conflict with the treasury's rights. Don't you think Mr. R. would have sold it by now if it was available? As vocal as he is, it would have been published in the WSJ as each ounce was sold.

No, between the old BIS attachments (perhaps judgments is the better term) and Congress, the US gold is available only as a "talking tool". Besides, the BIS would only allow it to be "auctioned" off in the true meaning of the word. Just the way it was sold in the late 70s. That way they could buy some of it through 2nd parties.
thanks FOA

FOA (5/20/99; 7:46:44MDT - Msg ID:6520)

Comment

Christine,
Your grasp of this English language should allow for "concepts and context" to create the interpretation. Or, at least those latitudes are needed when one reads my posts.

How about this: "If the trend is not reversed", as in "a train coming down the Swiss mountain with burned out brakes and the engineer just jumped out". Yes, it could be reversed, but, "Oh Lord"!
Smile please, because, I am!

FOA (5/20/99; 7:51:43MDT - Msg ID:6521)

Reply

canamami (5/20/99; 7:46:08MDT - Msg ID:6519)
Reply to FOA's post# 6487

Canamami,
Very good conclusion. It adds even more! I keep trying to drag USAGOLD into this British
thing and your #2 may do it.

Please continue!

FOA (5/20/99; 7:58:57MDT - Msg ID:6522)

Reply

Christine (5/20/99; 7:38:31MDT - Msg ID:6518)

Christine,
Ask Mr. Mozel? He will tell you that most people (especially Americans) have lost their freedom a long time ago.
FOA

"fear is held low by the weight of gold"
Another

FOA (5/20/99; 14:25:20MDT - Msg ID:6535)
http://biz.yahoo.com/rf/990520/1q.html
WASHINGTON, May 20 (Reuters)

"Rubin says U.S. should not sell gold from reserves"

"Rubin told the House Banking Committee:
``I do not think the United States should sell its gold for a whole host of reasons.''

"Federal Reserve Chairman Alan Greenspan noted that the issue of U.S. gold sales had been debated in 1976 and the authorities had decided not to sell."

``The reason is that gold still represents the ultimate form of payment in the world,'' he said.
``Gold is always accepted ... and is perceived to be an element of stability in the currency and in
the ultimate value of a currency.''

ALL: With statements like these, do we suspect there has been a policy change in Washington?
Greenspan saying in public that gold is the " ultimate value of a currency"!
Remember, gold is no longer the competition, the Euro is!
I will be back later to discuss! FOA

FOA (5/20/99; 14:29:38MDT - Msg ID:6536)
(No Subject)
Usagold,
That sounds like a derivative contract, or something! OK, because I am new at this, let's start
with just one. FOA

FOA (5/21/99; 10:39:11MDT - Msg ID:6567)
Comment
koan (5/20/99; 9:44:31MDT - Msg ID:6525)
future of US economy
I would maintain that the US has never been in better economic condition, except for the trade deficit. The US has low inflation, low interest rates, control of an emerging world economy where it holds all the cards: the computer hardware, software, internet, markets, money, language
(english future world language), management organization, accounting systems, laws, computer literate populace, best farmland, best factories, best transportation systems and best political system. We are a full blown democracy!. These are the reasons the $ stays strong and probably will continue to do so. For all the US's faults

we are like democracy: "a terrible system except for all others" (sic). I wouldn't bet against the US economy.

Hello Koan,
I would like to comment on the above, and also an old post I think you produced some time ago. It was offered that the new currency of the world is now "knowledge"! A most interesting thought and one that has been considered by many of the "new age" investors of this era.

I agree, in that investors often hold their assets as the value (quoted on an exchange) of ideas and how that knowledge is used to create a better world. It has most certainly promoted a new "medium of exchange" that can, in this new day, be used as a currency.

The problem is that this is not a new concept! It is only new to those that suddenly grasp it as it pertains to this modern economic system. Truly, a search of history will produce many examples of people using "productivity enhancements" and "inventions" as wealth for centuries. It's only, the "meager form" of these old thoughts, as compared to modern advancements, that render them "different in concept to modern minds".

What this generation of "modern thinkers" is about to experience, is the "ages old" human emotions of greed, robbery, cheating and distrust. This old "mental baggage" comes back to haunt every "new era". It's only when people start cheating each other as economic conditions
deteriorate, that the "new currency of ideas" becomes fraudulent. This is the reason that, in the old days, the "medium of exchange" needed gold as the "medium"! When hard times force humans to steel, "knowledge" becomes a currency of "unknown" value because people always "hold back some of it" for insurance. Suddenly, the "trading of knowledge" as money, also needs a "medium" or "something in between the transaction" that has a long standing, trusted, historical value that completes the trade, "up front". Gold.
All that I have offered above also applies to the new concept of "paper money"! Yes, No?

In discussion of your above post: I submit that all of the favorable attributes, you subscribe to the American economy, were purchased using a "fraudulent" dollar reserve system. That system has cheated many world citizens into selling goods and "knowledge" to the US for far less than it
was worth! All of this to the benefit of the American consumer, yet cheating honest workers of a fair exchange. Truly, a new "medium" is needed. As for your "I wouldn't bet against the US economy", neither would I. My bet is for a replacement of the dollar in world trade. Yes, no?

Thanks for your thoughts, please continue! FOA

FOA (5/21/99; 11:27:15MDT - Msg ID:6570)
Reply
------SteveH (5/20/99; 14:55:10MDT - Msg ID:6538)
FOA Question
What hold does the BIS have over USA gold?
What would happen if USA ignored hold or whatever claim has to USA gold?----------
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----------canamami (5/20/99; 15:03:38MDT - Msg ID:6540)
Further to SteveH's Question re US and BIS FOA,
Further to SteveH's question, at one point you said that the Europeans could pull out of the IMF once the new financial/currency order is established. What if the US simply pulled out of the BIS?
Then the right of the BIS to US gold at about $42.00 (which you once mentioned) no longer exists. One negative result of the negative balance of trade is thus eliminated. (Excuse me if my grasp of the currency settlement rules is shaky, but this field of knowledge is new to me.)-----

Steve, Canamami,

I want to discuss both of your questions, but first read what someone sent me from Mozel:

--------Date: Fri May 21 1999 04:35
mozel (@JP @What would your scenario be if you found out that USG has no gold) ID#153110:
to which to connect its paper legal tender ? Gold it has in possession, but how much of it has clear title ? How much is due BIS for claims ? How much is due other creditors that were seized from in 1933 without due process of law ? Claims of perpetual entities never go away. If USG exposes gold in its possession to settlement via its currency, it exposes the gold to claims and process. International Law outlaws 'R US ? Financial armageddon 'R our fate ?----------

Right on target! It's the same reason we cannot go back to a gold backed dollar, the old dollar never lost it's international contract as an "exchange contract for gold" as in "the gold exchange standard". Read up on the history of how the dollar came out of this.

Just because the US said, in 71 that it would not ship gold any more does not mean the dollar isn't still a contract to represent it's old international obligations. Every analysts makes comments like, "let them sent their army if they want it", but that is simply not the way the world works. It's cheating, fair and simple! Why didn't the US send out all of it's gold at $41 to the ounce, then go
off the system? As Another say's, "think long and hard on that one"!

The entire international financial structure is based on procedure protocols that are not binding, repeat, not binding, but without them, the system will not work. If the BIS did not coordinate inter bank (CBs) transfers the whole system would stop. Using the same "line of reasoning", the US cannot just back it's currency with gold at say, $10,000 and start all over again. What manner of "rules of engagement" would prevent them from halting gold shipments again? "Come on", people of the world are not that stupid!

No, the dollar would have to be totally destroyed, and a new currency, sanctioned by the BIS, and most likely controlled by them, would have to be created. The US will go down to the wire before that happens, therefore, the Euro was created!

Canamami, The IMF is a function of the dollar reserve dynamic. If the IMF did not the guarantee dollar debt of countries that could not pay, it would start a chain reaction of dollar reserve destruction. When dollar assets (debt) is no longer serviced

(interest paid and debt rolled
over) it no longer can be carried on the books as the backing for local currencies. Hence forth, all currencies that are based on this system are "imploded". Now you see why the IMF does such "perceived dumb" maneuvers, it's to maintain the dollar, not rebuild the foreign economies.

When the BIS, ECB and the other major world economies are ready to drop the dollar, they will stop supporting the IMF and pull out. The IMF "needs" their support, they do not need the IMF. Likewise, if the US ever disassociated itself with the BIS, they would simply stop all transfers of dollars and most likely buy gold in the open market with them! At that point the Euro would become the only tradable currency. Simple political blackmail, or should I say
"international protocols". It's nothing new, but some call it a new "world order conspiracy". They just haven't liven through enough years, as Another has. By the way, he is back from travels. I don't know if that means he will write? Thanks FOA

FOA (5/21/99; 11:50:51MDT - Msg ID:6572)

Further Comment

ALL: If you follow my logic in #6570, then you can also under stand why the US can never call in gold from it's citizens again! As long as they are using "dollars", the same dollars that were exchangeable into gold in the 30s, they cannot Rebecca it with gold. To reverse that decision
would open the American government up to lawsuits from local dollar holders to return gold at 41 (or whatever price). If they again, called in local gold, prior to re-backing the dollar, Everyone would demand, first the exchange of gold at the old price, then they would send in that gold! The
Government would "Never" risk it!

Yes, they could call the dollar "dead" and issue a new gold backed currency for "internal use". See my last post to understand why a new currency would be unacceptable "externally". But, that money would not function, as it could have no ties to outside transactions. Nothing would be
gained. As noted before, they would most likely encourage gold holding by citizens while taxing the local gold industry and private transactions. Still, a dyeing dollar will spell massive gold increases in value for private bullion holders as this proceeds. FOA

FOA (5/21/99; 11:54:42MDT - Msg ID:6573)

Correction

Please change this:

"cannot Rebecca it with gold" to "cannot Replace it with gold"!

Where did that come from? Time to go!

FOA (05/21/99; 18:09:04MDT - Msg ID:6587)

Re-Correct?

ALL:
I hope anyone was able to understand my #6572. This is what happens when you are half out the door and trying to make an additional point, quickly. I corrected it once and even the correction was wrong?????? Oh well! The word "Rebecca" should have been "re-back" . Actually, Rebecca is someone I know. Word association, I guess?

Julia, I get your point and will try to offer what you ask. Keep in mind that this is all like a chess game, with each player holding a different motive for their course of action. Just as has happened with Britain and the BOE thing. Their purpose differs greatly from the wants of the USA. Even the US was walking one direction and may now have changed that!
As for the citizen / investor, their perception of most modern political maneuvers is difficult at best because most Westerners have no formal education of real money and how the recent (20 years) events have been an anomaly.

We will talk at length about this. thanks FOA

FOA (05/21/99; 19:44:31MDT - Msg ID:6591)

Comment

Peter Asher (05/21/99; 17:53:56MDT - Msg ID:6586)

Peter,
I read several articles / opinions about how the fed has talked "raising rates" while doing "coupon pass" operations (adding money). What a mess they are in! M3 (broad scale of percentage of money creation) has been falling for some time, even with the massive money creation (by the fed)
during this same period. The group view, from where I sit is that the world dollar expansion during the 90s has hit the end of it's mathematical ability. All of the various "carry trades", weather using currencies or metals, no longer add liquidity. They are being neutralized by an reserve asset
shift away from the dollar. This is not to say investors are buying Euros, but all it takes is a "pause for thinking" to change perceptions. That pause is slowing world money growth and it is being reflected in the local (US) money supply. What does this mean? The system is shutting down, stopping the fed from raising rates. We are at the very edge of a major world reaction to the loss of dollar liquidity.

Did you read the article in the WSJ on May 20 " The Dangers Of Derivatives, by Martin Mayer. What a fine piece! Many of the areas covered could easily be applied to the gold market. We are very happy that so much of this is coming out and more is to come.

Smoke and Mirrors, you say / ask? I find it interesting that so many of the world investors see these actions as new (not necessarily yourself). It has been going on so long, I forgot when it started. I guess, with so many fresh investors entering this arena, with "new era thinking" that they are shocked when finding out that things work this way. Yes, the derivatives action has taken on a "higher level" of respectability and use, but they are just a substitute for "ego insurance" by managers. It used to be if a maneuver went against your company, you lost a lot of money, the
business and your job! Now you lose all of that plus some other persons hedge. When they reapply for a job, they state that they had "insurance" but it didn't hold! Things never change.

FOA (05/21/99; 19:54:21MDT - Msg ID:6592)

(No Subject)

Mike55,
Thanks for sharing that. Very open evaluation. Now I must go back and read Crossroads and several others. I have the time now.

FOA (05/21/99; 20:30:26MDT - Msg ID:6596)

(No Subject)

Crossroads (05/21/99; 14:28:21MDT - Msg ID:6576)

Hello crossroads,
It's hard to stay on the trail when people around you are being picked off. I have seen the exact thing you describe, happening in other countries also. The best advice is to get liquid and out of debt. Such a drastic change from what life was suppose to be like in America. A taller
order, indeed when we see "gamblers" and "major risk takers" offering up their lifestyle as something "everyone" can do if they just "apply themselves"! What isn't seen behind their success is the complete "immoral" business ethic that is applied in the process of "applying themselves"!

This kind of "dynamic" can infect an entire economic structure, as every person tries to grab a piece of a smaller pie. An education in reality, that teaches what the impact of false economic values can have on people that have trusted a paper prosperity. Holding gold through such an
upheaval will not be fun, and humor will come at a premium. However, as "Aristotle" says, "He who has the Gold, has the last laugh." Please

FOA (05/22/99; 08:32:57MDT - Msg ID:6609)

Comment

SteveH (05/22/99; 04:44:22MDT - Msg ID:6607)

SteveH,
Would it work? You tell me? What is your opinion? Given a choice between two competing currencies backed with gold or silver and not considering political stance, where would you go? Everyone??

other thoughts:
Also, considering the current framework of economic conditions in Britain, I don't think they would want into the Euro either. However, would a floundering industrial base, soaring inflation and high unemployment, brought on by a failing dollar change their minds? Perhaps Another was
right, in that they will remain a "lost country", caught between a future prosperous Europe and a sliding America? It has happened before and may happen again.

The outcome of England is important to gold holders, if for no other reason than that is where LBMA is. The changing of London, from the "financial center" to the outskirts of a new geopolitical block would also rework the denominations of much of the worlds gold trading. I think this was considered when the BOE decided to close out some of it's bullion house loans.

The considerations of this are many and may require the support of a "star trek" computer, if it were not so busy. Michael, would the citizens change their minds?
FOA

FOA (05/22/99; 08:45:14MDT - Msg ID:6610)

On the topic of England--- Did you know?

http://www.khaleejtimes.com/

BRITONS' love of fast food and curries received unusual affirmation this week after burger giants Burger King's launch of the world's first fast-food curry hamburger. Burger King unveiled its latest creation this week claiming the BK Masala Burger created a mix of two of the UK's most popular take-away food - hamburgers and curry. The Masala Burger features Burger King's usual flame-grilled beef patty topped with two onion bhaji rings and a spicy Masala sauce. The burger goes on sale today priced 99p.

A Burger King spokesman said the company had enlisted the help of curry experts from among its Asian franchisees to develop the new burger and that it had been given the thumbs up in taste tests among curry lovers. The burger will be launched with a television advert featuring at Bhangra band.

Curry is the most popular take-away meal in the UK with around £1.6 billion spent on Indian cuisine every year. A Burger King spokesman said: "By tapping into this trend Burger King is offering its customers the very best of the East-meets-West eating phenomenon."

The Masala Burger is the latest in a long line of ethnic variations from the two burger giants. McDonald's recently held an Italian themed season and previously ran a Chinese promotion.

FOA (05/24/99; 11:30:02MDT - Msg ID:6665)

(No Subject)

ALL:

From a psychological viewpoint, I am always amassed when hearing people discuss the aspects of using common gold coins as currency. Usually it contains the phrase "how could the average citizen ever use gold, no one would know if it was real. Nor could anyone afford it when the time comes to use it, it would cost to much!"

Boy, these real life comments do indicate just how far western thought has traveled from a true understanding of commerce and the money that makes it possible. The people that made these statements (and many more similar posts, mentioned in text) are mostly, well educated, entrepreneurs with successful backgrounds in business management. All of them have a firm grasp of economic theory as it applies to their field. The basic concept is that you provide a "real"
product in "exchange" for so many units of another real product. In this case "product" represents, services, concepts, thoughts, entertainment, items or resources, etc.. The business of "exchanging" these "products" is what the world economy and life in general is all about. The human factor in all of this that the "worker"/ "creator" of these "products of exchange" operate in an even tradeoff. Nothing is gained or loss. Even the difference in human productive capacity allows for a "time / energy" balance.

It is only in the realm of "business" that a profit is made to coordinate the "exchange" of these "units of production". The profit is the difference in the value of the "exchangeable products" and by definition cannot be anything different. We all know that in today's world, a "medium of exchange" is used to compare the diverse values of "products in exchange" so one may fairly determine the "business profit". We also understand that this profit is not the "medium of exchange itself", rather it is the value of the "excess products from the exchange" that this "medium" may purchase.

From this point on, it seems that most people have lost the concept that the "medium" truly has no value, and never has. It is only a "subjective evaluation" in the human concept of product trade. The medium has "use", not value, and the "need" for that use is manifest by the value of billions of transactions of products done daily.

This brings us back to the original comments above. If we hold a dollar in one hand and a gold coin in the other, everyone will agree that the gold has value. This is obvious, however, the dollar is used daily for trillions of transactions and it has no value what-so-ever! So why the concern as to "is the gold real", yet no oponion of the dollar? It is it's "use" as the "medium" that generates the human "need" to poses it. Not it's value as a commodity. Therefore, when one "needs" the use of a new "medium" to exchange products, we have but to look for it's "use" among people to affirm it's "authenticity" as a currency. In other words, when you see many others around you using gold as money, just as using the dollar, don't worry if it's real money, it's use say's it is!

To conclude: Don't expect the commodity value of gold to generate it's use as a "medium of exchange". The commonly used phrase "it has value as a commodity, therefore it's money" was never the reason gold has maintained it's demand as money. That may have been the reason it "evolved" into money (read it's history at WGC site), but it's not the modern reason it's needed. Gold in your hand need not represent any more value than a paper currency for it to gain the "need" for use. Paper currencies will destroy their own ability to be useful "mediums", as the weight of the very debt that created them becomes "overwhelming". People will grasp and "use" gold as a replacement, because history has proven it to be the only money that the weight of billions of daily transactions cannot corrupt. Unlike government controlled "paper debt currencies", gold can and will increase in "it's unit of product exchange value" to accommodate it's "need" for "use" as a "medium". It's use and need will, no doubt, be reflected in it' new paper currency price.

As this transition occurs, remember, in this new roll, it's not something you "afford"! Just like the present dollar, "it's something you earn for it's use". FOA

FOA (05/24/99; 13:39:22MDT - Msg ID:6671)

Comment

Gandalf the White (05/24/99; 13:03:56MDT - Msg ID:6667)

Gandalf,
I may have "dove deep and came up dry" with that last post. Hope it offered some consideration for everyone. You state; "most people are not able to determine if an gold coin is real or fake" and "they may be scammed and endup with nothing". I ask, have you rver gone to a country outside your oun and not only couldn't talk the language, but had no idea what the currency was all about? Truly, for yourself, that money was "worthless", except that everyone around you used it efficiently. Even the actual paper in your hands could have been "fake" or "counterfeit" but you used it and learned. We take the risk because the commerce around us determines our position!

So is the case for gold!

I will return to discuss more and consider Mr. Dorchester. Also, the issues USAGOLD brings to this table. thanks FOA

FOA (5/24/99; 21:13:38MDT - Msg ID:6688)
(No Subject)
I must return at another time. Tomorrow for some.

Pioneers:

"the first step is taken and thus defines the trail,
a second step brings others and upon this journey we do now make sail"
"pioneers bring light, for directions long unknown,
new spirits shine like stars, so bright the seeds are now all grown"
"quickly to the heights we climb, even the top of the mast,
for there I see the the end of knowledge, as it was written in the past"

FOA (5/25/99; 7:01:54MDT - Msg ID:6708)
(No Subject)
Dorchester (05/24/99; 13:06:07MDT - Msg ID:6668)

Dorchester,
I think it would be imprudent or harsh for me to just comment or reply to your post. Or to clarify what you suggest of our origin. Therefore, I will offer what I feel and what I see. Much of it learned from Another.

What you have said, not only strikes at the heart of who we are, but where all of us are traveling. It could be said that it is a snapshot in time. For you, I know that picture represents the moment of the entire journey. Truly, it is not.

The worldly knowledge we have gained during our travels in life does represent part of our wealth. Sometimes a price is paid in real things so that people gain in experience equal to the history they never lived. The scale of such wealth is measured by the loss one takes to gain that
moment in time. For many, this moment pays a lifetime of return!
Some become lost in this moment and never find the path that leads from this forest of emotions. Trapped are they by knowledge because fear rules the heart. The mind is indeed willing but the feet will not move. So, as it is in the poem "Pioneers", so must it be for you, the first step taken will thus define the trail.

Dorchester, others would divide the assets, they wish to redirect into ten parts. Sell the first ten percent and convert it to the wealth of the ages. With this move, mentally, the path becomes clear. As gold rises each five percent, sell the next ten percent and so on.

"Good fortune follows a determined path". Therefore, make your trail clear, for yourself first, and you will not walk this journey alone. FOA

FOA (5/25/99; 10:05:24MDT - Msg ID:6718)
Reply

Dorchester (5/25/99; 9:11:21MDT - Msg ID:6715)

No! No, Dorchester,
I did not mean my post to you in such a light. You have read outside the spirit it was offered in. If others have done the same, it is withdrawn. All of the terms were in a general sense, as applied to everyone. Trust, me, Another and myself have received serious public criticism with little impact to us. Your words were constructive and analytic. Please continue. FOA

FOA (5/26/99; 20:00:20MDT - Msg ID:6766)

Gold

USAGOLD, and all,
Now it should be easy for everyone to see that the gold market has become two separate operations. One is the physical and the other as a paper market. This new paper market was created and encouraged so as to increase the base of gold owners world wide. This increase could not have been accomplished prior to the 1990s because, basically only physical gold was traded in size, worldwide (comex futures were much too small then) and the dollar price of gold
would have exploded, thereby shutting down any expansion of ownership. As gold was the only competition for the dollar at that time, the BIS embarked upon this "encouraged" expansion as a means of offloading dollar reserves into gold at a decreasing price. It was known then and now that much in the same way the US / IMF controls the dollar market, the BIS manages the gold market. In this light, one can understand why certain entities would willingly buy gold , at a decreasing price, as a means of adjunction the settlement of trade in dollars. With the confident knowledge that each dollar of paper gold purchased, during an extended time would eventually represent ten, twenty, or thirty times the present reserves.

At some point in time, the BIS would help deploy a new reserve currency that could be used to "settle" all paper gold trades that could not be closed, to the benefit of the paper gold holders. To further encourage / guarantee this "new market" the BIS would not allow gold to fall under
$280. With the successful launch of the Euro, the BIS / ECB will now allow the paper gold market to "implode" from it's own weight! As such, we arrive at today's point with gold
ownership, some ten times what it was during the 1980s. Most of this "dollar contract" gold cannot and will not be delivered, because "there was never enough gold to satisfy these contracts at present dollar prices"!

My friends, the choice is now "clean" and "clear"! The writers of paper gold "outside" the Euro realm are cornered with the lack of available gold! Completely! Presently, from inertia, they still control the "paper price" in the dollar / IMF arena, but they can never convert. They must do what
any cornered being will, continue to create (short) contracts of worthless nature. At some point, their market will suffer a total collapse and cease to function. It will happen no other way. Now we understand why England must enter the Euro world, if they are to have any hope of saving
some part of LBMA. One can also see why the US will encourage a higher "world" price for gold, even as it's native market is destroyed! Politics will always make good use of a unretractable situation. That being, the US has a gold reserve it can "talk about" but can do nothing with, on a large scale. Perhaps, a western reason to buy gold for cash "now", as it's local market may soon end?

Perhaps, this is why Another (long ago, in the $350 range) pointed only to the physical gold, for ownership. Much of what was said, makes sense now. The call for $280 gold was made some time before the Euro was born, and no one even knew if it would happen (BIS either???). The point that this was a "New Gold Market", "unlike none before", in that the dollar market of gold would totally disappear in a blaze of paper fire! Not to mention that the entire world gold industry is on a "dollar gold contract" standard. Is it no wonder that no analysts of the gold industry can afford to see the outcome of Another! Conversely, every free citizen, worldwide, that holds and continues to buy physical gold will welcome this change. Dynamic times, indeed! We speed
quickly to the conclusion of one of the greatest changes in currency values ever seen. thank you FOA

FOA (5/27/99; 6:44:13MDT - Msg ID:6783)

More on Gold.

SteveH (5/26/99; 20:15:31MDT - Msg ID:6767)

An addition to my #6766.
SteveH,
I missed your earlier question. The physical buying of gold, in coin and small bullion form is the smallest portion of real demand. As such it is the easiest to supply. "Big money", of world proportions does not travel into these areas. I have written of this in other posts. Over the years, the large private and almost private holders of gold physical have slowly sold it to purchase paper gold. This trend is the very action that multiplies gold ownership and supplies the demand deficit. Large holders still consider their new paper as gold. A good deal of that paper is as good as the real thing, but some of it will have to be converted into a Euro currency in the future. That trade
will be to the benefit of the holder, if it has ECB genealogy.

One of the reasons this trend worked so well is because the US went for it, early on. A falling gold price encouraged a strong dollar and offered Western dollar holders an avenue to hold gold in leverage form. An action they will, no doubt regret, later, as it has taken the form of stripping gold from western hands. For them, this new allocation allowed for free dollars to earn a return. Do not confuse these entities with non-western dollar reserve holders, as they (mostly) purchased straight gold future certificates (with BC backing) using resources as the leverage, not gold. Usually, this was the actual gold in the CB vaults as it was leased out, but never moved. Truly, this was the source of the same money that went into mine forward sales (barrick?). The gold and the money stayed in the CB house and control. The entire above outline is why some analysts (Ted Butler?) cannot understand why the gold doesn't physically move, yet physical demand is being supplied. This conversion process was accounted for in the LBMA volume, as it became evident after gold fell below $360US. It was then, and only then that LBMA announced these
huge monthly transactions. Truly, it was here that one could witness the dollar being removed from it's reserve status. For many, it was the only public conformation they would ever get.

I think this view of "one world electronic currency" is a "joke" on investors. The entities that are now locked into standing behind short positions are trapped and will be saying anything to get investors to sell physical into the market. The black hole they are sinking into will crush them from the weight of all the further paper sales they must now make.

As the ECB faction has aligned itself with physical gold and cut off any new supply, the mines found themselves in the only position of having to continue to sell forward because they are part of the dollar gold market (see my #6766). A process of taking in ground gold reserves from the
stock holders. The entire industry of mining and trading dollar future gold is failing. Even now their paper has value only if the fabricated dollar gold price continues to fall. The time has arrived to witness the final destruction of the US market for gold. As the authorities have taken the stance of allowing this action to play out, it will later create a phenomenal spike in the "real" physical gold
market as all futures "lock up "from lack of backing. They will become worthless because the only way to support them is by selling more paper short, an action that will be stopped when it can but political votes (by you're SEC?). It's an obvious contradiction, that is becoming visible to
everyone. In such an atmosphere, I expect the US to state that the futures gold market is a threat to the public good and allow only physical sales (at huge increases in dollar price). I would also not be startled to see the BIS take this moment to buy gold. The dollar would "implode"
worldwide! Now you can see why many of the local US Bullion Banks are now truly trading for their lives.

I believe many investors (myself included) are executing "final" transitions into physical gold. As events play out, this course of action should be a rewarding one.

I will be busy for several days. FOA

SteveH (5/28/99; 12:22:00MDT - Msg ID:6820)
I think I have this figured out!
Permission granted to repost the heck out of this.

Major Currency Battle Now Underway Masked by Equity Bubble
by
SteveH

Current economic events boil down to a two economic forces at work that essentially divide the world into two camps: debt holding countries of the US dollar and countries who are distancing themselves from US debt by way of physical gold possession and the Euro. All current world events seem to be explainable when viewed in this manner. The two camps are the US/IMF faction and the Euro/BIS faction. The US/IMF camp is dollar based paper and debt; the Euro/Bis camp is gold-based currency and gold bullion and oil.

The current run up in the US dollar and equities market is a result of the skewed influence of the US dollar in world economic events and shows its strength when viewed from its holding the existing role of the world reserve currency. It is this role of 'reserve currency' that is the center focal point of a currency war currently in progress. This war is masked by the power and control of the media of the US/IMF faction and by the apparent strength of the dollar and the dollar stock markets. It is this apparent strength that blinds all of us to the hidden currency war now playing in the world's markets. But it is this media influence that hides the battle from our view. Yet knowing that the battle is

progress does provide a perspective from which current economic events become crystal clear.

The strength of the dollar might be its aquilles heel, though. The equities market in the US has been fueled apparently by two major sources of funds: baby boomer 401K mutual funds and Yen and Gold-carry money. It is this latter source of money that has just now come into question as legitimate and healthy -- just look at Japan's economy and what the YEN carry trade has done there. It is the gold-carry trade that maybe the David of the dollar Goliath or the hair of Samson, the dollar.

Carry trading in Yen and Gold is simple to understand. It is borrowing Yen or gold at a low interest rate, selling it into the market -- which drives the price down and the dollar up -- then buying US bonds or equities at a higher interest rate. The loan is repaid and the differential interest is pocketed, and the process is repeated for as long as the price of the YEN and gold drop. Not long ago, the YEN carry trade was essentially stopped. More recently the gold carry trade has been slowed or stopped to, but in the case of gold-carry, many of the many borrowers of gold rolled over their loans and NEVER paid them back. This is because they didn't have to until NOW. Now the gold price is at or below production cost for most mines. Once the Central Banks (mostly Europe) stopped leasing gold a short while ago, the estimated 14,000 tons of gold that has been involved in the gold-carry trade needs to be paid back. It is impossible to pay it back in gold as most of the Central Bank loans demanded so now it would seem that the financial parties in the gold-carry business need a source of gold to pay back these loans. It appears that only two escape hatches exist for the gold-carry players. Keeping the price of gold down by shorting it on COMEX (this is akin to naked shorting as insufficient gold bullion doesn't appear to exist to cover the 200,000 open interest contracts) or repaying the loans in a medium acceptable to the banks who loaned the gold in the first place. It seems as though the Euro may become the only accepted means of repayment.

One can see that the carry trades have driven the Yen and gold to all time recent lows. In the case of the YEN more can be printed or made available for repayment. In the case of gold, only 2500 tons of gold are mined each year. To cover the 14,000 (alleged) shortage of gold would take over five years at current production levels.

The remarkable thing about the carry trades is the shear number of financial institutions who have participated in it. In other words, the carry trade is pervasive and to unwind it will affect major world financial institutions.

So back to the war of the Euro/BIS and the dollar/IMF. Two anonymous representatives of the Euro/Bis camp have for the past two years come forward with their interpretation of events. They have used the Internet as their medium of discussion and have provided a tome of information and opinion on this hidden war now unfolding. I believe they believe they came forward after the cards, have been played that will ensure the outcome of the currency war for title of world reserve currency ends up

in the Euro/Bis camp.

Let me explain. They claim that the BIS and the European Central banks allowed the gold-carry trade to go on for years to proliferate gold-based debt and ownership worldwide, using leasing as gold leverage. Now it has become so pervasive that much of modern financial institutional debt is a direct result of the carry trades, especially gold-carry. Simply put, gold is the payment due in short order. Insufficient physical gold stock exists free and clear of central bank vaults and mining production of many major mining companies is hedge up to 10 years hence that the only way to pay back without gold appears destined to be Euros.

In other words, somebodies were suckered. Nearly risk-free (or so they thought) interest money was available through the carry trades that everyone got on board that knew about and cashed in. The result? The Central Banks are owed an alleged 14,000 tons of gold with interest by a wide-variety of institutions. Now you can see why they believe that the dollar/IMF faction has lots. They can't pay back their debts without converting to gold or Euro's and that means converting US bonds and equities into Euros or gold. Since their is virtually no physical gold to be had, we see gold continuing to be held back in price and kept away from the $300 number that could trigger a failure of the COMEX exchange.

Now, light has been shed on the hidden battle for reserve currency. Up until the Euro was introduced the only possible competitor for world reserve currency status was gold. Gold doesn't lend itself freely for exchange. (hard to email it) But with the introduction of the Euro with nothing near the debt load of the US dollar and 15% in reserve currencies being that of gold bullion, a proxy for gold was born that can now compete with the dollar for the reserve currency status.

So, look now at recent world-wide financial events using the above as a filter:

--Gold approaches $292. Bank of England announces a sale only available to members of the LBMA (London Bullion Market Association). Price of gold drops to a 20 year low.

--IMF announce a sale of gold to help poor countries (who would have benefited more if the price of gold was higher as most them were countries with producing gold mines.

--Swiss vote on a national referendum to delink gold from the Swiss Franc and it passes.

--Major TV and printed press publish countless stories about gold is dead, gold is no longer a modern requirement for currency. People become confused by this. Gold's popularity falls to an all time low. Gold no longer acts normally during major world crisis. Normally it would rally in the event of war or inflation.

--Major rumors of Goldman Sachs and other investment banks heavily

shorting gold on Comex further holds gold down during these major world-crisis.

--Formation of GATA (Gold Anti-Trust Action) committee to investigate the apparent manipulation in gold markets. --Recent announcements of copper and drug company price fixing.

The list goes on and on.

Where are we today? If you asked the two anonymous person called ANOTHER and Friend of Another who post at the www.usagold.com web site and who used to post on the www.kitco.com web site, they would tell you that in their opinion, we are seeing the last leg of the dollar as the world reserve currency and that the Euro will soon replace it in that capacity. The would further tell you that when that happens, in their opinion, that the COMEX gold exchange that trades in gold futures will cease to function or become totally ineffective in establishing the true value of gold in US dollars as the open interest contracts that trade their can not be satisfied by physical gold as it is all spoken for. Because of that, they would say that gold will rise to over $10,000US per ounce. They have said that owing physical gold is the only true measure of secure safety for ones wealth.

As extreme as that opinion is, recent events behind the scenes seems to point to their theory of current gold markets events as the only one that plausibly explains why gold and the dollar are behaving as they are, why it seems that gold is being held back no matter what the cost. I for one am open to any suggestion as to what else could really be happening. But for now, I think Mr. ANOTHER and Friend of ANOTHER have a message worth understanding.

Some of discredited Another and FOA (Friend of Another) because they made a few predictions based on a timeline that in hindsight wasn't entirely under their control. Because humans can't predict the future rather only report it when the future is past, we shouldn't really discredit the A and FOA message because a timeline is tampered with or changed due to events beyond their control. If we remove the predictive or human element of prediction or surmise from the A and FOA message what remains?

I believe that what the A and FOA message represents is the inside track of a powerful group of nations that have difficulty with the debt load of the US/IMF faction and the negative influence this debt will ultimately play upon them. The A and FOA thread then becomes one of viewpoint within the larger realm of world economies that essential have two major influences: the US/IMF faction with the dollar as the reserve currency (major players are US/England/Japan) and the Euro/Bank of International Settlement (BIS) with the European Union Countries and the Bank of International Settlements. From their standpoint, they believe the Euro has already won because gold is owed by so many institutions in the US/IMF camp that it is too late for the dollar not to succumb to its own debt load. They believe that what we are witnessing now is the last act of the dollar as a reserve currency. Like it or not, their opinion

deserves to be heard if not for the sole purpose of the US/IMF faction to gracefully deal with its current situation with the full understanding of what exactly might just be going on.

SteveH

The following is an actual exerpt from Friend of Another. You can see within this text much of the substance I address above. The introduction is by the Michael Kosares who was the editor of the "In the Footsteps of Giants" and the system operator of the Gold discussion group at the www.usagold.com web site.

8/10/98 Friend of ANOTHER

(Editor's Note: Please read what's below carefully. This is an extraordinary analysis from the Friend of ANOTHER at a time of much confusion and uncertaintly in investment/currency markets. We are told at the outset that the largest pro-gold groups -- the Europeans and the Gulf states -- want a world currency "not subject to the performance of the American economy." In other words, a currency not tied to American treasury obligations, or the percpicacity of any other nation for that matter. That currency for those of us who have reached for the deeper truths of economy is called gold. As an American, I must say that I have never seen the concept of American hegemony explained in quite the same way before. Perhaps, my eyes were closed. I keep getting this feeling that Americans must necessarily begin to understand a new role for this country in a rapidly changing international political and economic environment -- a role for which our political and economic institutions appear ill-prepared. I will not be so presumptuous as to explain what the Friend of ANOTHER is saying, I will let you read for yourself. I do not think it could be said any better than Friend of ANOTHER says it. The fact that his analysis implies how one should design one's portfolio is a happy side benefit.)

Michael Kosares,

It has taken some time to send this, but now I can also offer my thoughts to your questions.

Your statement: "As a matter of long term policy, do you believe that ECB will "sell" gold to defend the Euro or "buy" gold to defend the Euro? Each of course would entail a different course of action with respect to reserves of the new national bank. Along these lines,will ECB buy gold from its member treasuries, or will it simply force them to transfer it to ECB coffers if needed to defend the Euro? I am prompted to ask this question in view of your assertion that there will be much selling of Euros to defend the dollar. If the Euro, as you suggested, is being printed to buy dollars isn't this just another manifestation of the U.S. exporting its inflation? It appears to me that the Euro will need to be defended -- and not with dollars -- but with gold! "

Michael, I believe the most difficult part in understanding the modern gold market is overcome by seeing all the various political factions

involved. Essentially and basically, the largest pro gold groups are those who want a world currency that is not subject to the performance of the American economy. At this moment and in this period of economic history, all currency reserves held by foreigners (non-Americans) is a debt of the US Government and by extenuation through tax collection, a debt based on the ability of the American economy to function profitability!

In essence, America has told the world that as long as the business of this country is functioning, your wealth, as represented in Marks, Yen, Pesos, etc. is backed with performing US debt. It's like saying, "as long as your neighbor, next door, does not loses his job, you will not lose all your money! Most people would be surprised at how clear this is, outside the USA sphere of influence. This, the largest of the pro gold group, is largely made up of countries with economies that have no need to sell most of their production to the US. The business of these communities would not totally fail without the American engine. Yes, they would slow down, but not collapse, as trade with other countries would continue. To add what was said before: If your neighbor loses his job, you can still trade with the other people in the town, as long as the currency system is not based on your neighbors debts!

This group, made up of much of Europe and the Middle East, is not looking for a return to the old Gold Standard, but perhaps something far better. They do not see any advantage in holding the currency bonds of one country, as a reserve asset of future payment, over holding physical gold as a reserve asset in full payment. The fact that the debt reserve asset pays interest is little more than a joke in these banking circles. Any paper currency, the dollar included, can fall in exchange value against your local currency far more than the interest received! In today's paper markets, the only true value in exchange reserves, held by a government as currency backing, is found in it's effectiveness for defending the local currency from falling against other currencies. In other words, use the reserves to buy your countries money. But, this is a self defeating action as sooner or later the reserves are used up! This fact is not lost on many, many countries around the world, as they watch their currencies plunge, lacking reserves as defense. Ask them how important the factor of earning interest on reserves is under these conditions.

On the other hand, buying gold on the open market, using your local currency, works as a far different dynamic from selling foreign bond\reserves. This action takes physical gold off the market, and in doing so increases it's value in dollar terms. Gold is and always has been the chief competitor with the dollar for exchange reserve status. The advantage here comes from the fact that governments do not run out of local currencies to use in buying gold, as opposed to selling foreign currency reserves to buy the local currency on the open market. Of course, the local price of gold goes sky high, however, in this action you are seen as taking in reserves, not selling them off.

Also, as gold begins to rise against the dollar, the local gold reserves are seen as assets of increasing value, backing the local currency.

Under these conditions, with a stable currency, citizens will purchase more gold as it is seen as a positive asset. Not unlike a rising stock, everyone wants an increasing investment. Contrast this action against that in Korea, where everyone sold gold as it increased in an unstable currency!

Basically, this is the direction the Euro group is taking us. This concept was born with little regard for the economic health of Europe. In the future, any countries money or economy can totally fail and the world currency operation will continue. What is being built is a new currency system, built on a world market price for gold. Michael, you are absolutely correct in that the USA will see a hyper inflation of it's currency and a gold price in dollars that reflects it. Unfortunately, for most investors, the gold price rise will be sudden and also hyper fast. as it will occur just after a rapid plunge in dollar based assets including, stocks, debt and the entire banking system. This action will destroy virtually all gold based paper assets as they are also dependent on a functioning economic system. A local gold mine, in any country, must sell production to realize a profit. The contract system they deal with will not be functioning during this time. Contrary to many hopeful investor, local treasury officials will not allow miners to pay employees or buy equipment with physical gold. When the dust does clear for mining to continue, gold will be recognized worldwide as real money, and the mining of money will, no doubt, carry Extreme taxation. Stock prices of these operations, after being priced to zero, will then double or triple in price. Zero times three equals?

Back to your original question. The Euro will not replace gold, it will evolve into a gold transactional currency. It will also price Euro gold very high, perhaps $6,000 in current dollar terms buying power. However, in actual dollar terms of the future, $30,000 US will reflect the American debt as the negative reserve asset it truly is. The ECB will have an easy time issuing Euros to buy gold from the member banks. The real political warfare will be in trying to force them to sell the gold at all, once this ball starts rolling. The Euro has, in effect already been dispersed in the form of Gold Leases not gold sales. One has only to look at the official gold holdings of most central banks to see that physical gold sales are little more than the average, with a good amount of that coming from nonEuro countries. Gold is a funny thing, it can be sold many times and pass through many countries and still remain in a CB vault. Truth Be told, some 14,000 metric/ton have been sold this way. Far more than the street thinks. Using this amount it's easy to see how certain entities have moved off the dollar standard in the last few years. If we use a future price of $6,000+US, the move is about complete.

The process: An oil country (or others) goes to London and purchases one tonn of gold from a Bullion Bank. The BB borrowed this gold from the CB (leased). The one tonn gold certificate is transferred to the new owner. The gold stays in the CB vault and the owner goes home. The CB leased this gold to the BB and expects it to be returned plus interest. The BB financed the Actual Purchase of this gold mortgaging assets of the buyer. The BB, who created the loan, then uses the cash arranged in this

venture to contract with a mining company (or anyone wanting a gold/cross financing deal) to purchase production gold, using this cash to pay for it. In the eyes of the mining company, the BB just sold gold on the open market, for cash, and will purchase future production at the contracted price. The mine does not know where the gold came from, only that it was sold and a fixed cash price is waiting. Of course, most of this made more sense when gold was higher. There were thousands of these deals, structured in every possible fashion. Look to the volume on LBMA and you see where the future reserve currency is traded today!

Now when we look at this picture, who is at risk here? The Euro CB Group still holds the physical gold and will buy it back from the new owners, if asked, using printed Euros. The new gold owner has just replaced his dollar reserves with either bargain priced gold, or Euros at an exchange rate never to be seen again! Some of this was done to buy the pricing of oil in Euros. The BB owe the CBs 14,000 tons of gold that they must collect inthe future from producers or currency speculators. And they must collect it by paying what will be a, then, ridiculous price of $300/$400US, while the world market price will be, well, a little higher.

With Canada, Australia, and perhaps England having sold much gold to hold US$, much of the English speaking, IMF/dollar world is about to change. Any country, Japan, Mexico, etc., that has locked their future by selling most of their production to the American economy , is headed for a depression. Another is answering some of your mail questions and is also sending a letter. Will send it on arrival.

Thanks Michael,

FOA

FOA (5/29/99; 15:12:37MDT - Msg ID:6828)

Comment

Steve,
I want to thank you very much for your clarifying post (#6820). There is little I can say that would change any aspect of it. You have presented these views in a manner that reflects a "local" style of thinking. For many, it will now be much more clear to understand.

I am not and never could be Another. My writing is an effort to further his thoughts to conservative people that wish to grasp future events in their true light. Not the illogical, often conflicting reasoning presented by "money traders in need of clients", "the media in need of viewer
ratings" or "political leaders holding debts that control their public pronouncements".

Another's reasoning and writing can be summed up as such (my writing / editing of his words):

"If someone knows who you are, they will first look to your status as confirmation for your Thoughts. The message receives not true consideration. Indeed, why betray your close friends and associates by divulging "privileged and private information", what means of honor have you

gained by presenting this same into public view? Nor does it build the character and reputation for someone that acts upon this new knowledge by making the unfair deal ahead of their friends. No, it is better for people to "travel their path" using the signposts of "human nature", so readily
displayed along the trail. If we state that a bolder is about to roll down a hill, most would not hear it. So let us show why the rock occupies the hill for the wrong reasons. Some will openly berate others for considering such nonsense. But, truly, behind the quiet mind, the fair person with an ear for such pronouncements will keep the most private eye upon the hill.

"the profit in life is paid in the honor never received, for respect has no price higher than when truth is displayed for free"

I am very busy, but may have some time later, and will reply to some recent posts. Also some ideas about recent events. thanks FOA

FOA (5/31/99; 17:13:48MDT - Msg ID:6928)

Gold talk

ALL:
I am again able to share time with everyone here. What a tremendous outpouring of discussion on this forum! I will go back a day or so in time to offer some discussion on comments made then. Hopefully, catching up into today's recent posts by Town Crier (good effort TC!). Will return and post shortly.

FOA (5/31/99; 18:43:56MDT - Msg ID:6930)

Comment!

-------TownCrier (5/25/99; 9:30:58MDT - Msg ID:6717)----
Eddie Georte: British Gold Sale "A Very Sensible Portfolio Decision"
http://finance.uk.yahoo.com/news/19990525/businessday/busstory142283.html
"He (Eddie George) dismissed accusations that the policy was a device to prop up the ailing euroas 'conspiracy theory gone to extreme'.

Towncrier asks: "What happened to the days when central bank reserves existed to defend one's currencies, not garner the best returns?"----------

TownCrier,
The above is only part of your post, but still an important part. Most of the public discussion concerning the BOE gold sales revolves around the obvious. Such as "they sold gold to bring reserves in line to join the Euro" or "they leased gold earlier and now this move is just to cover
those leases gone bad" or it was "open manipulation because they announced it first in order to push down the gold price".

My point all along was that they did none of the above. Your statement, TC, is the closest to the truth. Let me explain:

If they (BOE) were selling gold as a direct course to join the Euro, they would have handled it exactly in the same manner as the Dutch and other EMU nations did. Sell the gold quietly and direct it towards contract completion. This was done quietly to bring the best trade and to deliver
the gold into "private EMU friendly" hands. All of the pre EMU deals were done in this fashion and the BOE would have done the same "IF" the purpose was for "reserve balance" prior to Euro application.

It is true that they are active in the gold leasing market. No one would expect anything less when the members of the LBMA are so very close to the BOE. I believe one of the members is the very agent for the government! (Someone here should be able to help confirm this for the group). However, this new sale of gold could never be used to "square the books" for gold already leased because the old leased contracts were done at a much higher price. The "auction" would have to be concluded at a much higher price than today for the numbers to match. A rare event, indeed!

The open announcement of sales did move the dollar price of gold, but that was not the purpose of this "verbal action". They had no choice but to announce, because they (BOE) were about to sell "unencumbered" physical vault gold to LBMA members. It was an obvious public statement to show that the LBMA had a "line" on "freed up real gold" to satisfy "a pressing situation"! Someone in the world community needed to know that this "future" gold was available with no way to reverse the sale. A public statement does just that! The credibility of the BOE to perform was put on the line. Otherwise, the sale would have been held quietly and privately, over time, just as the EMU sales were.

Back to your item, TC, "What happened to the days when central bank reserves existed to defend one's currencies, not garner the best returns?". Well you have hit the nail exactly upon the head. This BOE gold "IS" currency reserves and it was being used to defend the currency. Only,
it was not the pound that was being defended, it was the dollar! As USAGOLD once said, some nations grow weary of using their reserves to back a foreign reserve currency, so to do the british grow tired. Because they were part of the IMF / dollar faction (thanks again Steve #6820), England used the services of the LBMA and the gold reserves of the BOE to help strengthen the dollar. They expanded the gold supply (and world ownership) by selling various paper gold
securities. They did this because the dollar is "their" reserve currency also, it mainly backs the pound! Today, we come to a point where a major reserve currency change threatens every dollar holding nation, and London is in danger of becoming the "odd man of Europe" during this time.
With the BIS having succeeded in leveraging the dollar into the brink of "implosion" Briton must make a dash for the EMU, even if the resulting "dollar slaughter" will destroy their LBMA through an exploding physical gold price. This, my friends, is what the BOE gold sale is all about. They
are clearly saving a small portion of their bullion bank empire prior to EMU. The sale has nothing to do with "balancing reserves" to meet ECB criteria.

Many words to make a small point. On to other comments. FOA

FOA (5/31/99; 18:57:01MDT - Msg ID:6931)

Reply

Cavan Man (05/25/99; 10:39:10MDT - Msg ID:6719)
FOA & Another
I am new to the Forum and the subject near and dear. With the help of this Forum I am learning a great deal. Many times in reading your posts I am uncertain as to the meaning. Could you recommend a short reading list for my continued enlightenment and edification? Many thanks!

Hello Cavan Man,

It has taken me a lifetime to grasp how money is used among nations. Hopefully, with the internet it will require only 1/4 a lifetime for you. However long it takes, I can assure you it is an interesting and useful endeavor. Sorry, I know of no short list? thanks for reading and discussing

FOA (5/31/99; 19:18:33MDT - Msg ID:6933)

Comment

----------USAGOLD (05/25/99; 20:37:01MDT - Msg ID:6735) Stever.....and All.....

"For those who say this has been an exceedingly long and dark period for gold, I would counsel that these cycles play out over many years period of time. The stock bear market that started on a constant dollar scale in 1965 did not come back to the level from which it first descended until
1982-83. Similarly, the stock market high of 1929 was not reached again until 1942. Bear markets can be long and merciless but always darkest before the dawn. Gold's overdue, Steve, but I still wouldn't go out and load up future's contracts or call options."------

Michael,
A very nice post. I read it all. Your last item should give people an idea of how long term these things can be. We must all remember that the perspective that most analysts write from (the last Barrons article?) is only using the action of gold from 1975+/-! They do not allow the "history of paper currencies" to influence their thinking. The US dollar is only some 30+/- years old when one considers how long it has been off a gold standard. During that time it has created more debt than has ever existed during the use of "any" form of money! Truly, a failure of this modern paper would turn the current analysts of gold on it's head and make the wait seem like only a moment in time. We will see it happen and chronicle the results on this forum.
thanks for providing it, FOA

FOA (5/31/99; 19:38:51MDT - Msg ID:6934)

Comment

-------beesting (05/25/99; 22:57:14MDT - Msg ID:6742)
Gold seen well supported near lows.
http://www.barney.co.za/reuters/may99/gold25.htm
Flemings global mining group said in a report:
The unique liquidity provided by Central Bank lending to the Gold market had prevented severe lease rate spikes, allowing the market to be played for the short side for extended periods.((3long years)).
While it was hard to say when this dynamic would change, for now and while there was negative sentiment,"this structure creates an Achilles heel which invites attack,"Fleming said. Click above URL for more.----------

Hello beesting,
Boy, "unique" is the right word! If I wanted to expand a market, the best way to do it is to offer almost "zero" rates to finance it, right? Then, after some 10,000 to 15,000 tonnes of gold were leased around, I would control the equity of every player by controlling the lending interest rates. The above "lease rate spikes" can easily be created by withholding supply through open bidding for gold! It's a political sword that the BIS now holds over the paper shorts. All the market can do now is keep creating short paper by using "company equity" instead of gold. In time, the entire paper gold market drowns in "fictional" sales and becomes completely discredited as

a true physical supply source. What a mess for them! What a success for real gold! thanks FOA

FOA (5/31/99; 20:02:57MDT - Msg ID:6935)

Comment

----------The Flying Scotsman (5/27/99; 4:08:42MDT - Msg ID:6779)Farfel.....Gold Price
G'Day,
Weel, it lokks like the Gold price is going down like a "pork chop in a synagogue". This current compression of the gold price, how long can it last ? If as FOA infers that there are now two "Gold Camps", which one has the deepest pockets ? The "other" markets, well they appear to be in and out like a fiddler's elbow. Aye----------

Hello and welcome Scotsman!
Your question of "which one has the deepest pockets ? Well it used to be that the one with the most gold made the rules and maybe it still does. Currently, it's the geopolitical group with the "world reserve currency" that holds the reins. However, this new open market for gold is about to award that title to a new entity. You see, it's not just "how deep the pockets are", but rather "what supports them that counts".

FOA (5/31/99; 20:17:39MDT - Msg ID:6936)

Comment

---------canamami (5/27/99; 6:03:41MDT - Msg ID:6781)
Brief Musings I only have time for a couple of sentences.
1. The POG is not completely unimportant, even for hardcore physical gold buffs. Would one still feel the same about gold if it were valued at $10.00 per ounce, to use an extreme example?
2. The recent and continued price slide appears to me outside of the realm of the hypotheses of FOA/Another and must subject those hypotheses to further examination, to any person who seeks objective verification of hypotheses. Obviously, the BIS is not intervening to hold the POG
at $280.00. The POG has dropped more than a $5 to $6 fluctuation from about $283. Our friends are learned, and I eagerly look forward to their input on this, IMHO and respectful opinion, unpredicted weakness.
Thank You, canamami.

Hello canamami,
I know you posted again about this, but I wanted to comment. If you have kept up with the massive writing here, I hope you were able to grasp some of the other fine points made by all. In addition I add:
The range to purchase gold looks to be the same. Yes, it has dropped further (another 10 lower?), but as the shorts attempt to lower it, the physical market will, no doubt "discredit the paper market" through a large disparity in prices. Soon, one may not be able to purchase bullion
as the entire system begins to break down. At the point of breakdown, physical may not be available, except at much higher prices. The "risk" is becoming obvious and clear, worldwide! We shall see. Thanks, FOA

FOA (5/31/99; 20:23:16MDT - Msg ID:6937)

(No Subject)

----------USAGOLD (5/27/99; 9:29:58MDT - Msg ID:6787)

Today's Gold Market Report: Central Banks Cannot Print Gold---------

Fine report USAGOLD! We should all read this again and save it!

FOA (5/31/99; 20:39:01MDT - Msg ID:6938)

Comment

----------Cassius (05/27/99; 12:09:10MDT - Msg ID:6795)
FOA's msgs 6766 and 6783
-----Also, could you please expound on your statement (msg #67660)"One can also see why the US will encourage a higher "world" price for gold, even as it's native market is destroyed!" This isn't intuitively clear to me why the US would do so. Thanks for your shared insight. Cassius----

Hello Cassius,
I hope some of the recent posts added to your other stated considerations. As for the US anticipated actions? It's the only play available to them! They cannot sell their gold in quantity (see my other posts) and the current shorting is based on the "equity" of the local bullion traders, not the future supply of gold! That equity is at "major" risk as I write. The dollar "will" be devalued
with a rising world gold price and there is nothing the US political factions can do to stop it. As I said before, they will make as much political hay out of an inevitable situation as possible. In that light they may close the paper gold markets as they begin to fail from non delivery (a future event). Then begin a series of verbal prouncements about "how much gold the US has" and "how much backing it provides for the dollar". Remember, gold is no longer the threat, the Euro is! Thanks FOA

FOA (5/31/99; 20:47:00MDT - Msg ID:6942)

Reply

tlc (5/27/99; 14:42:54MDT - Msg ID:6798)
paper gold contracts
I am puzzled by the statement that there is an excess of paper gold "shorts" in the market. It is my opinion that you cannot just open a "short" position without an offsetting "long" position being created.
Can anyone shed some light on this for me?

tlc,
Hello, usually, the short side of a contract must (theoretically) supply real gold to complete the transaction. The long side must supply currency to complete. True, every position offsets. The problem arises from shorts not being able to supply gold because they don't have it. It's not that there are excess "shorts", rather no excess gold. does this help? FOA

FOA (5/31/99; 21:10:17MDT - Msg ID:6943)

Comment

canamami (5/27/99; 14:44:45MDT - Msg ID:6800)
FOA,
Is it your position that the BIS will not intervene to protect the POG at $280, or any level, given the existence of the Euro? How does this theory jibe with the Euro's declining value in relation to the $US? When did you arrive at the conclusion that the BIS will not, or no longer, ensure the POG stays above $280.00?

I look forward to your return, to hear your contributions to the discussion. Thank

You, canamami.

Canamami,
They gain more leverage against the dollar with each new gold short written. I believe they decided to allow the market to "implode" when it became apparent that the US was going to encourage gold. This political decision came about around the time that Mr. R. quit. As I said earlier, they now hold a sword over the market that everyone should be aware of. It could fall at any moment and end any further purchases of gold at today's values.

I think the $280 price was based on an old formula they used long ago. I'll offer it later when I have more time. Also note that the Euro was never to rise against the dollar until the dollar fell from it's own weight. The Euro was to become the "fallback" reserve currency that received the
flight from a failing IMF / dollar system. The BIS / ECB was very surprise that it opened as strong as it did. Many who criticize the ECB for not supporting it are the same ones who object to the "dirty float" and "rigged" dollar. Yet, here the ECB is trying to offer a fair, self evaluating currency and the speculators are crying for "intervention"! No doubt the same ones that currently "intervene" in the paper gold markets to save their skins. We shall see. FOA

FOA (5/31/99; 21:16:18MDT - Msg ID:6947)
(No Subject)
PH in LA (5/27/99; 15:20:47MDT - Msg ID:6801)
Probing the downward limits

PH,
Your support for open duscussion and consideration should be very encourageing to everyone.
It is to me. Please find time to offer your views on these markets, as your concepts are important.

thank you FOA

FOA (5/31/99; 21:19:02MDT - Msg ID:6949)
Time to go.
With the poor spelling in that last post, I should depart. Thank you all and please continue.
FOA

FOA (5/31/99; 21:30:30MDT - Msg ID:6950)
One last note!
Cavan Man (5/31/99; 21:18:07MDT - Msg ID:6948)
FOA IF you are out there tonight....

Mr. Cavan Man,
I am a "less" than average bear that knows nothing except what other fine humans have taught me. I believe that when one displays credentials in public, it only proves how little understanding they truly have! I must go now, thanks FOA

FOA (6/5/99; 10:45:10MDT - Msg ID:7188)

SteveH (6/5/99; 5:37:09MDT - Msg ID:7186)

SteveH and ALL:

Steve, I believe you are following a chain of thought that leads to many answers about this gold market. Most everyone agrees, even more so today, that this is a "new gold market". It truly is unlike anything seen sense the dollar went off the standard in 71. Analysts have often used
"technical interpretation", "supply and demand" or "price inflation changes" to explain it's past value trends. Yet, during these twenty some years, each of these "methodologies" have been shown to work only "part of the time". Truly, a thinking person can plainly see that the correlation between the dollar price of gold and the amount of "dollar currency inflation" is far out of line.
Some other factor is clearly at play, yet few will accept any "premise" that could, potentially, destroy their "present paper gold portfolio". Many investors talk about the terrible "gold - carry trade", "CBs leasing gold", "bullion banks shorting gold", "mines selling gold forward", and they want it all to stop so gold can return to it's proper commodity price structure! Yet, their perception is as such that all of this will end in a blaze of "short squeeze fire" with their own paper gold investments intact. Yes their personal "gold options", "comex gold futures", "mining stocks" and "gold certificates" will soar in value as this entire industry "practice" melts before the eyes of a disbelieving "wall street"!

This form of "gold investing logic" was born during the recent history that allowed for a super - expanding world dollar reserve to exist along with a gold market of "static value". As few as five years ago, no one questioned how the equity value of practically every world asset could be
expanded far beyond their economic worth without the gold value reflecting that "asset inflation". Lost in the reasoning was the "common sense" conclusion that only an "expanding currency base" could represent these asset values beyond practical, useful, economic purpose. So, many gold
bugs just shrugged off this "extended conflict" and said "someday people are going to recognize it and buy gold".

The lost fact in all of this was that "people were buying gold" on a massive worldwide scale and the dollar price was not reflecting it. Current "gold investing logic" says that cannot happen because "there is a buyer and a seller" for every commodity and the price quickly reflects it. This is true, except that only gold has been warehoused as money, to an extent far beyond it's commodity use (thank Mr. Parks of FAME for pointing this out to the WGC). It is here, that we confront the reason for "why gold has not kept pace" these past years. And why this new market is coming to the end of it's "era".

Steve, I again thank you for reposting my writing. In those posts it was offered how the overall gold market ownership was exploded during these years as every entity embraced the concept of lending gold. Truly, they all saw the money to be made for themselves, but did not fully question the "motive" behind lending gold for almost "no return" by the lenders. Most just accepted the public pronouncement that the "CBs were at war with gold" or that they were "obtaining a return on assets". I think any person, with a brain in their head knew that no one in this world lends anything for free (without a motive), so lets not discuss that one. Also true, some of the CBs are at war with gold, but only "some of them"!

The Euro / faction only appeared to be "at war" as some of them sold gold. However, one must look at the facts behind this, before reaching a conclusion. Haruko Fukuda, World Gold Council chief executive, pointed out on Friday that only two EURO CBs had sold gold, Belgium and Holland. I (FOA) know that those sales were done in private with the gold going into "friendly hands". It was the US / IMF faction that proclaimed to the world that "all of Europe was
selling off their gold reserves" with the purpose to "unmoney gold". Nothing could have been further from the truth. A quick look at statistics as given by the WGC offers:

""In fact the NET amount of sales from the official sector in the last 10 years was only 312 tonnes. Hardly a
landslide," she (Haruko Fukuda) said."

Steve, that is only an average of 31 tonnes a year hitting
the streets. This very fact negates the analysis of many "gold thinkers", in that they say the "CBs are filling the gold consumption deficit. The current deficit is being filled buy investors selling physical gold and holding paper gold. This was recently pointed out by myself, using Another's Thoughts from long ago. It was scoffed at then, now this logic is coming into view.

If one looks, clearly the most gold being sold onto the market is coming from entities that occupy the US / IMF sphere. Australia, Argentina and Canada to name a few. Yet, even these sales are consumed into this massive "new market" with only the small amount mentioned above set free. This same faction is also the one that is flooding the world with "gold paper" that has little behind it except the "currency equity" of the issuer. Their idea of a backed short sale is the holding of "OTC options". Many of the sales over the last few years were little more than "naked" shorts.
In this light it should be easy to see that the world paper gold market is "degenerating in quality", to a point of no return. Small investors are clearly "at risk" from an impending destruction of the current "paper mechanism" that sets the world price of gold. In much the same way the US
stopped the function of the COMEX silver market (in the 80s), because of inability to deliver silver. So will it shut down the gold market. Let's face facts, it was never intended to deliver gold, rather it's purpose was to "bet" on and manage the direction of gold's price! It's an old function, of this short history of gold that worked well as long as investors wanted to expand holdings using paper. But, all eras come to an end and so does this one.

The world wanted cheaper gold to replace dollar reserves. Some entities have taken advantage of this and invested in gold marked with a new "genealogy", that of the Euro and the BIS. Others will have to fight the war on a different front. I suspect that many "IMF / Faction" paper gold holders will be in the US courts for years trying to pursue what never existed, real gold. We shall see.

More likely than not, the BOE sales will mark the end of the road for this current gold market. While their decision appears "foolish" in public, Another knows that these actions are not taken lightly. The currency creators of other nations (Canada?) must also be "feeling foolish" as they stare into future national bankruptcy from price inflation. An inflation brought about from backing a failing dollar by selling their peoples gold to other CBs. The citizens find them to be "smart operators" as the appearance is that of earning interest as gold falls in price. Few understand, as do

the treasury officials, that the lower price of gold comes from hollow paper selling. Nor will
they equate $200 oil to a lack of national gold. Later, many investors will grasp why physical gold purchased anywhere from $400 down was a fantastic chance of a "century in nature". Seldom does such a major change take place in ones lifetime.

I ask, what comes first in creating dollar value, "confidence in the dollar" as many think or "confidence in the ability of the dollar to settle contracts"? The history of paper currencies shows that citizens will continue to use even worthless currencies as long as they will settle old contracts. Find your books and research it for yourself. Then ask the question, "in the near future, will I be
holding paper contracts in need of settlement in dollars"? In this light, one can see why the real gold market is cornered, the physical market, that is. You see, oil and gold mix well in these new troubled times.

Thank you for reading and discussing. FOA

Reference Link:
http://www.yahoo.co.uk/headlines/19990604/business/0928478578-0000020982.html

FOA (6/5/99; 13:56:21MDT - Msg ID:7204)

Time to go again.

Julia and ALL,
I have not forgotten our discussion from the other day. It will be pursued in time. As I am still
very busy, I offer what I can. thanks FOA

FOA (6/6/99; 21:01:57MDT - Msg ID:7258)

(No Subject)

Michael,
Your post about the convoluted court "workout" of bankrupt mines is one for much consideration. In the event of mine assets being managed by a court trustee, I add: A massive increase in gold prices during this time would require the trustee to reopen the mine at a large profit, even during long drawn-out negotiations. Any new government taxes on such profits would require escrow for later payment "ahead of other players". Also, bullion bank claims would be
fully paid in gold (over a very, very long time) as the new economics of mining make such claims worthy to be satisfied. I do think the BBs will be fighting the government over any new taxes. Truly a mess. Please see below!

Please note that Mr. Faber suspects some CBs to buy back gold at a much higher price. I would add that they will use Euros to do this as that currency will be the "transactional" settlement medium for gold world wide. A price of $1,000 and higher will mark the end of the dollar as is presently known.

Also, his thoughts of "excessive profit taxes" are becoming a more common view as trends reverse. Again, I add that the "journey" from $280 gold to $1,000 gold "will" bring his massive increase in mine stock prices. The problem for most investors will be in timing the selling point. I
think, few will be able to sell their positions in the two or three days time required for gold to make this trip. Does anyone that thinks the shift from this era of gold

price management into the era of paper gold "loss management" will bring a gentle price rise over months and years. If one
trades their position on that "premise", I think they will be holding these mine investments for much longer than anticipated. Any new tax legislation will be, no doubt, "grand fathered"! We shall see.

I apologize for not having the link to this story. Perhaps someone can provide it?

Dr Doom: gold, Murdoch, Soros

By Tony Boyd

Dr Marc Faber is the Hong Kong-based contrarian also known as Dr Doom. He writes a monthly newsletter called the Gloom, Boom and Doom report for 900 institutions and wealthy private individuals including some of Australia's better known multi-millionaires. Here he talks to Tony Boyd about his latest views.

On the gold price
Let's assume for one reason or another the psychology in the world changes in favour of an inflationary psychology
or for whatever reason people say they want to own gold.

With the world's population of 6 billion people, if each
person buys one gram of gold each worth about $13 that
would be about 6,000 tons of gold when there is an annual supply of 2,500 tons. The swing factor will be dramatic.

On gold and central banks I am prepared to bet with anyone in Australia that the central banks, which today are selling gold at less than $US300 an ounce, will go back and buy it at more than$US1,000 a ounce in a few years' time.

I am convinced it's going to be that way because I think
eventually the power will be taken away from the central
banks and the world will go back to some kind of financial system that has automatic built-in stabilisers.

The gold standard had some faults but the whole industrial revolution and the tremendous growth in the
world that occurred between 1800 and 1930 occurred under a gold standard, so you cannot dismiss the fact that the gold standard had some merits.

On a soaring gold price I think the gold price will go up so dramatically that governments will introduce excessive profit taxes on producers or, worse, expropriate them altogether.

If the gold price moves from say $US280 at the present
time to $US400, gold shares will go up by up to 200 per
cent, easily. So you have more leverage in gold shares, but if the gold price goes to more than $US1,000 then I would worry about excess profit taxes.

FOA (6/6/99; 21:38:40MDT - Msg ID:7261)
(No Subject)
Beasting, thank you for thinking through my post #7188 (7186 was steveH). I have

always found that the "masterful" mind belongs to the one that can understand what the writer has written! In this day of language "slang", offered in every country, reading has become the most difficult task.

SteveH, also thank you for your grade of "A". I believe everyone that follows USAGOLD will pass this class in good economic health (myself included). We live our lives to produce something of value to others. This is indeed the basis of world trade. However, "fair" trading requires
understanding of each other as much as mastering the knowledge of "the transaction". This forum exposes the true nature of that progress as we gain the knowledge understanding people as well as ourselves.

Also, I add this story to your evolution. "Have you ever talked to someone that said the sun would rise in the east and then the world would end? When asked if they could explain? The reply was, I don't know the mechanics of rising suns. I'll leave that to the experts. But truly, this
world will end after the light, because it came to me in a dream. Dreams, I asked? I could never figure those either, but they are true, came the reply.

Thanks FOA

beesting (6/6/99; 21:19:50MDT - Msg ID:7260)
Question to FOA or any of our European friends.
Question: DO the workers in the 11 Euro Countries make the same wages performing the same duties?
Example:A grape picker in Italy,a grape picker in France,a grape picker in Germany?

FOA (6/6/99; 21:46:38MDT - Msg ID:7264)
Comment.
beesting (6/6/99; 21:19:50MDT - Msg ID:7260)

My answer is no. But, I suspect there is more to your question. Please, continue?

I will make time to return and reply in seven hours or so. Other duties call. thank you beesting

FOA (6/7/99; 7:45:04MDT - Msg ID:7282)
Reply
beesting (6/6/99; 23:51:29MDT - Msg ID:7269)
Follow up to msg#7260 to FOA.

In the U.S. there is currently demand for certain skilled occupations;Doctors,nurses top athletes. These occupations can very easily legally work in the U.S.(with proper immigration papers) demanding and receiving higher wages than they may get in their respective home countries.Hence, a higher standard of living for themselves and their families.
Now, my point is,wages may not vary from country to country(as they do now)with the use of a single currency(Euro),in the long term,when workers are payed in Euro's only.FOA do you agree with this?

Let me put this thought in perspective for our North American friends. Example: A Canadian,or Mexican loses considerable purchasing power when exchanging their

Peso's or Dollars for U.S.currency when traveling to the U.S. In my humble opinion if North America and other Latin American Countries ever went to the all U.S. dollar system (similar to what the Euro Countries are doing) after a long time would an equilibrium be established?

beesting,
I see your point, and it is a good one. Yes, wages will tend to converge and compensate equally for each form of production and skill. However, this will only work if the money creation is under one "many government" roof, such as the Euro zone. Many point out that this is a weakness of this new currency and will pull the union apart. I disagree and state that it will become it's strength.

Prior to EMU, each country changed it's exchange intervention policy to the benefit of local workers, usually providing a loss to it's currency. At least that was the overriding game plain. Now, the currency will retain the favorable attribute of "management" with the control of "diverse government needs" and lose the baggage of "maintaining mismatched skill compensation". Yes,
some citizens will be shocked to learn that their "better pay" was the result of currency intervention, not their special standing in life. It will promote a bitter struggle over time. But, it will result in far lower inflation rates in the member countries where citizens had no strong currency.

In contrast, this dynamic is far different from your example of Mexico converting to dollar use. They will have no "usable opinion" in the money policy of the US and yet still retain a lower living standard. As an example, Kansas as an independent country? All labor and resources would be
exploited from that state for the benefit of the rest of the US.

Also, note that the dollar is well past the point of management. It's timeline has come to an end as it's debt has rendered it into a "collection only" currency. For it to regain any balanced reserve use, worldwide, it's base would have to be contracted many times over. A loss to US citizens that will never be allowed. Again, this is the very attribute that so drives the quest for Euro success. In
time I would expect many other countries to join the EMU and convert to exclusive Euro use.

The gold of Arabia has made this path, for them, a very level one, indeed. The coming free market in gold will, not only judge all currencies and nations for the entry status, but create a fair way to value their contribution to world trade. We shall see.

Please continue your consideration. FOA

Voyager (6/7/99; 0:40:11MDT - Msg ID:7270)
Sir, Excellent post!

SteveH (6/7/99; 1:25:42MDT - Msg ID:7271)
FOA, I am still trying to figure out your story of the rising sun???

Steve, perhaps best applied to NWO discussion?

"Regarding the rise in the price of gold, if it goes from 267 to $1,000 in three days, and then moves higher still, these excess taxes you mention make sense, but I have yet to see our government move that quickly."
Steve, on this issue, they will move no slower than with the speed of one who finds a gold coin upon a sidewalk!

FOA

FOA (6/7/99; 20:00:03MDT - Msg ID:7307)
BIS?
Gandalf the White (6/6/99; 21:51:59MDT - Msg ID:7265)
Question to FOA
----------Where in your opinion will Aragorn III's "Thunder in the night" occur ? --- Now we watch the Spot gold start out the week "Downunder" and move to HK before reaching London and ending in the US. -- Do you await the BoE, bailout of the Brittish BB's before the blastoff in the price of Au ? -- OR will the cause be from another tightning of the OPEC taps before the Y2K effect sets in ? -- Let us hear your pronostications on the timing of this event. Thanks for everything you have pointed the Goldhearts toward, and we shall all meet you sometime at the future world gold trading site in the East.<;-)----------

Hello Gandalf the White,
If we listen closely, I think Mr. Aragorn III's "Thunder in the night" may have just begun with a quiet statement. As USAGOLD and TownCrier pointed out today, the BIS is talking.

"General Manager of the Bank for International Settlements (BIS) Andrew Crockett said today that despite sales of gold reserves by central banks, gold would continue to play a major role in the reserves of central banks.
He said that since most central bankers seemed not to want to sell much more of their gold soon, he did not expect the price of gold to fall much further."

I suspect this statement is the beginning of a "threat of action". The WGC knows that (GW, read my last few posts) only two Euro CBs sold gold for "reserve alignment" prior to EMU. No public accounting was ever made as to the placement of that gold. It is no longer on the books, but did it remains in Euro friendly hands? Now consider all of the writing that analyst and officials have offered over these last few years, that Europe was unloading gold! Yet, after untold physical sales and paper shorts by dollar / IMF factions, the BIS states "gold would CONTINUE to play a MAJOR ROLE in the RESERVES of central banks"! I ask you, what Central Banks could they be referring to? Does the ESMB (Euro System Member Banks) come to mind?

Does this statement, "He said that since most central bankers seemed not to want to sell much more of their gold soon, he did not expect the price of gold to fall much further." really mean, if the dollar / IMF wants gold lower in price, they will have to sell gold (not paper)??? And, if they don't / can't sell any more real gold, the paper price will fall no further?

Further, as I have stated before, the current paper short position only has "credibility" if gold falls further in price. Otherwise, the paper is worthless as no gold can be delivered against it. Also, with the G-8 meeting about "derivatives" about to open the shorts books for viewing, this gold era is about to close! Watch Comex OI these next few weeks!

GW, the timetable will be as long as it takes for the next chess player to make their move. Not long, I think! FOA

ANOTHER (6/8/99; 18:27:21MDT - Msg ID:7353)

USAGOLD (6/8/99; 13:57:54MDT - Msg ID:7343)

Mr. Kosares,
I again, thank you for presenting this forum. It does give the fair view for eyes "not so clear" in nature of world. Your thoughts, are smooth for all that touch. A needed display and welcome relief from common banter. Writing here does attract other persons of the "honest feelings" and "deep views". They do carry with them the "reality of life", a quality lost to many of this day. A
quality so needed for future defense of ones family wealth.

My words are slow for a time, as events move forward. Truth spoken once be priceless, spoken many times and value is lost. Time will prove all things, not the repetitive voice, yes? Later, my speech will discuss "what has just occurred" and meaning of such. These future events will demand much text and and thinking, wait we do.
I not mean to slow my good friend, FOA, for he does offer a great deal for the reading. I does tire even my eyes, at times! It is the fair say, I speak, for some require many words, others few.

Sir, I write soon again, on the changing tide. The new flood tide of gold! Another

FOA (6/8/99; 19:56:57MDT - Msg ID:7359)

Comment

Mike55 and ALL,
Hope you understood that Another was complimenting everyone here for their fine posts. I think the banter remark was directed at other mediums. It seems I am the one that's overwriting at times??

Aragorn III,
Santa Claus gold prices for anyone that can get it delivered! You bet!

FOA (6/14/99; 5:40:12MDT - Msg ID:7561)

The two months of opportunity to buy gold is ending!

http://www.iht.com/IHT/TODAY/MON/FPAGE/seven.2.html
"""" If approved this week at a summit meeting of the Group of Seven industrial nations in Cologne, the proposal would""" See link above.

At this same meeting, new rules of disclosure, for international hedge funds, will again be considered. The gold sale will, like the BOE sale, also be used to balance a very chosen few of the "out of balance books"! All of this is done prior to a major shift in gold valuations, brought on by Euro / BIS actions. The US will openly go along with this change. Please see my posts stating that these last few weeks were the last opportunity to find gold at affordable (and deliverable)prices! The "era" of "this new gold market" that Another was scoffed at for discussing years ago, is over!

SteveH, the long fuse on the dynamite has been lit. Everyone is grabbing their gold

and running like hell! Why, because, this time no one is remaining to attempt to put out the burning string. As Another last said, the tide is now changing. I will stand, quietly at a safe distance for a
while. FOA

FOA (6/19/99; 9:34:41MDT - Msg ID:7804)

"Thinking Through The Thoughts"

http://www.smh.com.au/news/9906/19/national/national4.html

ALL,
I had considered writing many letters (posts) to address each of the different questions / concepts posed on this forum. This was as a similar process that Another used to get readers to view and analysis events in a different light, using their own concepts. However, this subject is
now much to large and all consuming for brief points of comment. We have reached a time when "everyone" has seen the obvious management of gold prices and accepts this as fact. Only a few years ago, most investors considered the gold market as a "somewhat free" supply / demand situation and invested using that premise. As Another pointed out that "events" would prove all things so do we witness the evolution of investor logic into the realm of "reality"!

Gold: Saving Real Money In A Time Of Transition

I am going to offer a series of posts (chapters) starting at the "beginning". We will use simple logic and common terms to explain "what has happened" along this "journey through time". Another will edit it for direction (as he has this post). This will be a long process, and I hope it will
offer a real value for "thoughtful minds". As many are now starting to discover that most of the Western ideas of gold investment were flawed from the beginning, so to will they find their present (gold) portfolios "unprepared" for the storm that approaches! With that I leave you with a portion
from the "Sydney Morning Herald" and a quote from Another.

---------Miners and prospectors at the historic town of Kalgoorlie, 550 kilometres east of Perth, said big operators were sacking staff and marginal mines were facing closure as gold plummeted to around $US260 ($400) an ounce.
One high-profile prospector, Mark Creasey, said this week that although Australia's$5 billion gold industry had experienced periods of economic gloom in the past, this was its darkest day. "It is the quality of the gloom that makes
the difference: pitch-black and horrible. This is the worst downturn I have ever seen."----------

"""""Your wealth, it not as large as this paper money say it is!""""""" Another

I will offer my first chapter as soon as possible.
Thanks FOA

FOA (06/19/99; 16:43:16MDT - Msg ID:7809)

(No Subject)

Cavan Man (6/19/99; 10:38:45MDT - Msg ID:7807)

Hello Cavan Man,
Thank you for your comments about these writings. I hope I did not give the wrong impression in reference to timing my future posts? This will take many days (weeks, months?) to offer as each section will be reread and edited.

I was asked to do this because it's time to deliver a clean road map of this long discussion. We are truly near the end of this "new era of gold". By the time I complete and offer the last chapter, the markets will be very loud with the noise of change. This message will then be old
news.

So, we will for the last time, walk this trail of gold and discuss how so many lost their way. At the end, our group will gather to view the path that is directly ahead. After such a trip everyone will clearly see that this road was well traveled by today's world investors.
Thank You FOA

FOA (7/4/99; 10:55:22MDT - Msg ID:8382)

Aristotle

Mr. Aristotle,
Your "Aristotle Life on Earth: Gold and the Free Market" is a fine work! Myself and everyone thank you for writing it. I did not wish to offer my posts during your composition, so I waited. If I may, some of your thoughts will make a good addition to further this cause.

Time, is very close to "proving many things"! We will most certainly document these "eye opening" revelations on this forum, as they occur. Today, I offer my brief introduction.

FOA (7/4/99; 10:57:06MDT - Msg ID:8383)

SteveH

Steve,
I have been busy for a while. Will discuss with you several things later. thanks FOA

FOA (7/4/99; 11:01:14MDT - Msg ID:8384)

Gold: Saving Real Money In A Time Of Transition

Introduction

------ A gentleman leans over the fence and tells his neighbor that gold is going to rise in price from it's current $300. As the person on the other side of the fence thinks differently, they both agree to a binding bet. In three months, we will settle up with a payment of the change in the price of one hundred ounces of gold. Whatever it rises, the "bull" collects that amount. Likewise,
whatever it falls, the "bear" collects from the bull. Each puts a $1500 payment guarantee into a common shoe box and gives it to another neighbor for safekeeping.

As an observer of the above, we have just witnessed the creation of a wager not

unlike a comex futures contract. On each side of the fence stands a long and a short, that together create an open interest of one contract. Neither has any intention of buying gold, nor do they expect
physical gold to be a part of this bet. Yet, at cocktail parties and on public internet forums, one claims to have "brought gold" and the other states that he "sold gold".

To build a further understanding of this transaction: Both of these gentlemen, probably don't have the $30,000+/- to buy or deliver 100 ounces of gold. Human nature being as it is, if they did have that much, they would most likely increase the bet to ten or twenty contracts. Clearly, the
intent of this paper market, is to bet on the price of gold as it is determined by the buying and selling of other physical traders. The western public should take these trades for the concept they truly represent. ""I (the long side) bet on the "price" of gold not because we need or want the physical metal. Rather, my wager is that others will need real gold to protect themselves from bad monetary systems. In fulfilling that "need to own", these others will drive up the dollar price and I will make money while working within the confines of our good monetary system."""" The shorts make the opposite bet, in that they think the world monetary system will work itself out and induce "the others" to sell all their gold. That is, gold they brought in the first place, because they did not know that our money managers could repair the world financial system.

Yes, today Western longs and shorts are playing out these two views of the gold market. Yet, both sides are using paper gold bets to represent their beliefs. Truly, the major majority of this market does not buy or sell physical gold to represent their investment concepts. There are a few
that buy coins and bullion, but, even in their large amounts, it is only a drop in the paper gold bucket.

This, my friends, is the very nature of western trading of gold. The mindset is to treat it as a concept for making currency, not protecting existing wealth. The exact same mentality exists when one invests in the gold mining industry. Even when these players see the faults in the dollar, and loudly proclaim it's inflationary downfall, the largest part of their assets go into the business of
producing real gold in exchange for more of the same paper currency. It is a means to build wealth through paper asset appreciation, using the very financial system the "concept" says will fail without physical gold.

There are many mental angles and philosophical side steps one can take when understanding the above. But, in this concept lies the very basis of the flaw in the current gold market. A paper market, built upon world misconceptions of currency values and the historical reasons for owning
gold. The present deployment of world assets into a paper system of valuations is liken to traveling a trail of no return. History has shown that the assets accumulated in this way will never be transformed into "the things of life"! The paper wealth you currently own is no where near the real value your currency says it is. With the above introduction, we have begun close to the end of this journey. In the upcoming chapter one, we return several miles to walk ground already well traveled. We will observe concepts on the right and the left, not discussed by other guides. The very sights that make such a trip, "worth wile".

" You will see this trail thru the eyes of history and feel old ways as new Thoughts!" Another

FOA

FOA (7/7/99; 19:02:17MDT - Msg ID:8531)

Open intrest?

ALL:
I hope to offer our first chapter on Saturday, July 10. In it we will begin to see some answers to hard questions. Truly, the price of gold is plunging because the governments are running out of unsecured bars to offer. Physical will become more expensive than paper, very soon. As they run
out, did you think the London gold market would just sit there and allow the paper price to soar and wipe them out? No, the world gold market as we know it will be completely dishonored from inability to deliver. But only after they have flooded the system with worthless short securities.
Forget the options, futures, otc paper and the mining industry, as they will all burn. Just as Another has warned for some time. The chess game continues and we wait the next move.
FOA

ANOTHER (7/10/99; 17:35:55MDT - Msg ID:8633)

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" You will see this trail thru the eyes of history and feel old ways as new Thoughts!" Another

FOA

((1.)) Thinking Gold: A montage of views

-------- Pioneers:
"the first step is taken and thus defines the trail, a second step brings others and upon this journey we do now make sail"
"pioneers bring light, for directions long unknown, new spirits shine like stars, so bright the seeds are now all grown"
"quickly to the heights we climb, even the top of the mast,
for there I see the the end of knowledge, as it was written in the past"----------

To fully understand the past and present concepts of gold as money, we are going to have to use logic and common sense. In addition to these attributes, the ability to place oneself into the context of the moment of history will also be helpful. For people who demand solid facts and figures to make investment decisions, I submit; we are not trying to create reasons to invest, rather our purpose is to build a

background for the understanding of these Thoughts.

In this light, all that read this will become the pioneers of new insights. Travelers in search of new vistas that best present the lost concepts of money. The real money that this generation has never known.

In our introduction, we witnessed two friends with a fence between them. Neighbors, betting on the "price direction" of gold. Not it's future impact on their daily lives or the use of gold as money, but rather how much currency would other people use to buy gold at any given time. Contrast that perspective to our concept of gold and you will see that a wide gulf of understanding stands between our "minds from different worlds".

-------- "They never said it wasn't money! Only, that they could no longer use it as money for their purposes" ------

The author of that statement is unknown, but it was spoken sometime after the "Smithsonian Agreement" of the early 70s finally closed the door on using gold as part of the world monetary system. The old Bretton Woods articles were then officially dead and the dollar would no longer
be a "contract currency" for the delivery of gold. Shortly after this event, banks, governments and large investment entities still agreed that gold was real money, but it should be held only in reserve. So, instead of using the dollar as a contract for gold, the world would substitute it as real gold in the currency system and thus sent it down the road of being "demoneyized".

From the 1920s to the 1970s (with striking similarities to today), gold loans between private and official sectors had periodically become so great that they simply couldn't be paid. The world economy was being built upon a debt of gold that no one could pay off.

Early on, it was agreed that because the repayment of loans in real money would break the banks, payments in newly created real money substitutes would suffice as gold. Over time, the reaction to this concept was easy to understand. Every thinking person knew that creating more (inflating) paper currency to cover existing debts would lead to devaluation's of such fiat currency. Therefore, we will all hold gold in reserve, while these bankrupt deals are worked out with fraudulent money payments. Money that was no longer "contract currency". Later, gold will be revalued upward to balance these newly created money substitutes. In time, all world currencies would finally be officially devalued against gold. That, my friends is why so many investors
continued to buy and hold gold as a long term savings asset throughout the 1970s. It was perceived that the world would eventually return to using gold as the money for payment of debt, instead of using paper money substitutes.

This perception was extremely prudent because history had proven, through the actions of countless generations that creating paper money to save governments and banks from bankruptcy eventually destroys the "concept" of using created money for currency. No one ever expected the general populous to continue using and saving "non contract dollars" for any extended period of time. Mostly, everyone expected the citizens to patriotically continue to use the "new inflated paper legal tender" as asset savings until price inflation exposed that they were sharing their life savings with the state. A process that would require five years at most. Never the ten to

fifteen years that have passed. In the end, it made little difference how long it took, as the
adjustment in value always compensated for the inflation plus interest. The only investors that didn't think gold would outlast this new system, were the ones with a "short life of little history experience".

Again, from the failure of Bretton Woods to this present day, there is an ongoing event being further played out from the early twenties. By now (2000) the world can no longer use gold as money because to do so would require virtually every debt to fail. But, what is never considered is that a fiat currency system always "fails" the debts anyway. When the price inflation begins, old currency debts lose value at the same rate as the inflation. A history lesson soon to be performed today right before our eyes. We have but to watch and learn!

But, why do we nowhere read that it would be OK for these banks and businesses to fail, thereby allowing others to buy them up for pennies and save the system? Truly, this was the same real problem with the use of honest gold money as it forces "the important" people to fail. People of influence and prestige. Persons that will not allow their debt assets to fail, even if they gain only a few years. For them the world cannot function without an "expandable monetary system"! An ages old scam that is presented to each new generation as a new and improved currency system. Custom tailored for their own technological advances and special time in world History. A special system that wil force the average worker to "share" in the loses but still retain this new generations wealth! With this system, any government can then borrow or print money to inflate (expand) the money system so as to bail out failing businesses and foreign entities. Does this sound like the
present IMF?

Yes, gold was our money back then (pre- 1920s). But, the bad business debts and wars of the world had "used up" much of those gold savings. Over time, the savings stock of much of the gold that every citizen, business, government and bank had, was borrowed to finance expenditures. It is imperative to understand that using the expression "gold used up" meant that it was "lent out"!

Of course, back then, even if gold is "lent out" it went somewhere, and from that new savings account (somewhere)it can be borrowed again. However, if the world financial strains become great enough, failing governments and businesses could not borrow gold at all. Therein lies the solid law of real money that scares governments today. We must totally fail and start again.

"It is to say, the gold you thought be in your bank, was not. In your account, the real money was lent and the credit claim represents your wealth" Another

It was here, in the 20s 30s 40s, in that context of time, that we witness the harsh reality that wars and governments are financed by borrowing real savings assets and spending them. When gold is used as money, it effectively demonstrates the real risks in lending ones life savings. That being: you may not get your money back. Is it any wonder that many families decide not to lend their savings? A compelling truth, that allows one to separate their money from the state and not share in the loses of others. In this light we confront the real issue of why so many governments always move from using gold as money, to using fiat currencies as money. It enables them to force you to lend!

During the time (1930s) that the American government called in gold from it's citizens, it would have been very simple for the US treasury to revalue gold upwards into the $300 +/- range (from the low twenties). Yes, many major financial players would have fallen from this dollar
devaluation. In addition, America would have lost much international prestige. However, the real productive assets of this great country would have been kept, "intact"! Those assets were much of the private savings of working people, and most of it was in gold, in their hands. Again, in that
time, it was the only money not lent out. This unprecedented action of devaluing the dollar would have clearly identified the loses from wars and poor lending decisions. It would have forced the large wealth holders and governments to lose assets in proportion to their size. As it was, the small citizens were forced to share in balancing the destroyed assets by turning in unlent gold.

History has shown that "some great leaders" have taken the honest gold "deflation" route when they are not under the influence of "money lenders". In these situations, the context of deflation is not the destruction of the money supply, which was gold, rather it was the destruction of the debt securities held as assets. Assets, due to be paid in gold, and cannot! Deflation, in these terms is a far different animal than what is discussed today! In our time, all currency assets are debt securities. That is why any form of price deflation or price inflation, today, will destroy the entire world monetary system. Forcing people back into using real gold, the only money that cannot be
deflated!

"It is the clear view for an honest eye, yes?" Another

The Bretton Woods system was bound to fail because the world governments continued to pursue a a strategy of saving the integrity of all debts. Even while holding an international pledge to use the dollar as a "contract currency" for gold as money. After the US had robbed it's citizens in the 1930s (of gold money) to help balance the books, the stage was clearly set to proceed into currency inflation. They continued to print "dollar currency contracts" as the dollar was a legal contract to deliver 1/35 of an ounce of gold. They did this knowing full well that this process would further demoneyize the dollar. The final destruction of Bretton Woods was but a further step to no longer using gold as money: not using gold because it's use required debts to fail. If the debts are "to never" go away, the currency substitutes must be continuously nflated. Thus, the savings of workers must be diluted in order to always save the system from default. As long as the next generation believes that their money assets are growing, they will accept the currency and the fraud it represents. The price inflation (that history shows will always follow this process), is totally dependent on how many currency units the citizens will hold without spending them! If the
world population can hold one trillion dollar debt units, and ten years later hold ten trillion without spending them, then no price inflation will show. However, even though each person thinks they have ten times more assets (and are as much more wealthy), that wealth is quickly degraded if and when such currency savings are exchanged for real goods. Again, history shows that only the spending of a small percent of such highly inflated currency holdings will quickly jump the price of things to such a level as to revalue the remaining existing currency. It then becomes equal to real world buying power, not the fiction in your savings account. This, my friends is the realm of price
inflation and currency destruction! No currency has survived even a short time, once

this spending process begins from the money inflation levels that exist today.

Now you have read some many views of the old dollar and gold. We will discuss these much further in other chapters. So, how do we (myself and Another) view gold?

I want to openly state that we have absolutely "NO" faith in gold! None! We do have "absolute", "unending" and "complete" faith in the judgment of our fellow humans. Because we travel this life journey as a society of like kind, our success over time depends on the ability of
people to deal fairly with each other. There is nothing to gain in this life but the honest productive efforts we bestow upon each other. These are represented as the goods and services each of our special talents can produce. We also believe that no one, in this life, should be cheated out of any portion of their savings and will act to protect themselves from loses. This act of protection can and does take many forms as the "lessons of a long life" become the "tools of a families defense". For most of us, indeed, money is "the" lifelong lesson.

I believe, that in the time just ahead, most people will use their natural good judgment and leave the "world monetary system". Mostly because they will begin to lose savings from price inflation. If the history of human kind is any guide, they will return to the safety of the past. They will use the only "conservative money" the world has ever known that cannot be deflated or inflated They will do this until the currencies are correctly revalued against gold. Gold will then become the de facto world money as currency will be used only for commerce and trade. It's
value in trade closely governed by it's exchange rate into gold.

To this end, we do not hold gold for any currency return. We hold it as money. No return of any kind is expected because it is not lent or invested. What is expected is a continuation of an open world market for the purchase of gold at lower paper substitute exchange rates. These values of world currencies, as expressed in gold will be governed by the "tolerance" of world savers to hold ever increasing amounts of paper currency as savings. In addition, the ability of governments to keep the market open with physical gold at lower prices are necessary for the
continued use of the present currency system.

It is our current perception that the performance of both of these functions is coming to an end as the dollar currency creation process has ended. As this progresses, the value of gold will be best judged by it's ability to purchase real things. Out of necessity, the failing paper market place presently called the "gold market", will price gold at ever lower values even as their ability to deliver gold is failing. This situation is not unlike the massive gold loans of years past. Using dollar "contract currency" as a proxy for gold, the world found out that the promise to pay at even $41=/- per ounce was a fraud! We shall see.

In chapter ((2)) we will build upon the workings of the gold market as it represents oil, the most strategic world commodity. Thank You FOA and Another

ANOTHER (7/11/99; 17:07:45MDT - Msg ID:8673)

Reply to: USAGOLD (7/10/99; 19:35:16MDT - Msg ID:8634)

Mr. Kosares,

The time from our thoughts has been long as your Forum does well for all. As you ask, then Intellectual our conversation will be.

In reply to your post I add. The sands have indeed moved a considerable distance, and we should not seek to survey it's new location. For it seems the same grains of sand, like gold, can have many owners at the same time. Better to stand your face to the wind and prepare for the next storm. It may be many seasons before the fury comes this strong again.

I suspect that many are unprepared for this gold market. They write in many places about it's falling dollar price. A common conviction all share that the dollar price will one day explode. True this be as the sun will rise. Yet, blind in one eye are they! For all paper gold will burn first
from a "destroyed world market"! First it be destroyed from a fabricated low price. Contrary are their paper portfolios to this wisdom of ages. Gold bulls, fully invested in securities that must have the higher currency price to return profit, even as history proclaims the dollar war that attempts to bring gold to zero. Say they, "All paper gold will burn, just not my paper, yes?"

The dollar, once the "contract currency" for gold at $35. Even the fool did know that $35 could not be right! Yet that paper market was accepted around the world as the true value and price for physical gold. Gold loans were outstanding for millions and millions of ounces from the
US treasury to foreign treasuries. Non payable then as they are non payable today. The dollars Europeans held were as the same as the leased contracts we see now. Part of the financial landscape that provides liquidity, liquidity that saves the system. Never to be paid, but still accepted, then and now! The trading of old dollars represented the low gold price that closed mines and broke markets, yet the fraud did continue for some time.

Today, the gold sand blows from Central Bank to Central Bank, and is loaned many times. It has become the "fractional reserve" currency that we dare not speak of, but have it we must. The BIS and the ECB now hold the London market in the palm of their hand. And this old British
market holds the fate of the dollar in it's hand. Truly, if no fraction of Euro gold is forthcoming as reserves for the Bullion Bank market, then it will become as only a "wager" arena.

As the old dollar was once a "contract currency" that everyone accepted as creating the $35 price of gold, we soon found that value was a fraud. Today, it is gold that has created the value for the dollar. A value to be lost as this currency is put to rest in the pages of history.

At all costs, England will save all of their houses possible, before the Gold market is destroyed. We may see gold at "any dollar" price. Every entity in the world that trades gold, will have some loses from "non delivery" as this work is done. Some major gold mines may see their shares at "0" before this is completed. Physical gold will become "almost impossible" to obtain on your "legal"
market. I suspect, that the "legal" trading of gold on the Euro market will find the dollar buying 1/
10,000 of an ounce (or less), in time.

Yes, my friend, this "lost land" does hold much control of the currency price of gold,

because the currency price of gold will now have no influence with the House of Europe. I believe oil wealth is leaving the Pound for the Euro. If oil do not join the EMS soon, they will suffer. If England stays with the dollar, they will fail.

My words to you,
Another

SteveH (7/16/99; 4:03:16MDT - Msg ID:8964)
ThaiGold
Good sense of humor.

Re: your leasing post. Generally, I agree. I think when making a point about dangers of gold-leasing, the part about gold-property leasing for mineral rights, although, valid, is not poignant. It has relevance to gold-mining operators but not MA and PA. Now, your gold leasing explanation itself was on the mark. I would have to re-read it, but I did see a point about Comex not having to deliver. It is my understanding that deliveries occur every day and in fact they are being made. The problem with a COMEX delivery is it takes a while. To my knowledge they don't give a hard time about it other than make you wait a bit (I have heard six months). So although it can be used as a delivery method, it is not efficient.

Secondly, the Central Banks (as a rule) act as a guarantor who backs up a Bullion Bank with a promise to make good on their gold loans. A bullion bank only need make sure they can deliver if they have to, but they will get gold from the market or another bullion bank. By obtaining the backing of the CB, the bullion bank is free to make trades with more gold. Since much of it is for hedging from mines, and the mine is the source of most deliverable gold, with the CB guarantee, the bullion bank can use mines as a source of gold but not more than the production amount. It appears to be the period of time that is being relied upon from the mines by the BB's -- up to 10 years of production is now hedged. Now here is what I think has gone wrong. The mine sold forward up to 10-year production. This allows the BB to sell out gold in the amount of 10-years production. It is back by the CB. Since most of this gold is used in derivatives and counter-party risk, physical delivery wasn't an issue until recently, as a BB could borrow from Peter BB to pay Paul BB. Now the demand for physical is increasing, as more and more dealers and brokers, and countries are taking delivery. Since the only gold available is in a CB or the production of a mine, the more physical gold is demanded to satisfy any futures contract or gold deal option or derivative or demand, the fewer places gold can be had. Some of these BB's are rolling over their contract in hopes of not having to deliver or ever having to deliver.

Add to this, the thought that certain Mid Eastern countries are buying up these contracts for repayment of mining company gold in gold. As the production is mined the country(ies) then receive the gold. In return for receiving the gold, they funded the BB with oil money. But now that physical demand is increasing, I think some of these countries are concerned that others may make a claim to the physical gold from the mines. I believe that this concern has prompted a country(ies) to ask for settlement of some payments in gold (as a show of faith that the gold will still be delivered). It must be the country(ies) didn't want to wait six or more months, nor to affect the price of spot, so they went after the BB to get the gold, who in turn went to the Bank of England and said, "We's got to deliver 25 tons of gold, you said you'd back us, that's why we pay you the money, now we are in danger of defaulting here, help us out, ok? Please?" The BOE probably figures that the ripple effect of these one

or more BB's not being able to deliver will cause a lack of confidence in the paper gold markets, so they are obliged to deliver in a way to not force further demand of gold, thus the dutch auction method and the secrecy and the limited subscribership. If they admitted that the reason they sold their gold was to prevent a BB from not delivering on a gold demand, the world would know that gold is in short supply. This would further increase demand for physical delivery. Since it would take 10 years to deliver some of the gold, the price would be forced higher thus spiraling out of control.

In essence the BOE move to auction gold bought time, keeps the dollar at its position of strength and the pound too. I believe the theory of CBs must be that if we can keep the dollar strong, gold down, and let it be known that leasing needs to stop, then they may be able to unwind some of the positions and turn things around. My fear, and I believe most peoples fear, is that it can't be unwound without major harm to bank and market. As a crashing market and skyrocketing gold price are politically unfavorable, I believe the stalling game is in place.

I believe some of the CB folks are well-intentioned and are using what leverage they have to hold it together, but as you can see by ORO's post earlier that this is becoming increasingly more difficult.

Since, as I have previously stated, their is a Money clash between the Euro and the Dollar for reserve status, the trump card to be played in all of this (and here is what Another and Friend of Another (FOA) come in) is the following: A/FOA claim the Euro will become the payment media for oil. It seems that even as we speak, this is coming closer to reality, because NOT ENOUGH GOLD exists from the mines and the CENTRAL BANKS don't want to let it go. So, the only other alternative aside from accepting dollars to settle the gold debt is to settle in Euros. Check.

Gold and the Euro, that is where it seems to be heading. Since we are but bystanders all we see are the arms and legs in the fighting dust ball. We don't actually get to see the gory infighting and negotiations. Problem is the tickets to this fight have been free to the Consumer (a gift in the form of a rising stock market) because goldbugs paid for their tickets with their money). Yes, the gold lending, hedging, and derivative market money made its way into a behemoth stock and bond market, which has been our prosperity for the last four or five years. Throw in a twist of yen-carry trade, which was much of the same with the YEN as it was with gold, and you can see why we have a stock bubble and a beat up gold market.

SO, HERE IS THE BIG CONCLUSION: BOE AND IMF GOLD ARE DESTINED TO BAIL OUT BULLION BANKS TO MAKE GOOD ON GOLD DELIVERY CONTRACTS TO OIL COUNTRIES BECAUSE ENOUGH GOLD DOESN'T EXIST OTHER THAN IN CENTRAL BANKS WHO DON'T WANT TO LET IT GOLD. NO BOE GOLD SALES; NO IMF GOLD SALES, EURO WINS. CHECKMATE.
Euro was introduced with 15% in gold reserves.

ANOTHER (7/16/99; 6:22:04MDT - Msg ID:8973)
Gold
SteveH (7/16/99; 4:03:16MDT - Msg ID:8964)

Mr. SteveH,
Excellent post! My good hand to you, my friend. In the next day or two I will discuss your Thoughts in public, and a good talk we must have. Mr. FOA has not sent his

next chapter for my read, but the time is now for further discussion. Good are these days in gold. The exchange rate
continues as expected. A fine rate, that is for the benefit of all. Thank You Another

ANOTHER (7/16/99; 6:43:05MDT - Msg ID:8974)
Thoughts!
I add also:
Mr. Aragorn III and Aristotle, your writings are to become the rock of this forum. All of us may build upon these foundations of truth. Over time, every one here will become "pioneers" of these new concepts of "modern money". Modern money that will use a free market for gold. Another

ANOTHER (7/17/99; 14:03:07MDT - Msg ID:9054)
THOUGHTS! OIL, GOLD, DOLLARS
To ALL:
The thinkers here have some very interesting posts. I will be reading and writing for a time now. With the help of FOA, some good discussion should prevail. Another

ANOTHER (7/17/99; 15:42:31MDT - Msg ID:9057)
THOUGHTS!
Mr. Aristotle,
Your book of posts, "Life on Earth: Gold and the Free Market" is very well done, indeed! It will bring forth much use and discussion in other chapters (Gold: Saving Real Money In A Time Of Transition) from FOA. In the interim, I will touch the many points you have made "so well".
Another

ANOTHER (7/17/99; 15:44:38MDT - Msg ID:9058)
THOUGHTS!
jinx44 (7/17/99; 13:31:51MDT - Msg ID:9051)

Mr. jinx44,
In your post, we should consider using a much higher currency price for gold. If it does become necessary to demand a gold based evaluation for oil payments, the number of gram per barrel would be very small. Remember, the purpose is not to control the commodity use of gold,
rather it is to implement the monetary usage of real money. In the real world, all money does circulate to buy things and does not stagnate in accounts to monopolize value. The flow of gold in this new era would truly occur in a free market. A new market provided by the demand for oil!

Not a new concept, my friend, only a new evaluation of the worth of domestic currencies as reflected in real things. Even today, gold does participate beside the currencies as money. However, today it's price as a money continues to reflect the need to "prop up" currency values
already lost to debt deflation. A process that was expected and ongoing. The final destruction of the "reserve dollar" will not initially be shown as an extreme dollar price for gold. Understand that the real dollar implosion will be manifest in it's inability to honor "gold contracts" and "gold loans". Just as did happen to the "contract currency" this dollar once was. It only failed when it could no
longer honor the $35 contract to deliver. The present reserve currency is not "backed" by gold as it may not default twice. However, the "fractional liquidity" of

gold has created the assets, as "gold loan" paper assets "marked to the market" do provide backing. Backing needed to balance the financial books. The breaking of a "contract currency" in the 70s was but a bookkeeping entry, where this new default will be of real terms. Such will be today as all forms of "gold commerce" as denominated in dollars is put to fire. It is, "the" very reason nations of resource wealth do not invest in "gold in the ground". Our wealth is already under the earth, in liquid form (real and financial meaning)! Gold above the ground is the real money for the future.

Why will gold paper be honored for special resources?

More later

Thank You Another

ANOTHER (7/17/99; 20:27:12MDT - Msg ID:9079)
THOUGHTS!
canamami (7/17/99; 10:19:16MDT - Msg ID:9043)

Mr. Canamami,
I do ask, what in this life can be proven for you? Does one not fall asleep for fear of awakening into a new day of unknown? Without proof, a new day may not arrive.

Many expected outcomes are born from the understanding of social interactions. If the king declares all thieves are to be executed, one does understand that death is to befall an apprehended pickpocket. It is the unproved, but "expected" result, yes?

Such is the case as one evaluates the world political game. A game we play with many kings. I place my wealth with respect to the past actions and present thoughts of current rulers. Seldom does one have the luxury of experiencing the actions of leaders, prior to the events that trigger said response! I would bow low before such knowledge!

Truly, $280 was an inflection point that would, indeed, have ended this present currency system as it is known. An action to have been taken, in another time and place, for a
predetermined event. Without the birth of the Euro?, as the expected action, "the purchase would have been done". For yourself, at that moment, it would have been proven. Yet, perhaps unprepared were many for such an outcome.

The "currency war" of Mr. SteveH? The lines are clearly drawn, the troops deployed and smoke in the field, but no proof is seen by many? As said before, I suspect most of the western gold investors are not of a portfolio position to weather this storm. They need evidence that this plunge in dollar gold price marks the end of this currency as has been known.

Your World Gold Council openly presents that over the last ten years only some 300 tons (net) of gold are sold from the Central Banks. That is 30 tons (average) per year, my friend. Yet everywhere, I see posters such as Mr. H. proclaim how these banks are filling the public deficit for physical gold. World investors accept the paper liquidity this gold does offer. Yet, fail to understand that this new gold is owed to someone at a price that can never be delivered against.

Sometimes proof comes as mountain air, so clear and clean it cannot be real!

Thank You Another

ANOTHER (7/17/99; 21:17:11MDT - Msg ID:9081)

Thoughts!

jinx44 (7/17/99; 15:52:06MDT - Msg ID:9059)
Mr. Jinx44,
It would require only one large producer to demand a small amount of gold as payment. Even the smallest of payments would introduce gold as a functioning currency. Every other seller of oil would then ask for this payment method, as a higher price it would present. The draw upon
physical gold supplies would be very little, as the intent is to "transition" gold into said "functioning money".

At present, gold is used as an "asset currency", for the addition of liquidity. A process that builds upon the dollar use in trade. It is (and has been for some time), as you say, "the one way street of no return". Always lower gold for lower oil to build economy. With the Euro intact,
Europe does no longer need lower gold, as oil will join the EMU in fact or in practice from the use of their currency in settlement. With said intentions, no longer do the ECB lend gold.

It is now the obvious change of position, as oil prices do rise as gold falls. The falling gold price no longer represents the past intent of payment for oil. Today, the dollar world does war against gold without offering much real metal. It seems they do reach the end of this "one way street". The only outcome can be the destruction of the dollar gold market thru a "low price with no delivery".
Truly the BIS/ECB will stand ready to create the new "Euro Bullion Market Association" (EBMA). The present rising price of oil, so soon after the EMU does indicate this new
expectation.

Thank You Another

ANOTHER (7/17/99; 22:18:17MDT - Msg ID:9083)

THOUGHTS!

beesting (7/17/99; 18:20:45MDT - Msg ID:9074)
ANOTHER/FOA
Would be very interested in your response to Mr. I.V. Holtzman's 3 posts yesterday 7/16/99--msg. #8986--msg. #8987 and msg. #8988. He makes many valid points, that seem to
be the majority view, here in the western world. Thank You.....beesting

Beesting,
Mr. Holtzman does indeed hold the secure western view. His support is found in the history of the dollar, as it's short life applies to ones assets. His last paragraph:

"The next few months, and probably the next few years, are going to be horribly demoralizing for gold bugs. But don't panic and sell at the bottom. Hold onto at least some of what you already own, if for no other reason than that selling it all now is

exactly what "they" want you to do. And hold shares in the big gold mining stocks as well as holding coins. True, if Another proves right, the shares will be worthless and the coins will shoot for the stars. However, if Gordon Brown proves right, the coins will be permanently halved in value but the stocks will more than compensate for that. Someone who owns both will have a small chance of watching both soar, a decent chance of having one soar more than the other falls, and a small chance of watching both fall. That's why you should own non-gold assets, too. Remember, the best revenge is to be diversified enough so that only a small part of your wealth is having a bad year."

I submit that every thing upon this earth is the potential "asset" of an individual. Social order requires the diversification of ownership and use of these "assets" to promote a reasonable life thru trade and commerce. The interaction of this commerce requires "honest money" with a "proven" history of "use" that allows for a true valuation in trade.

When an individual offers that he is "diversified" in holdings for the purpose of only some of it having a bad year, I agree. However, I ask, how will you assess your assets when the currency is changed? History has shown that society destroys government paper currencies when the debts denominated in them can on longer be paid with honest daily work.
In this light, a bad year comes from owning assets that derived a high value solely from their association with the currency. This is evident in the wealth of most of the western world.

It is to say, your wealth is not as much as your currency say it is! Another

ANOTHER (7/17/99; 22:20:58MDT - Msg ID:9084)
Return!
I will return a time later. Thank You

ANOTHER (7/18/99; 9:31:04MDT - Msg ID:9099)
THOUGHTS!
SteveH (7/18/99; 6:10:38MDT - Msg ID:9091)

Mr. SteveH,
Your words: "gold up -- gold stocks up -- sell gold stocks -- get dollars -- pay off mortgage, cars, credit cards and put kid through college, and buy gold at 10K per ounce."

FOA did demonstrate in his "book of Posts" how two neighbors bet on gold. In addition, I add, one must make the bet on the survival of the dollar first, before investing in the gold industry.

The perception of most have been wrong about the dollar price of gold. All increases in price from the 70s thru today, were the result of "foreign" holders of dollars bidding for gold. IMF / Dollar nations did only supply gold at ever higher prices. A process that quickly stopped the bidding before it became "out of hand". In such environment, investors projected this action as "normal" gold response to inflation. Modern analysts did now considered that gold "the

commodity", today, has the "natural worth of $400 to $500. To this day, all (westerners) invest in gold industry and wait for this "natural trend" and "tendency" to reassert itself. A poor conclusion that has lost the wealth of many.

Some also expected (correctly) that the dollar destruction would bring explosion in gold price. What was not understood in this perception, was that entire world gold market is based upon dollar system and the liquidity it provided. The destruction of this reserve currency would first bring the total loss of confidence in the dollar pricing of gold. The "setup" of a run by official Central Banks from dollar reserves would be preceded by total "non support" of the London Gold Arena". In such a process the paper price of gold could go to $10. Yet delivery would be
the "joke on the holder" of such paper. Just as the old dollar "contract currency" of Bretton Woods was also "joke on holder". However, today, most gold paper holders are "Western in nature". History in reverse, yes?

There is enough gold in world market to supply some coins. Even some paper is delivered to, if asked. If BOE, IMF and Swiss supply, some Bullion Banks will be only partially "made whole". How long will paper holders stand with "gold loans" as the new "contract currency"? I suspect a further increase in oil price will demand delivery of gold.

My friend, do you expect the mining industry to continue in business when they have a world market for gold at, perhaps $100? If London Bullion Houses cannot deliver to total conversion of paper to gold, would not their world market price, a paper price, be discounted to said $100 or
less? Just as a bond is discounted from "par" as it ability to pay is questioned, so do we witness the falling price of paper gold. The same world paper price that every mining house must sell into. A perception many have not known, yes?

The price of gold to me is an exchange rate between currencies. The dollars I hold are worth more as the exchange rate falls against gold. It does balance against the "perceived" less value of gold already owned. The difference between you and myself, is that I feel the dollar will soon have no rate of exchange with gold.

As one sold old Russian debt into a rising market, so do I sell dollars into gold. Like the dollar reserve of old, the Russian debt is no more!

Thank You
Another

SteveH (7/18/99; 10:33:37MDT - Msg ID:9100)
Another
Another,

You provide much food for thought.

Here is a summary of your point as I view them:

Dollar/IMF/BOE digging a hole by staving inevitable inability to deliver against paper gold contracts at world future exchanges.

Most Western countries, led by the BOE, the Swiss, and perhaps the IMF and its represented countries, are the ones entrenched in paper gold leasing and loans.

These will be defaulted, but not before driving the price of paper gold to possibly $10-$100 per ounce.

As paper price declines against dollar, physical gold demand will increase even more at lower and lower prices until it is apparent that no physical gold can or will be delivered at such ludicrous prices.

Then, the dollar will be discredited (as will the British pound), as it no longer can be used to buy gold: no one will accept it.

Gold mining stocks and perhaps even silver stocks traded in dollars will flounder because their perceived values will follow the price of gold downwards, such that they will be had for pennies on the dollar (an occurrence that is now in progress mind you).

The EMU is prepared to step in to offer a true and fair-priced market in gold in Euros, which will launch the Euro as the world Reserve Currency, forcing the US to convert its dollars to Euros at an increasing exchange rate, thereby devaluing the dollar and launching the US into major economic upheaval.

Somewhere in all this oil will become fairly priced in Euro's but exorbitantly priced in dollars, if available at all.

You defend the $280 price you predicted early by the event of the Euro's actual introduction on the world currency market. Had that not occurred on time, the oil countries or country would have demanded a small amount of gold with each barrel of oil.

Finally, you believe that London, the Swiss, and the IMF will permit the dollar price of gold to go as low as $10.00 as they attempt to defend the inevitable.

Have I missed anything?

Comments: I believe your perception on the sidelines of the greatest chess match in history is superior to most, as you show an ability to play several moves ahead of others. Being an American, and a proud one, I hope that our leaders make the right decisions to protect our way of life but at the same time be fair to those who you have pointed out have been (in my words) screwed by the dishonored 1971 gold debts. I believe I sense a certain animosity and a certain predilection that you don't or won't see this happening again. In fact, and as I have stated earlier on, I believe you believe the pieces of the puzzle are in place and their for all to see and that has been your mission to expose or to teach those in the forum of this. If it weren't for you, most would have been blind sided by such moves as the BOE auctions, the IMF gold sales, and the Swiss need of selling, as the reasons they have given are not honest reasons. Although I can understand this, I do not condone and in fact am disappointed by their lack of forthrightness.

What each of us chooses to do about your words in on each of our shoulders. I hope and pray that we do what is right. Thank you.

Steve

ANOTHER (7/18/99; 17:24:36MDT - Msg ID:9119)
THOUGHTS!
SteveH (7/18/99; 10:33:37MDT - Msg ID:9100)

Mr. SteveH,
I read your post and find agreement with most of these words. Indeed, your perspective comes from: "Being an American, and a proud one". A same view and feeling you do share with FOA, for he is also, as you say, "born in the USA"!

You write (analyze): "Most Western countries, led by the BOE, the Swiss, and perhaps the IMF and its represented countries, are the ones entrenched in paper gold leasing and loans. These will be defaulted, but not before driving the price of paper gold to possibly $10-$100 per ounce."

You have read my post, yes? #9099
Again, in this comment (analysis of my thoughts), I note your western perception of these countries now "driving " the price of gold. I think, one should observe that this possible pricing level is achieved from a lack of "confidence" in the gold market to honor it's paper! My friend, it is the "buy side" that has backed away from this arena and forced this new evaluation. They withdraw, not from want of metal, rather from no need of fraudulent contracts. Mr. Canamami once asked, in a recent post, " what is holding up the big players"? I add, indeed, at these levels should not they be buying hand over the fist? (more on this in next item)
A true market must have a buyer and seller of good strength, to provide the fair value. This current market has both, and the value is "fair" in light of paper product offered.

You write (analyze): "As paper price declines against dollar, physical gold demand will increase even more at lower and lower prices until it is apparent that no physical gold can or will be delivered at such ludicrous prices."

The demand for physical gold has already taken all supply for some ten years out and more. Only, at present, this demand is manifest in the holding of paper gold. The realization that this current falling price will create tremendous demand upon what little "spot" physical there is, will ignite a rush to convert existing paper gold into real gold. A rising oil price in the face of falling gold may generate this fresh buying and expose this false market into action. To this end, your present gold market system will fail.

I offered to continue my Thoughts from an earlier post, with: "Why will gold paper be honored for special resources?" This will explain why "gold paper" of oil will be honored at all cost.

Thank You Another

ANOTHER (7/18/99; 17:27:35MDT - Msg ID:9120)
THOUGHTS!
koan (7/18/99; 14:55:23MDT - Msg ID:9108)

Mr. Koan, Your words: "I believe we are witnessing the beginning of the industrial revolution part II, with the US the main beneficiary."

Please expand your thoughts as they are interesting to all. Understand, that I offer

my Thoughts for any mind that thinks. Do find the fault in these writings and pursue the "untruth" you perceive. Draw your sword and slash with power. For only in the "conflict of thought" will fact prevail.

ANOTHER (7/18/99; 18:52:35MDT - Msg ID:9130)

Thoughts!

Mr. Jade, to reprint your post:

Jade (7/17/99; 17:52:07MDT - Msg ID:9071)
Another look at the Gold to Oil Exchange rate. I have not posted these calculations for a great while. The numbers are becoming rather dramatic.

Gold/Oil Exchange Rate. These calculations are approximate.

Oil in USD per Barrel [Avg. for Yr]….Date….Gold Price [Avg. for Yr]….Gold/Oil Exchange Rate [Barrels of Oil per 1 OZ Gold]

14…..1988…436…31.1
15…..1989…381…25.4
17…..1990…383…22.5
15…..1991…362…24.1
14…..1992…343…24.5
13…..1993…359…27.6
12.5.. 1994…384…30.7
13…..1995…384…29.5
14.5...1996…387…26.6
14…..1997…325…23.2
13…..1998…300…23
11.5..Dec98...297…25.8 Averages for Months
12.8..Jan99…287…22.4
12.3..Feb99…287…23.3
Event [Gold manipulation downward and rise in Oil

15.25.Mar99…282-284…18.6..18.5

15.9..3/6/99…..279…..17.55

17….3.31.99….280…. 16.43

19….5/2/99…...286….15

20….7/17/99….255….12.75

Average is 21-1 for 1968-1999
Average for 1986-1999 is 26.5 to 1.

We are now at 12.75 to 1. This has been a dramatic movement over a very short period of time. Oil has been in the position for a number of months to acquire Gold for Oil at an absolutely favorable rate, which has only occurred before during a few brief moments over the last 30 years. What is Oils plan for Gold?

Mr. Jade,
Thank you for posting these numbers.

A new trend of a rising dollar price of oil may destroy the "dollar gold market" with liquidity. All past oil for bullion deals now become a stronger asset for Euro banks to hold. This improving ratio does speak much for the integrity of these loans. I should think that $30 oil will "gold plate" these assets for "preferred delivery".
For some time I have asked persons to consider that all gold paper will burn! The investment in physical gold by dollar holders will collect a lifetime of value. A value hidden in the dollar price of gold! Today, all "gold industry" paper is on fire, for all to see, as the present system for trading gold falls into failure. Indeed, $10,000 gold may prove a "contradiction" that cannot be true, yet
does exists in the future. In the past, the thought of such a price of gold did present the "irresistible" urge to buy into the industry, this "Dollar based market represents". Only greed can explain the need to gain more than the value "real bullion" will one day present.

Perhaps, it be the same "ages old" human emotion that forced America from a contract with gold! A contract with greatness, that now passes on to others.

I will be gone for a time!

Thank You Another

ANOTHER (7/18/99; 19:39:15MDT - Msg ID:9138)

Last Thoughts!

The Stranger (7/18/99; 18:47:50MDT - Msg ID:9128)
Yet ANOTHER New Gold Market?

and

Leigh (7/18/99; 18:50:38MDT - Msg ID:9129)

Mr. Stranger and Leigh,
Many do often find that my words do not express the Thoughts I wish ones to consider. My intent is to promote "consideration" of these thoughts and the events they propose. Also included in my post was this: "You will soon see gold begin to strengthen the Euro as the dollar continues into a mighty fall.". The collapse of dollar and dollar gold market is the event that begins this process. Also, expressed in this: "The order of events will show that the dollar will now fail, first, then all will race for Euro."
However, the context was not well presented. My effort was lost. Some find pain in these words even as others find direction. My wish is that all will find understanding in their own way.
We watch this new gold market together, yes?
Thank You Another

FOA (7/19/99; 6:17:09MDT - Msg ID:9155)

A lot to read!

ALL and SteveH,
Rereading what Another sent this weekend and all the other posts. I'm going to have to think about this as some new thoughts are coming into view. Am still working on Chapter 3. This post was sent to me from Kitco (interesting?):

Date: Sun Jul 18 1999 05:02
mozel (@SDRer @a new currency system, built on a world market price for gold"

FOA) ID#153102:

A Sovereign can stiff other Sovereigns if it's willing to risk war. The United States Government has stiffed all other Sovereigns since 1971 when it reneged on its gold contract. When USG reneged on it gold contract, settling current account deficit on a country to country basis broke down. This was not new. But, it had never happened before with the official creditor nation. When it happened with lesser Sovereigns, they were invaded and the debt was collected by soldiers. For example, Mexico in the 19th century, France the collector; Haiti in the 20th century, USG the collector. What is the solution ?

The solution is to require international trade to settle in gold so no deficit can accummulate and so the war power of the Sovereign is removed from the commercial equation. This is the BIS part of it. You can't securely and conveniently settle internationally without BIS's participation as neutral third party ("moneylaundering" is how the drug trade does this). Gold will assume the role that the reserve account has in the Federal Reserve System. The settling party's CB or the party itself will have to have gold on deposit to complete the transaction, I suspect.

Now, consider all that part of the world whose unpayable debt is denominated in greenbacks. Further, consider the proposal to sell IMF gold to buy US bonds to relieve their debt burden. It's a mighty small carrot, isn't it, compared to the carrot of having your debt devalued by a revaluation of gold against the dollar in the numbers from $6K per oz to $30K per oz which FOA is speaking.

As I see it, countries are going to have to step to the mark and declare their currency's international trade value against the gold pricer ratio set by the Euro. China is pondering on this.

China and Russia now buy gold from domestic mines with local currency. India is moving to buy gold with local currency. In case this is not familiar to you, it's the FDR official local currency POG money system.

"
"Currency system ?" "World market price ?"
Observations. Currency system means international monetary system means IMF. Or it means a new principle for currency.
World market price means gold is the pricer. Gold is now the pricer in the Euro. There is also a presently inactive gold as the pricer ratio in the Articles of the IMF. The alignment of these two ratios would create a world market pricer. Can you see this as a possibility from your window ?
The other declared currency is the dinar. What is the relationship between the dinar and the Euro in terms of gold grams ?

From here, it's starting to look like what the POG is in London and New York is purely a problem for the anglo-american bloc.

FOA (07/19/99; 20:10:08MDT - Msg ID:9204)
All Posts this weekend!
ALL:
I have been reading and thinking about many of the weekend post here. If things play out along the path that Another has outlined, this gold market is going to be a

very hard one to stay with! I should have known this would be the case.
What makes us think that the fall of the dollar (or even a major inflation with the dollar still left intact), would open the door to easy profits for savvy gold and silver investors? Are we so naive (or ignorant) as to believe that our winnings would come without major risk and pain?

Think about this? What if the 1970s wasn't a guidebook for gold investing. Maybe it was only a controlled explosion in the gold price as Another offered. If so, what lies in the future could truly be the downfall of the dollar, and we will participate in a massive transfer (and loss) of wealth such as this generation has never seen Such a turn of events would most certainly come with incredible risk for anyone that would attempt to financially survive.

My views:

Anyone that tries to time this market with paper gold investments (futures, mine stocks, mine options, gold certificates, etc.) is making a play for a repeat of the 1970s markets. Or even a quick turn around of the current trend. Perhaps those are good bets.

But, what if, in the late 1990s we are currently beginning a "controlled implosion" of the dollar? A type of slow dollar debt destruction, that breaks every market that uses the dollar for settlement ? A kind of dollar squeeze that changes the psychology of foreign nationals that use it for trade. An attitude like this one from Asia::

"This dollar thing is killing us and it doesn't want to go away. Their (IMF) solution is to lend us more of the same! After all these years, it's getting to the point where we wouldn't lose that much if we just switched our trade to something else. We'll pay the dollar debt when and
if we can!"

Do you get my drift? This sort of "implosion" is a viable direction and would impact the gold market in a far different way than in the 70s. The dollar wouldn't necessarily crash quickly, just slowly be defaulted on in a transition from it's use. In this circumstance, buyers could create a major short squeeze/run in the paper gold market that could drive it's price so high, so fast, that the exchanges close from immediate bankruptcy (without any gold delivery).
OR, the world does just what I outlined above. The players on the buy side slowly back away from the dollar gold market (the entire present paper market as we know it) and allow it to short itself into bankruptcy in an effort to protect the dollar. Let's face it, the London market could "burn" as Another puts it, in both of these fashions.

Both ways, no one is going to be taking delivery of any physical gold during this era! Except for a black market, gold will have no viable market makers and no official exchange from where we "usually" buy today. As Another points out, gold will probably be trading on a new Euro
exchange and that is where he gets his $10,000++ rate if one uses dollars.

Friends, this is new and chilling for me. I truly never saw both sides of this, in this way. If the market does play out in this second fashion, paper and mine gold is indeed finished! Yet, physical bullion buyers must be prepared to buy into a product that no dollar price may exist for! Indeed, before all is done, the dollar gold price could fall to the degree that Another has offered!

Again, I should have realized this because I often pointed out that what was conning is a change in wealth the likes of which we have never seen. The swings in the dollar value of all assets will be enormous. If one is right about gold, their holdings could show the same swings in dollar
prices.

I must think longer on this, because, truly, I don't know what else to say!
Thanks Everyone FOA

FOA (7/20/99; 9:20:23MDT - Msg ID:9268)
DISCUSSION!
SteveH(07/19/99; 21:50:05MDT - Msg ID:9217)

SteveH,
You pretty much hit on my feelings with this:

"I think FOA is saying ANOTHER surprised him and he hadn't considered the logical end-game if the IMF/$ folks push it to the limit. IMO, it won't make it that far."

Steve, That is exactly what I wanted to express with my #9204.

In response to this part of your post:

"In the meantime, the A/FOA guys seem to have been not so good on predicting prices but excellent at predicting behind the scenes explanations and motivations and directions to look. Time will in the end tell all. And we wait."

Steve, What I offer up is the private "Thoughts" of a very private person. I believe his appraisal of this ongoing political game comes from his real interaction in world events. On that count, his is the very basis of thinking in major circles. The "Total" concept offered was never so much about gold as it was an impending political move away from using the dollar. Yes, the impact on gold values will be important to us, but the real asset wars will be in the currency transition. For the majority of world commerce, this action dwarfs the gold market! The price of gold, the when and how much are interesting, but are far overshadowed by the "having of gold in your possession" before this change occurs! He (Another) said, he doesn't care what the dollar price is because it won't matter anyway. He sees it as a real money currency, here and now. I agree and try to
position myself for this event.

Most of the major critics of his Thoughts (there are many outside this public rendition) can not and will not see his outcome. I think that's because they are blinded by their portfolio. The truly "BIG' critics have massive real world holdings of companies and trade credits that would be
imperiled. I suspect people like "Stranger" have quiet holdings in some form of paper gold (mining stocks?) that will be chewed up big time in Another's world of events. Whether gold goes to $10,000 on the black market (or new official Euro market?) or it goes to $100 on a fictitious
dollar paper market, they lose everything. Their response is usually to attack the messenger because they can't build an adequate "time line of events" to explain what's currently happening to gold. They have a "Strange" concern that talking about this will induce a reading public to sell their paper gold (mine stocks included)

or other investments, in some form of induced mine control! It's not that this might hurt the public so much as it might hurt the "critics" portfolio if the public sells. Besides, let's face it, anyone that brought physical gold some time ago has lost far less than paper gold investments purchased at the same time. In some cases the mines are gone, completely! So much for offering bad concepts for people to consider!

In addition, Another has always welcomed any thinking response, reply or statement. He does access this site through several links, reads the good western views and the rational they present.

The public bantering of Another by the LGBs and Strangers of the world only reinforces readers interest to follow these events more closely as they unfold. He always said to me that "the more people who stand on his shoulders, the more obvious his Thoughts becomes" (Steve, let me tell you, his mind and knees can stand the weight). Another, (leader that he is) knows people and has intense respect for their ability to think for themselves, once the accepted beliefs don't jive with what's happening in the real world. This is exactly what has happened as he offered these Thoughts from long ago. At first this "new gold market" wasn't doing anything different. Then it went way against the 1970s guidebook of technical analysis and group think. I have seen
many people comment that he took their line of thinking, when they didn't realize that he (Another) had offered it, in public long before their writings. The difference between them is that Another has always encouraged his analysis of these trends to be offered as their own. Through me he has put it "out there" for free, right or wrong, for everyone to consider. Often he presents it in an "off the wall " manner, usually to create a line of reasoning and thinking.

If we believe the Strangers of the world and think that the 1970s are going to repeat, then follow the standard line of western gold investing. But, if you "consider" these "Thoughts" and conclude that they may occur, then physical gold bullion is the only holding. Steve, (and all others
that discuss this) my recent post was offered to demonstrate the physiological difficulty we are going to endure if events play out as I described. These events demand that we take delivery "now" (as I have done and continue to do) even though gold may be priced at an "undeliverable" price later. A dollar price that could show major loses. I expect to hear from some that they are still buying some ounces of gold at $100, or whatever. Good, so will I. But, some of us have
much more to protect that a few thousand delivered ounces will cover. Conversely, if the price spikes in a week from a short squeeze that bankrupts bullion dealers, who is going to take delivery then?

If I am responsible at all to the concerns of readers, then I am fully concerned that people have the opportunity to judge this market as it evolves. And view it in a different light than what is offered by traders. To date, paper gold is burning, the Euro was created at least above parity to the dollar, oil is rising after the Euro birth and the ECB has stopped selling gold. To our "advantage" and good luck, oil did not bid for gold and the BIS did not chose to break the LBMA at $280. At this time, both of these entities may, MAY be allowing the paper traders to break themselves in support of the dollar with short sales.

To close, I add "Thank You Mr. Another", Thank Mr. Kosares of USAGOLD and thank everyone here for reading and discussing these Thoughts.

And not least: "GOD BLESS AMERICA, MY PLACE OF BIRTH AND MY HOME"

FOA

FOA (7/23/99; 5:43:24MDT - Msg ID:9516)

More Discussion

http://www.users.dircon.co.uk/~netking/finan.htm#tquotns

I have more to talk about this weekend. Does Alan see a change coming?

---------As Alan Greenspan said today,

"Something has got to give somewhere... Where it apparently will give at some point in the future is a lesser inclination to hold dollar claims on the United States..."

Greenspan sees no reluctance to hold dollars [July 22]

With a view to the clear and present risks of economic warfare, it is indeed surprising and indicative of a great deal of complacency that the average investor does not include a precautionary level of gold, gold stocks, and bear market funds (which seek to perform inversely to the main stock market indices) in their portfolios. Try mentioning such instruments on a stock market chat room and see what happens! ----------

USAGOLD,
I have a reply for you from Another. It was about your "Deflation" question several days ago. I also have a thought about it. Will post later. FOA

FOA (07/24/99; 14:26:57MDT - Msg ID:9585)

GOLD

ALL:
Because most of this "educated" generation has never received a true course in "what money is, no one explanation could possibly impart the truth into every mind. We are creatures of varying thoughts and viewpoints. Each of us can see only what our past life's experience allow us to bring
into focus. Another knew that it would take more than just "his" explanation of this "new gold market" to bring it's evolution into the mainstream.

He planted these seeds of understanding in truly "hostile ground". If any of you have undertaken to read "all" of Another's Thoughts and comments, it seems to be a trail into a thousands directions. Although, some found them consistent, most read with curiosity as they grasped only what they could. Indeed, the seeds were planted, DEEP! Today, I am happy to say that more are placing these Thoughts into real context. The water of "current events" is reaching the sprout zone, as people begin to explain what could not be taught.

If someone want's to understand "The Full Gold Concepts" as they can be applied to real life, they should read all of these writings:

Mr. Kosares ABCs of gold.
Mr. Kosares "In The Footsteps Of Giants"
Mr. Aristotle "Book Of Posts" in the USAGOLD Hall Of Fame
Mr. Aragorn has offered many posts and influenced the "Book Of Posts" creation.
Mr. SteveH has presented many good posts on the subject. Also he offered "ORO" from the Kitco forum. Read them at Steve's #9405 and #9340
Read and be part of the many informed USAGOLD Forum posters

To date, many others that post here and on the internet are voicing new views that clearly show a better grasp of how gold will impact our future lives. The more that people read the above items, the better will be their grasp of this new money from the past. The destruction of the dollar
as a world reserve currency will bring to the forefront the number one asset for the future, gold.

The present pricing mechanics used the world over to determine how one values and buys gold is failing. From it's short birth, only a number of decades ago to today's end time struggles, the modern gold market is the work of promoters. The same promoters that advance the current fiat
currency markets as a modern system for modern people. At the same time we "New Era" travelers are urged to largely ignore the massive failings this system has had for citizens around the world. A failure that many dollar holders worldwide are about to share with American savers.

Is $250 a fair price? More fair than you can imagine, when the new trend begins. A new trend of "non delivery" that is. Below is part of an Email I sent to Michael. More later.

---------- Be prepared for your readership to explode with the further exposure of the gold market. We are now in the middle of an outright effort to break the mechanics of the world gold market as it is currently used. The major players that stand behind (by buying paper gold) the bullion houses (most these are the LBMA) are backing away from
it's buy side. Now the dollar price of most gold securities are being discounted to reflect the liquidity of the market.

Because the world has only known physical gold to be priced in the London market using mostly derivatives paper, physical trades are being handled at a major discount to the value current demand would normally represent. Truly, the Bullion Banks must be buying some of their own short trades to establish a price. Yes, you read that correctly! A dying marketplace always ends up fabricating it's use to justify it's continued purpose.

The west has little knowledge of how to bid for bullion without going though the dollar market. This is why we may see the current gold price plunge until it negates the use of London as the "price maker". When the function of the physical market exposes this fraud by going around all forms of dollar gold securities, LBMA (and comex) will close
and gold will explode on a somewhat "black market".

No one knows when the physical trading will supplant paper trades. Today's price could be the bottom, or western investors may continue supporting the "fabricated"

price (by not buying bullion) all the way down to who knows where? One thing is certain, the turn in this new market will not be a repeat of the 70s guidelines. There won't be any bullion to bid on when everyone attempts to switch from derivatives to the real thing.

This is why so many were perplexed by Another's ongoing Thoughts of this market. It is a market in evolution towards a predetermined end. Every Western mind (educated in current market function) will reject the notion that there will not be any gold to buy at the bottom. Nor, will there be any available for the first $1,000 off the bottom (if there is
a quoted market to show this price).

Is this the bottom? Could be. The persons, that have most of the gold are now are pulling out from participation and will not create the turn. It will come from those that hold undeliverable claims on gold (or are waiting to buy lower), that discover they hold nothing. The whole market dynamics will become very confusing as this unfolds.

Your friend, FOA

FOA (07/24/99; 15:37:27MDT - Msg ID:9588)
Reply
SteveH (07/24/99; 14:20:29MDT - Msg ID:9584)

---------PS. FOA, the first paragraph above seems to describe what a Gold contract for oil is. Did I get it
right?

Bullion Banks guarantee or deliver gold to a bullion bank for a small fee of 1 or 2%. Most probably only guarantee gold backing in the event a bullion bank defaults. A bullion bank cuts a deal with a mining for physical gold in return for money to operate. The mine pays back the loan over time with gold plus gold interest. One or more oil countries buy the contract from the Bullion Bank for the repaid gold from the mine with dollars from oil production. The oil country now receives the gold that the mine repays. The bullion bank's guarantee from the CB goes with the contract to the oil country. So, if a mining company defaults on a repayment, the Bullion Bank will guarantee the oil country payment against the default. It may actually have to go to a CB for the gold to repay the default. This is what I believe is happening in the Bank of England Auction.----------

Steve,
It's right in that that is one of many ways. When one reads "Aristotle's Work", it's so easy to see the purpose behind it all. The maintenance of a world fiat currency system requires a constant expansion of liquidity (more money) to keep it working. In the old days, when a borrower
defaulted on a "gold loan" (that was what a dollar loan was back then) the entity that held that debt paper lost his buying power. Be it the bank or an individual, the loan security became worthless and was written off. The write-off was certain because no one could (or would) come up with the gold to pay off the loan. Eventually, the US did issue more "gold loans" in the form of the dollar ("a gold contract currency") than it had gold to honor the $35 contract. Just a plain old fraud of creating new money so someone of importance didn't have to fail (lose some of their wealth).

Today, all kinds of loan guarantees are used to back modern fiat dollar loans. If they default, someone (a national treasury) prints the money to buy the loan so no one loses anything. Usually, if the loan is guaranteed, the lending institution just lends more money to try and keep the business going. However, in real life, a fiat reserve system, just as in a gold money system, is always in a natural state of deflation as bad loans appear. So, in time, a paper money system always swells large enough to pass the point that it can create more liquidity (money).

That's what happened with the dollar reserve world. Every US treasury obligation held as a Central Bank reserve was used to create it's maximum amount of liquidity. Sometime in the 80s or so they had to start borrowing against gold as debt defaults were destroying wealth faster than the dollar system could supply replacements. We all worry so much about CBs lending gold reserves, my friend, every other reserve they hold is in the form of lent assets! I won't find any crisp, unlent dollar bills in any of their reserve hoards. The gold represented the last asset for the expansion of the world money supply. It's lent because they can fractionalise (sp?)it just like a fiat currency. One ounce sold creates only one ounce of liquidity. One ounce lent, can create 90 ounces of paper gold and the dollar liquidity that provides. When they do actually sell it, most of it goes to other CBs. A "fact" supported by the WGC that no one wants to factor, because it destroys their argument about the CBs supplying physical to fill the deficit. Check it out, 300 tones or so over ten years is the net out reduction of gold reserves.

All of this bears out why this entire "new gold market" is SO important to the present dollar / IMF system. It's entirely a paper gold arena that really trades CB vault gold "as guarantees". Crash this Arena and the dollar is history as we know it.

thanks steve, I'm here for a while. More later FOA

ANOTHER (07/24/99; 18:07:04MDT - Msg ID:9596)

THOUGHTS!

USAGOLD (7/20/99; 10:37:50MDT - Msg ID:9275)

Your words:

It is important to note along these lines that Another has turned the discussion toward thepossibility of deflation in the United States (as I read it) at precisely the time that Greenspan and Duisenberg seemed to be acting against the same phenomena in the currency markets. Gold might be seen here as a messenger -- and this certainly is the subject we should be focused upon. Do I think the U.S. economy has switched to a deflationary bias? I don't know but it is certainly a matter of interest to me to know what Another is thinking along those lines. (If I am wrong in my assumptions, good sir, please clarify your position for me.)

By the way has anyone else had the thought that unbridled short speculation made possible through the proliferation of derivatives has driven down all commodities including gold and perhaps brought us to the brink of a deflationary failure? I am toying with the idea and I am wondering if this isn't a phenomena Greenspan and Duisenberg are thinking about. I have considered that perhaps when these two saw

what was happening to gold (and the euro) -- being
mercilessly beat into the ground by the shorts -- at the expense of the producers worldwide that perhaps something needed to be done and fast.....Hence yesterday's interventions.

Comments anyone?

Sir, I would add this for your consideration.
This deflation of today, I think it is not the same beast of years past. See deflation in the Japans, it shows a strong yen and falling prices. Fight it they do with no avail. That is the performance you speak of, yes.
Not to be for the dollar. Mr. Greenspan does overcome any such outcome with the ink and paper at his disposal. His concern is loss of use of dollars. The beginnings of such an evet would create the far different deflation from which you speak. I think, "stagflation" would apply as prices
of imported goods rise as local assets fail. Loss of dollar as reserve currency would cause large external "collateral damage" for financial institutions. Such lowering of values would create the "deflation" beside the "inflation" of foreign costs. Bad mixture indeed. The walk away from dollar
use is result of "commodities values" of unfair proportions when viewed in dollar contracts. A result the Greenspan does not want and can not prevent.
I think your family investors will find the failure of this gold market to their liking. It always has been the world "institutional arena". It is there that this paper gold price decline will destroy assets. Your coins "of inventory" will show the "real bullion value in dollars" long before advantage is taken by public. News of $100 or $200 gold brings the quick destruction of Bullion houses, in
hours! It also brings the 500 customers to bid for last ten ounces. Your new price will reflect this, yes? A new market with a fair price. A price that reflects the true value of oil in free market of
gold.
It is the event to observe, that few will be part of.

Thank You Another

FOA (07/24/99; 19:28:32MDT - Msg ID:9597)

Comment

Aragorn III (07/24/99; 17:30:34MDT - Msg ID:9591)
FOA, your continuing efforts are appreciated.

Aragorn III,
Thank you for the thank you, sir!

The revelation of a failing gold market always struck me as one with a sky rocket dollar price. It took me a while to gather the thoughts of where he was going with this. Your partial Email to a friend is a perfect expression of what is happening. Very well explained. I earlier understood the
dynamics when I realized that the "plunge" would be a "end" event with a very short duration. The positioning of the market, prior to such a catastrophe, will no doubt bring six month lead times for delivery of physical. A dealer with "bullion on hand" would never sell it anywhere close to "paper reality" in such a market. Just as Another pointed out tonight, the end time paper price is something no one is going to participate in.

Conversely, an external event could plunge the dollar before this all plays out. In that situation, the shorts would shut it down in a mad scramble to close. Then we have "Bullion Bank destruction" from a soaring price. This was my "limited" conclusion. I think everyone can now see the difference between my brain and Another's!

I agree with you entirely about Ted Butler and GATA. They don't realize what they are fighting, in that the entire Western monetary system is built on the same concept as gold lending. The system will destroy itself, as it always does. Yet, we will go to war before any "manmade"
lawsuit forces an end to the dollar reserve system.

Just as the WGC saw the error of their ways in promoting gold as jewelry, so should GATA change. If they want to preserve their members (GATA) lost asset values, as represented in mining stocks, they should be attacking the mining industry. Not the Bullion Banks. The quickest
way to wealth recovery would be for every mine to declare bankruptcy from "impaired assets" due to low gold prices. It would jam the shorts into covering and impair the Bullion Banks before they could attach assets in court. The big time rise in gold would still shut the market, however the
negotiating table would be full of "let cut a deal lawyers", supplied by the CBs, free of charge.
All of you stock owners out there would have to live with no market for your investments until this works out. I have to admit, this would make me invest in the industry. It will never happen, of course.

thanks FOA

FOA (7/25/99; 22:30:53MDT - Msg ID:9655)

Reply to old question.

Carl (07/20/99; 19:57:56MDT - Msg ID:9324)
@FOA
http://www.usagold.com
Mr. FOA, I have not posted here before. However, I have followed Another's posts since they first appeared on Kitco. I have been particularly confused about the inclusion of gold shares in his "will burn" category. When I questioned this way back on Kitco, Another reasoned that when physical gold became astronomically priced in dollars, governments would seize the mines. Now, the reasoning is less clear except to refer to mining shares as "paper." Please explain how shares are paper. They are not promisory notes like debt instruments. Yes, they are dependent on some degree of civil order, but so is private ownership of anything, including my house. Perhaps Another is referring to the paper transactions which gold mining companies have entered into? Butlet's look at those. For example Barrick, in which I own some share, has borrowed physical gold from central banks and sold that gold. They then bought treasury instruments with the money.
They make money on the difference between the interest rate paid on the gold and the rate received on the paper they own. What are the risks? Well, THEY are the DEBTOR party in the physical gold transaction. It's the Central bank, or others, who hold the paper. They (Barrick) hold government paper. Does Another mean THAT paper will "burn?" Please explain this to me if you would. Respectfully, Carl

Carl,
I'm glad you posted here and hope you read this. Here is my understanding of the risks involved with owning mining shares.

From the very beginning, Another was offering distinct comments about portions of a "larger problem" in the gold market. Usually, these were offered "in the context the current events" and structured to make people think. A signal of sorts, sent to accepted western knowledge that "not everyone in the world agreed that the dollar was the only money. Descriptions were given as to the reaction some entities would have to certain "events".

A recent partial post as an example of his intent, in his own words:

----------ANOTHER (7/17/99; 20:27:12MDT - Msg ID:9079)
THOUGHTS!
" Many expected outcomes are born from the understanding of social interactions. If the king declares all thieves are to be executed, one does understand that death is to befall an apprehended pickpocket. It is the unproved, but "expected" result, yes?

Such is the case as one evaluates the world political game. A game we play with many kings. I place my wealth with respect to the past actions and present thoughts of current rulers. Seldom does one have the luxury of experiencing the actions of leaders, prior to the events that trigger
said response! I would bow low before such knowledge!

Truly, $280 was an inflection point that would, indeed, have ended this present currency system as it is known. An action to have been taken, in another time and place, for a
predetermined event. Without the birth of the Euro?, as the expected action, "the purchase would have been done". ----------

Carl,
The ongoing problem with the world gold price, as expressed in the world reserve currency was that it's value was incorrect for a human reason. Not because of some supply demand effect. Gold today, was still the money it was a hundred years ago. The governments had only decided not to use it as money in an "official way" because they couldn't pay it's true value in the production of goods and services. That price would have included "official loses" and "real
bankruptcy" for their economies. Even after it's removal from the use of "local" money, they kept right on trading it against their currencies. Only they did it on what was called a free market "commodity" exchange. Through out the 70s and most of the 80s, Central Banks brought, sold
and loaned gold just like the paper currencies. Only the currencies were "official" government money and gold was "just a metal". A metal that competed like hell against the dollar.

Carl, call it what you will, but the gold bull of the 70s and partial rallies of the 80s were never the free market "textbook guidelines" that people buy gold mining stocks for. That period is the only moment in history that present investors have as their example of gold trading as a
commodity. A moment in time that never saw a "free market "in gold. It was simply a "controlled explosion" that eventually contained it's price. Gold did not, at any time come close to it's true value price that it's use as money would have required.

During this time (after 71), the dollar came to settle almost all trade, and it's use distorted the true value of all commodities, not just gold and oil. The very day that the dollar left the gold exchange standard, every currency in the world became a kind of modern day derivative
contract. Without the use of gold to settle foreign trade surpluses (and deficits), countries had to settle these differences in dollars. In real life, their Central Banks exchanged excess dollars for US treasury holdings and held them externally (outside the US). In effect, these foreign native currencies no longer reflected their citizens productive efforts in real terms. Their money became
derivatives of the value of the dollar, as "IT" expressed it's value in terms of the "commodity" market in gold. In effect, the very dollar that found it's value in a low gold price, was the same dollar that created the price of gold.

The most visible exchange for gold is comex. On that exchange one can sell thousands of contracts without owning one ounce of gold. Virtually all of the contracts are settled for cash. You don't even have to borrow gold to sell it. All you need are dollars as long as the trader on the long side settles for cash. Multiply this times the massive, far less visible world market for gold as it's easy to see how gold can be traded against currencies. As long as it is settled in "CASH"!

The present world gold market negates the true value of gold by removing the "real demand" that "gold settlement" creates! Break the mechanics of this market and you will find that gold is the most valuable currency in today's currency arena. Many investors, today think that the answer to this dilemma is for traders to take delivery and cause a short squeeze. My friend, in this arena, taking delivery means settling in cash! No, this market will not be destroyed by anyone but itself. Even a "short" cannot sell to himself, but for so long. In that light, major bullion buyers are walking away from this fraud of a market and allowing it to break itself from non participation.

I assume you have read my post: FOA (07/24/99; 14:26:57MDT - Msg ID:9585) and all the fine, up to date articles mentioned there. It will give a true background for this work.

When the dollar was on the gold exchange standard, all gold mines were effectively taxed into a a state of very low profits. The tax came in the form of the artificial gold price represented as $35 per ounce. With the dollar trading as a "contract currency" for gold, none of these mines
attempted to circumvent this fraud because the dollar was the official representation of gold value received. Their "business plan" was to sell gold for currency, not use gold as currency! For mines in the US, the latter was "against the law"! Only the Treasury could make legal tender. Except for brief moments in time, their shares were poor investments.

Today, many investors only see mining shares in the light of the 70s. Blinded by the fact that it was only a period of transition between gold eras. From a period of governments failing to use gold as money into a period of total use of one fiat currency value as money, the dollar. Now we enter an era where gold becomes the dominate currency value of the world. Even as other paper moneys continue to trade in commerce, a free market in the trading of "real gold only" will come to pass. It will "mark to the market" all currencies in question. During this time, gold mines (if they can remain private) will again, carry the burden of the heavy government hand of

taxation because of the real nomey value they mine.

Another envisioned two paths for gold to follow during this period. Both trails lead to the failure of the dollar and it's many thousands valuation in gold. One contained an external event, such as a BIS intervention, oil bidding for gold or a major crash in financial markets At the time,
posters could hardly grasp these events as plausible, let alone consider them. In the context of the time these were the most possible if the Euro was not produced. Analysis did not even want to discuss the manipulation of this market, let alone move through a trend line of logic to consider
what may lie ahead! Some were even heard to say that such thoughts were "on the fringe of reality".

Now we can clearly see into the future as the failure of present gold market to exist is a real possibility. It's impact on the mines would be devastating as they would be bound to continue selling into this arena.

Please see Aragorn III (07/24/99; 17:30:34MDT - Msg ID:9591):
--------FOA, your continuing efforts are appreciated.
FOA, there was much made by several posters one week ago of the appearance that ANOTHER had "changed his mind" about the direction of the gold market and price. Your post today affirms my suspicion, as related in the opening portion of my e-mail (partially reproduced below) sent mid-week to a friend that also reads this forum.

It seems to me that ANOTHER has not so much changed his mind as it seems he has recognized the potential for a path to be taken that from several paces back upon our trail did not seem apparent or even remotely possible. Yet here it is. Successful delivery/receipt of metal will truly be the key, as he says. You may recall a post a couple weeks ago with a seemingly obscure comment by FOA that essentially "the price could be falling because the banks were no longer able to find an adequate supply of deliverable gold". And while
that notion flies in the face of the "common" sense of many, you need only to consider how this price might indeed fall as the "Big Purchaser" would no longer be supporting what has become a ludicrous paper gold trade...no interest in
buying the paper with no hope for future delivery. This system did make sense as a contracting mechanism alternative from the dollar during a time that they could reasonably self liquidate. But a span of years and commercial speculators through fractional reserve lending has brought yet another quasi-fiat currency (paper gold) to the end of its useful life. You can almost hear them shout... "NEXT!"

Can you picture a person starving as "paper food" falls to a price of poor investment returns? No! The time comes when possession means more than price of paper by paper--an old fashioned run on the bank...for gold!
This is where Ted Butler and also GATA have a clouded view of the problem, and proclaim unfair institutional manipulation of this special financial commodity. If they would see it as pure money, they would easily recognize the "time-pattern of value" of paper gold follows exactly the diminution of any other currency under a banking system of
fractional reserve lending. Consider how many must think they hold the equivalent value of gold, when what they truly hold is only an illusion...an artificial portion of a lender's artificially inflated supply! With credit-based fiat currencies it is not meaningful to have a run on a bank for your fair share of ledger numbers. However, the gold-based monetary system that exists worldwide is not immune to such a

"run". As this current paper system fails, the metal that remains will inherit the vast value spread thin over much imaginary paper supply. While they are to be commended for their passion, GATA's interests would be best served if their efforts were focused on education and lobbying for an end to the currently lawful banking practice of fractional reserve lending.

Then, my reply/comment:

--------FOA (07/24/99; 19:28:32MDT - Msg ID:9597)
Comment
Aragorn III (07/24/99; 17:30:34MDT - Msg ID:9591)
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way to wealth recovery would be for every mine to declare bankruptcy from "impaired assets" due to low gold prices. It would jam the shorts into covering and impair the Bullion Banks before they could attach assets in court. The big time rise in gold would still shut the market, however the
negotiating table would be full of "let cut a deal lawyers", supplied by the CBs, free of charge. All of you stock owners out there would have to live with no market for your investments until this works out. I have to admit, this would make me invest in the industry. It will never happen, of course.----------

Carl,
I hope you can begin to see what is being discussed here. Of course, many do very openly disagree with Another and myself. This USAGOLD site is very open and considerate. Please make your thoughts known for all to consider. Thank You FOA

FOA (7/27/99; 5:59:10MDT - Msg ID:9720)

World gold trading is mostly paper with cash settlement!

http://www2.techstocks.com/~wsapi/investor/reply-10664816
Does this sound like what I was speaking of in my post #9655. I said
-----"The most visible exchange for gold is comex. On that exchange one can sell thousands of contracts without owning one ounce of gold. Virtually all of the contracts are settled for cash. You don't even have to borrow gold to sell it. All you need are dollars as long as the trader on the long side settles for cash. Multiply this times the massive, far less visible world market for gold as it's easy to see how gold can be traded against currencies. As long as it is settled in "CASH"!"--------

Now read Mr. J Orlin Grabbe and his description of world gold trading. Link above is to post board, while his link is below.

--"Compare with The Gold Market: Part 2 by J Orlin Grabbe--

"Gold accounts at a bullion house may be allocated or unallocated. The unallocated account is most typical. One holds on deposit a specific number of ounces of gold, but
these ounces of gold are not identified with any individual physical gold bars. These unallocated accounts may or may not bear interest.... All clearing accounts are unallocated accounts...."

"Most gold trading takes place by paper transfers between unallocated accounts. Bookkeeping entries avoid the transactions costs and security risks of moving the actual
metal...clearing members clear their net trades with one another through their gold accounts at the Bank of England, as well as by physical gold transfers."

http://www.aci.net/Kalliste/gold2.htm
Might this provide some insight into what's happening? ----

His talk describes a lot and everyone should read it. FOA

FOA (07/31/99; 17:29:43MDT - Msg ID:10016)

various thoughts

What is a "natural market" as opposed to a "manipulated market"? Do people really think that the only true natural markets are where every owner sells everything he can at whatever price current demand will bring? Like wise, every buyer buys all he can use at whatever price current supply will provide? When I read some of the philosophical reasoning presented on the net, I get the distinct feeling that the human factor should not play a part in the marketplace. In other words, anyone that holds off from buying or selling, waiting for a better price, is helping to manipulate the market. Has mankind lost sight of the fact that for a human marketplace to be "natural" it must show the imprint of "ulterior motives" in it's trading price! Yes? No?

Say, I am a big time oil owner and considered not to sell any of it. One day I decided

to pump 100 million barrels into a giant tank. I'll just hold it there with the intent of selling it later at what I considered a better price. Am I manipulating this commodity? Or do my actions present the "natural" greed and fear that must be present in a human marketplace? Perhaps, I do not feel that the present world dollar prices of oil, gold, copper, cotton or corn, truly represent the "human use value" this currency reflects. If others think that fiat currencies offer the "natural" values that "supply and demand" create, do I have to sell to escape their damnation of my intent? Is it
manipulation because I play all factors into my reasoning? I do consider that, usually these "critical" voices come from "economies" that are already receiving more production value per barrel than the dollar price can reasonably repurchase in real things.
It's like the carpenter that is making $.05 per hour on a government job and his manager tries to convince him that is all he is worth. We should not blame the manager for taking advantage of the system? In the same light, nor should we underestimate the ability of Western economist to
justify the "supply and demand values" of oil as expresed in dollars. Their readers are coming out ahead, just as long as supply and demand is settled in "their" dollars, that is!

Some even profess that world trade must "play by the rules" and deal in a spirit of honesty . But, what are these rules? And what is honest in our world trading system?

The present world banking operation creates a monetary arena that demands everyone to settle the transfer of all goods and services in a "fiat money" system. One that is clearly "manipulated" to the advantage of each country. The Japanese wrestle the value of the Yen to promote their trade advantage. Every country has it's "behind the scene" method of "interfering" with the way world trade sets the value of it's currency. Do not the actions of these countries truly
reflect the needs and wants of their working populous? Even if their motives are, by design, manipulation, they do this with a perception to help their citizens. Even with this view, we see the imprint of "human nature" in world trade, as it's always been.

My point is that "manipulations" are a large part of modern trade valuations. Under a fiat monetary system, it is a "natural" tendency to hold for "your best terms" because the value received in paper currencies is always changing. Just look at 1985, when the G7 plunged the value of the dollar. What was that? Honest "value reduction" in a currency, "new rules to play by" or just a plain old natural response to a modern world?

So why do so many search for and cling to reasons that cannot apply in this current trading market?

A lot of people have been caught holding the wrong "outcome opinion" on this gold dollar thing. Just as in the above analogy, many "Western economist" that analyze the gold market also use a "western dollar perspective" to advise the same conclusion. That being, because we cheated
the rest of the world to maintain our lifestyle, we are due for a little inflation and loss of dollar value. So, lets compensate by buying some gold, leveraged gold paper and gold stocks to retain any of our lost wealth.

Well, it just isn't working out that way, is it? You see, that "perspective" is based upon several concepts that we have "evolved" past:

1. "The repeat of the 1970s international currency panic."
That panic never ended and is in evolution into this day! The dollar reserve system has been patched up with debt and more debt over all these years. It was maintained because, prior to the Euro there was no other alternative to go to without shattering the world economy "completely".

2. "A 70s repeat of a rise in gold prices in dollars, at least back to the $400 or $500 range."

That gold bull of the 70s was a controlled burn! Contrary to every thinker, they allowed gold to be sold into the market to take the pressure off the dollar. As the price rocketed, it was easy to see that only a tiny fraction of the dollars held overseas would ever be exchanged into gold at any reasonable price. To fully complete the deal would have seen gold in the many thousands.
The rising gold price sealed the fate of the world into using dollars in settlement. In effect they said, raise the prices of oil (and anything else) but you must settle trade in dollars. The USA would then write IOUs to everyone on the planet in order to keep the system going. In effect, to the world, stop buying physical gold, put the dollar on an oil standard, through dollar only settlement and "gold " will be priced to your advantage in a different venue.
Remember, in those days, they did not have a functioning "derivatives" market for gold. The only method of manipulation available was to allow it's price to rise in open auctions, well before any major portion of "foreign" dollars were exchanged. Stopping the auctions put gold back
undercover. Falling gold prices kept the dollar on an oil standard until alternatives could be worked out. It "IS" a different game today!

3. "The continuation of a world gold market, expressed and settled only in dollars."

Few people ever factor in what would happen if the London gold market stopped trading gold. It's a "given" among "Western economist" that this is "the way it is" and could never change. If the IMF/Dollar gold market ever failed (from Y2K or whatever) all gold trading would revert to physical, immediately!
The amount of gold held around the world in paper "derivative" form is enormous. It dwarfs any reasonable estimate I have seen. Every analyst that expresses current supply and demand for gold as under 5,000 tons per year, truly doesn't have a clue. London moves that much "demand"
around in a week. Much of it in the modern world form, "derivatives". It is in this massive new market that gold ownership has exploded without spiking the price. On the contrary, this market created the falling dollar price of gold as a function of "maintaining a dollar reserve system".
Without this new form of gold market, a rising physical price would have destroyed the dollar well before the Euro could be established. However, within this paper gold system lies the ultimate self-destruction of the dollar and the destruction of the entire gold industry that relies upon the LBMA for settlement.

more in a minute.

FOA (07/31/99; 19:36:29MDT - Msg ID:10020)

more on various thoughts

Hello to all the new writers here! Old Gold, is that you?

If you have read my last post #10016, I assume you have also read my post: FOA (07/24/99;14:26:57MDT - Msg ID:9585) and all the fine, up to date articles from other writers mentioned there. It will give a true background for this work.

Back into #10016:
If one buys into any dollar based venture today, he is making an assumption that the Central Banks of the world stand ready to maintain this currency as the current world reserve. An assumption, that I believe will cause a major loss of wealth as this plays out. Today, we have "evolved" past the need to keep the dollar "above value" in terms of real things.

Forcing foreign trading partners to take on more dollar debt in an effort to maintain the credibility of past debt is destroying the world economic system. In the past, a US trade deficit provided a home for dollar reserves outside it's local market. Because these "foreign held" dollars
were held as backing for other currencies, they expanded the international monetary base during a time of increased world trade. Through out the 80s and 90s, as the American inflation of it's currency threatened several financial blow ups, this system still offered the only logical alternative.

Today, competitive devaluation's of foreign currencies is changing the "old expanding" qualities of the US trade deficit. The same dollars, once sent to buy "overseas", are now contracting the very currency systems they once backed. These economies no longer earn a "return on commerce" large enough to generate enough dollar reserves. Truly, the more Americans buy from their failing trading partners, the more their local currency systems contract. Generating the need
for more IMF induced debt. Debt in the form of dollars that flow back into servicing old debt without creating new money. An endless circle that points to the end of using dollars as reserves. Clearly, this new era has sent the IMF / dollar supporters searching for every form of liquidity
expansion possible in an effort to buy time.

This is the expected outcome from using a patched up reserve system, built upon an ever higher mountain of debt. The effect creates lower buying costs (price disinflation) in the currency host country (USA) as it destroys foreign financial holdings by building debt into the balance
sheets without increasing real assets. The only countries that can escape this fate are ones that can insulate their trading block with a new reserve asset currency (Euro) or have "commodity assets" large enough to back entire currencies (oil).

It is this "deflation" draw down in world trade that will force the removal of the dollar as the settlement currency in international transactions. The modern evolution of events clearly show that no other path can be taken. It is well within the authority of the BIS take this route. It is a reaction that the dollar has brought upon itself from the early 70s decision to drop gold.

The moment that this event transpires, the global deflation of dollar financial holdings will change into the hyperinflation of all local US assets. The exact same fate awaits every country that has tied it's economy and treasury to the dollar. A process completely out of the hands of the
Federal Reserve and one that will require "intense foreign exchange controls"!

I suspect that the gold market, itself will signal this event long before it's arrival. All

or some major players in the paper gold market will pull away from it's use and create a void on the buy side of the trade. A logical point because the dollar gold contracts could never settle physical gold at the price a "non reserve" dollar would produce. As I said before, this could destroy the current
mechanics of the world gold market and could plunge the paper price as the trading market fails. Another gives this good odds, I don't?
I think (and have prepared for) a financial event, that triggers the withdrawal of dollar users and forces a physical bidding war beyond the confines of the current gold market. Either way, the dollar price of gold will soon soar as London is removed from the gold window!

In reply to Carl, I also think that gold mine stocks will (in some way) suffer as they are locked by their local governments, into selling gold at (new) controlled prices to honor dollar credits. Also, most all of them will, no doubt (in all the confusion) be trading otc options and futures in
current dollars, not to mention their gold loan repayments. I hope you are right in that they are smart enough to wiggle through this. FOA

FOA (07/31/99; 20:23:21MDT - Msg ID:10026)

Comment

Chicken man (07/31/99; 19:07:05MDT - Msg ID:10017)
FOA
If the market is going "against" one's BOOK,then it is perfectly reasonable to believe the market is manipulated....if you don't believe me ask M.Armstrong when silver spiked up to $7.50

Good point CM!

I was "in there big time" when the Hunts were knocked off! That incident alone was enough to show me that the silver market was internationally too small. Because it was an industrial metal in the minds of CBs, they didn't have an agenda with it. When Comex locked out the Hunts, the big
currency players didn't care.
The sane thing will happen again in a different format. Because the gold market is today the product of a paper expansion of epic proportions, every player in the world will be trying to raise liquidity to cover his gold short exposure if the market is closed. Just as most of the silver shorts brought gold in the late 70s to cover some of their silver exposure, then sold it, today, they will sell their silver in the same mad rush. Only the silver market is nowhere deep enough to handle the selling. It's price could go to? In the Hunt thing gold easily contained the liquidity selling by silver short holders.
What I'm saying is that, if they close the gold market because of currency problems, silver and most of the other commodities will probably keep trading. Only, by association, those with major short gold exposure will not lose that obligation just because the market is closed. They will sell into anything that is precious metal related because they won't have any other way to cover!

On another note: If you remember, a few weeks (months) ago I said that we should look at comex open interest to see when the gold shorts were establishing long positions to balance their world market short holdings. That would signal their run for cover. Well they never did. In fact, OI is plunging! This does nerve me a little as it gives backing to what Another said about the major players backing out of the system! I hope this changes, as it will be a real challenge for most bullion holders

(don't even think about mine owners!) to understand this dynamic.

FOA

FOA (07/31/99; 20:39:45MDT - Msg ID:10031)
SteveH (07/31/99; 20:23:18MDT - Msg ID:10025)
"Jamaica Accords"

I will return later.

FOA (8/2/99; 12:59:44MDT - Msg ID:10156)
more various thoughts
http://www.cba.uh.edu/~rsusmel/7386/ln1.htm
Aristotle (8/2/99; 0:04:57MDT - Msg ID:10122)
FOA thanks for your Saturday effort!

Aristotle,
If you have read my Saturday #10016/10020, I want to add on to that line of thinking. SteveH asked where it all started so I told him "Jamaica Accords". In good order, Cage Rattler #10065, found a nice rundown about the entire evolution of the world monetary system. The link is above.
Everyone here should read all of it because it helps put into perspective much of the Historical material that we analyze.

In section, 2.B Bretton Woods Agreements (1944-1973), it gets right into the breakdown of the money system. --------- "In January 1976, the IMF convened a monetary summit in Jamaica to reach some agreement on a new monetary system. The Jamaica Accords formally recognized the managed floating system and allowed nations the choice of a foreign exchange regime as long as their actions did not prove disruptive to trade partners and the world economy. Gold was demonetized as a reserve asset. The Jamaica Accords were ratified in April 1978." --------

This is where many investors lose the concept and start declaring "manipulation"! Right here, our leaders agreed in writing to a "managed floating system". I guess it needed to be clarified further in the form of "manipulated floating system". Nothing here about moving the currency markets in response to "free world supply and demand" is there?
Next, it gave an open hand to using whatever a country thought was best as a currency or reserve. This item, "allowed nations the choice of a foreign exchange regime" was hotly debated, I know! Because everyone knew what it meant. It was aimed directly at the "new" gold market. Buy on the market all that you want, but be prepared for the price to soar. If anyone, just had to get rid of their dollars quickly (in a year or so), you were not going to get a deal.

Their purpose was to sell gold over time (many years), so as to allow the markets to balance themselves. To do this, they didn't "demoneyize" gold as everyone on the planet has said they did. The Europeans and the oil countries would have dropped the dollar right then and there. They only demonetized gold as a "reserve asset", repeat, a "reserve asset"! This was the only way to unlock gold for delivery and or modern day trading without driving up it's price.

Notice that these accords were not ratified until April 78. Right after that , in the fall,

the US started selling gold in a "controlled burn" (because it was no longer a reserve asset) to satisfy those who wouldn't wait. Don't get me wrong, everyone bid on it because no one knew if the
accords would work "over time"! Price inflation was to be the balancing mechanism until gold could again be sold into the sea of foreign dollars.

A big agenda for the US in all of this was to get the price of oil up! If this action didn't accomplish that, every US producer was going to run out of oil reserves because of our high cost production. The Middle east could, and still can, produce for almost nothing compared to us. But that's Another story.

We suffered through most of the 80s waiting for more gold to be sold. Europe (and oil) got tired of waiting and proceeded to build the Euro out of the EEU. Isn't it interesting how quickly the LBMA was born to market gold, in the late 80s in response to this new initiative. Their first
purpose was to create a paper gold market to trade commitments of CB gold. The dollar price of oil has been falling in fits and starts, right along with this new liquidity in the gold market.

This rough explanation brings us into the 90s. But that is where things started to change. SteveH is asking (hi Steve) for a look at a written agreement. The real contracts are written in the LBMA commitments. As for a international or heads of government signed accords, the Jamaica is a close as you will ever see. Often, in politics, protocols are but forced standoffs. Just like when two armies stop shelling each other. Someone makes the wise observation that "the generals must have come to an agreement to stop fighting". Yet, a reporter, trying to make a "responsible"
assessment to the public, asks "when will we see a copy of the contract?"! My friend, the observer exclaims, "the events and the actions are the agreement"!

Going back to my earlier posts:
Aristotle, when the dollar went off the gold exchange standard in 71, it was the modern day equivalent of destroying the gold market. Back then, all dollars were "gold loans" in every sense of the word! The world dollar market was the gold market that everyone used. When that market failed, because there wasn't enough gold to deliver against the "gold loans", everyone was left holding "empty gold loans" in the form of dollars!

Yet, today, tell people that the gold derivative markets that represents 90% of the entire gold market is going to fail from non delivery, and they don't conceive it can happen! This is an arena that isn't even a government treasury production, as the dollar was back then.

Every mining company in the world is required by their local governments to sell their gold for currency. None of them are allowed to barter that gold for goods and services. If the present world gold market fails as the dollar did in 71, the price of gold will continue to be established
through trading on this same "discounted" derivatives market. Just as people kept trading and using "discounted" dollars after it failed in 71 as a contract for gold. Yes another physical market will no doubt develop, but no new "from the ground" production will be allowed to trade "off the established exchange". Just as US "savings and loan banks" continued to operate as viable institutions, even though they were worthless, so to will the LBMA be propped up by the US/IMF because it is

too big to fail.

This entire play will be acted out during the confines of a transition of currency power. The final evolution of the dollar from world reserve currency into the Euro as reserve currency. I suspect that an alternative physical gold market in Euros will begin to show this destruction.

Everyone should read Mr. James Turk "What Does It All Mean" to grasp just how "non-typical" this market truly is. Many of the old accepted actions of gold, in response to "usual" events are being invalidated. Through out the net, gold thinkers continue to look for a return of "inflation" to bring back the "good old days" of "bunker Hunt silver" and "fast rising comex gold"! The future may not repeat the past. We shall see. In the days to come, we will do well to consider following in "The Footsteps Of Giants" as they continue to lead in a direction of "physical only" gold. FOA

FOA (8/2/99; 14:02:07MDT - Msg ID:10159)

Reply

Cavan Man (07/31/99; 20:32:03MDT - Msg ID:10028)
FOA
I understand your reasoning, I think. You are presuming that the Euro will replace the dollar as the world requires a reserve currency. "Europe" has never been in the lead nor has any European country been a dominant player in geo politics since Hitler. I discount Russia because, IMHO, the
Russians are not Europeans. I discount Britain because I really don't believe the British are or were Europeans and I believe they believe the same. The Euro must be forced into a role of monetary dominance yes? Is this the oil position? Also, I ask you and Another for a third or perhaps fourth time now; why would the rest of the world let the economy of the strongest nation on earth (debatable I agree)go into the tank? Yes, there is a penalty for sin even with repentance but why level the US economy? Can't it be saved? Please elaborate. Thanks.

Cavan Man,
When a currency dominates the world, it usually isn't forced into that position. It evolves there from forces governments cannot stop! Did you think the entire world wanted the dollar to be on top from long ago? A quick history read will show that other governments tried to prevent it, but couldn't. Just as the British Pound fell from dominance, they didn't want it to happen either, but
couldn't stop it.

Understand, the dollar isn't being forced out of position because it's getting better. It's building so much debt that it's destroying the current world economy. If you think it's been doing a good job, then please read the history of Foreign Exchange (in the link I provided earlier). My friend, battle after battle has been fought to save the dollar, not destroy it! Did you think Nixon took it
off the gold standard to "kill it"? No, they were trying to patch it back into some useful form, as nothing else was available.

The world economy will demand a useful currency as the dollar further fails to do it's job. They will go to the Euro for the same reason they have stayed with the dollar all these years, "there isn't anything else"! As this modern world has evolved well past the use of physical gold as a
circulating currency, a "free world gold market", not based upon any government will

provide the "mark to the market" valuations governments need to measure paper money in trade. The Euro will indeed be held against gold, but not as a gold loan (as in contract currency at $35 to the ounce) standard of the past. That system clearly failed as the present dollat/IMF gold market shows.

Does Europe want this position? I doubt it, but given what is coming down the pipe for the dollar, they will most likely be glad for it.

My friend, I (as taken from Another) use the term "western view" because it is a clouded perception of how the world sees the dollar. For the dollar countries, it buys much at the expense of others. The very strong dollar that "bulls your stock markets" does not clearly represent the
value of the foreign goods it is exchanged for. Your view is to save the dollar and the US economy because it is holding up the rest of the world. That is the very problem, as only on a dollar based reserve system does this occur. Instead of using a currency based upon only one countries interest, the USA, use a currency based upon the "conflicting" interest of many nations, the Euro! Under such a system, world trade and exchange rates will balance more fairly. Would you still find fault if the rest of the world economies were holding up the US as opposite from what you suggest? A positive trade deficit for the US in their dollars would indeed "prod your perception", I believe. Let us see if this great economy can stand on it's own feet with the yoke of paying it's debts from "real production"? We may indeed get an answer to this dilemma.
FOA

FOA (8/2/99; 14:30:39MDT - Msg ID:10160)
Reply
Carl (8/2/99; 13:38:54MDT - Msg ID:10157)
@FOA on forced selling in currency by mines

FOA, On what basis do you make this statement?
Carl,
On the contrary, can you name one major mine in the US that "has" bartered it's gold production? I would like to see that dynamic in action. A large mining operation, with perhaps hundreds or thousands of employees, bartering gold directly onto the market during a full blown currency crisis. Foreign exchange controls and restricted movement of currencies would be enacted in about , oh let's see, 8 hours? Just in case you don't think your government classifies gold as a currency, wait until a banking crisis begins. The truth will be on the front page of your news paper the next day. When a Gold loan crisis threatens to collapse the world dollar based banking system, do you really think trading in gold will be open and free? If yes, you should follow your spirit.

Carl, the context from where I speak is not during these tranquil times. When you need the value that gold provides, to compensate for "other loses", gold in the ground will be "quickly" held in place as "necessity" changes the rules of engagement. Your government will not confiscate gold again, as long as it retains the use of the US dollar as legal tender, but it will, in an emergency block the movement of all gold until it's value can be shared through taxes. thanks FOA

FOA (8/2/99; 19:49:12MDT - Msg ID:10175)
Reply
Carl (8/2/99; 15:51:56MDT - Msg ID:10168)

Reply to FOA

My Dear FOA, Your words touch on so many things, they make my simple head spin. I have little knowledge and must depend on logic and simple consistency with what I do know in order to find my way.
FOA, When the illusion was dropped that you could get an ounce of gold for $35, was it not the $ that reduced its price relative to gold? When the time comes that people holding paper claims on gold wish to or need to lay claim to gold, is it not likely that existing claims will "burn", as
ANOTHER puts it?

Carl,
In the real world there are two kinds of dollars, ones held by persons living within the US and ones held by persons outside the US. Under normal conditions, these same dollars can buy any item in any country through out the world. In Japan you trade them for Yen, then buy a car. In
Britain you trade them for pounds and buy a TV. One can even live in Germany and send the dollars back into the US, without conversion and buy a computer. In these "normal" times, most of these "overseas" dollars stay overseas and circulate around, constantly being exchanged for other native currencies to buy goods.

This vast block of US currency, once termed Eurodollars, floats "with value" outside the US for two reasons:

1. The "confidence" that they can be sent back into the US to buy goods. Without this ability, they are worthless as every other nation has it's own money for local trade. That is why an Englishman (as example) usually has to "exchange" his dollar holdings for pounds before buying in Britain.

2. The world CBs make a vast inter bank market in dollars because they hold them as trapped reserves. They were trapped into these holdings a long time ago when they held these dollars as "gold loans". Before they could exchange them back into gold from the US, it negated these gold loans. In order to maintain the world monetary system, once based on this contract currency, the dollar, all CBs simply continued supporting (trading) the dollar. So the vast block of overseas dollars continued to grow. With the US having trade deficits all the time, these dollar holdings
have now grown into a huge proportion.

These foreign dollars can never come back into the US to buy real goods. There are simply too many of them. We could never create enough real things to sell for these dollars. Besides, much of them are held as "assets" for savings, and not seen as earnings to spend on daily bread. So, without the above two items in play, we see why the dollar value of gold is so important, "overseas"!! The gold price in local US terms is meaningless to most here because, being a local
currency one can spend his savings on local goods.

So in real life, a war, a financial upheaval or even natural disasters (California sliding into the sea) can create a situation where the "open door" for dollars to return home to find value, could be closed! Often referred to as "external foreign exchange controls". In this light, countries that run massive balance of trade surpluses with the US (many dollars flowing into their banks from the US) must look at the dollar in terms of what it used to be, a "gold loan" contract currency. Truly, in the larger

sense, for overseas dollars, the amount of gold it can buy is still it's only true value. A local in the US would not perceive this threat as the door would not be closed upon his
holdings! Now you know why a falling price of gold makes the overseas holdings of dollars "strong" in reality if not perception! We have never moved that far from Bretton Woods. In gold value, yes. In concept, no.

What does this have to do with our original discussion? A failure of the world gold market would create a massive run to unload "foreign held dollars" for anything real. Gold first, everything else second. The flood of money into the US would bring absolutely solid exchange controls upon
dollars entering the country. Every other country would respond in kind. Any form of paper gold would be discounted in price to reflect it's slim chance of having gold delivered against it. The local US paper gold market (comex), would see it's dollar price fall to but a fraction of the value that trade for physical gold would bring. No one within the US could trade any gold inside or outside the country (where the dollar price would soar) because of the money flow controls (for reasons I stated in earlier post). To bring order to the system, the government could sell it's treasury gold to the comex at a discounted price. Or they could demand the local mines to sell gold to Comex, the only market for them to sell into.

What about the value of gold mines outside the US. They would face the same problems as they would be blocked by their local governments from selling gold for dollars. They would have to also sell in local currency.

Or all trading in gold could be blocked for a while, worldwide. Sure, there would be a huge black market. Only big gold mines are "very obvious" traders and can't move their mines to hidden places.

Carl, none of this may happen. I do not consider you as simple a thinker as your post offered. I can only say that the Giants do not need mines or the problems they may present during these troubled times. Besides, when the dust clears, physical gold will offer more than enough return for
the average person. I expect a true world free market for physical gold to be coming. We have plenty of gold already produced and circulating to trade in this arena. Only, this time the currency price will not only reflect gold's value as money, it will allow a vast liquid pool for savers to hold their long term wealth. Unfortunately, the governments will most likely be attracted to using unmined gold for national expenditures. FOA

FOA (8/3/99; 8:53:06MDT - Msg ID:10209)

Reply

ET (8/2/99; 20:34:19MDT - Msg ID:10178)
FOA

Hey FOA - thanks for your continued presence here. That was a wonderfully cogent explanation of the contrasting views of the dollar depending upon where you sit. Given your explanation, do you think that perceptions of possible problems surrounding the y2k issue might precipitate this
'closing' of the dollar door? I posted something earlier about the BOE and their apparent attempt to become very liquid come the end of the year. It is interesting that they intend to denominate this increase in liquidity in Euros, not pounds or dollars. Is this the first public shot across the bow of the US dollar?

ET,
Thank you for the compliment. I also enjoy all of the other presentations offered here, including yours. I'm always impressed to see everyone display their own perspectives in written form, and then hint at how they intend to put those thoughts to work. Some posters are into silver, others in mining stocks and others buy gold or options. For most of us, these pronouncements not only
openly display our view of the future but indicate our actions and how it will impact out wealth to a great extent.

I have often found that people will "bet" a great deal of their money to make a return. However, most never would "place" as much money in an effort to maintain their "wealth". This concept has grown right along with the current global expansion of the last 50 years or so. It's
easy to understand, because seldom does the world experience massive wealth destruction. Consequently, in those few times that this occurs, everyone is usually "betting" on a percentage return "on their wealth" not "a return of their wealth". They are caught in a once in a thousand year change, just as may befall the world from Y2K. If something is unseen over several lifetimes, it cannot happen, right? The constant successful repeat of an economic function creates a "common belief" among people groups that is hard to refuse.

If Another has not read the minds and actions of leaders correctly and I am completely wrong, I'm not going to increase my wealth very much. However, if the life cycle of our world monetary system is coming to an end, those that are expecting a repeat of the past will lose a great deal.
Even those that position themselves in expectation of similar "currency crisis" as in the past will lose. A line of thinking I have presented here recently.

Yet, for me to actually "lose" wealth, the entire history of human nature would have to be repealed. Gold would be pushed into the background as everyone made good on their debts. This is why I "place" my wealth in the "no return on investment" position. Gold rose 32% during the 1929 contraction, while most people lost "everything. Even though that gain was not a return from investment, it was an increase in value from the falling price of everything else.

There are truly many financial giants that currently walk this earth. Some "bet" on silver, some "bet" on gold, but most of them all position these "bets" to function within the framework of this present system. The giants I follow have "placed" a good portion of their wealth in a position for change.

Truly, there is so much more in life than loss or gain. We gather here to learn, to understand and share our perspectives in this changing world.

Yes, ET,
The BOE is sliding into the Euro arena as we speak. They cannot stand on both sides of the fence. Like it or not, the IMF/dollar and the london gold market that gives it value are failing. They sold their gold to back up a few survivor banks for entry into the EMU. The signal is loud and clear, England is NOT running to the Euro, they are running "FROM" the dollar! No wonder oil money is leaving London. I don't care what the odds are, the British pound is history and
Michael K. is going to owe me one US dollar! With all his millions of tons of gold, I'm

sure he can afford it! (smile) FOA

FOA (8/3/99; 11:23:57MDT - Msg ID:10226)

Reply

canamami (8/2/99; 21:42:28MDT - Msg ID:10185)
Reply to FOA #10175
FOA,

A fine and magnificent post - very clearly stated, and it contributed to a shift in my "understanding curve", as opposed to mere movement along the curve. One quick caveat: Does not a portion of the $US value and importance stem, not merely from the US goods it can buy, but from the US'
political stability, the rule of law, advanced securities regulation, fair treatment of foreign investors, immunity from direct military attack, etc. - in sense, is not the role and value of the $US based partly on the public sector or international relations equivalent of the accounting entry "goodwill"? Alternatively, could not economic/ political/military stability and the rule of law, etc., be
conceptualized as a US "export" which can be contra-accounted against the US trade deficit?

canamami,
Thank you. I have to say yes to all that you pointed out. But we have to acknowledge that the world has always functioned with these problems. There has always been a "strong country" where people held wealth. The problem is in the question: "what price am I paying for all of this?"
Conversely, of what value are these attributes if a crisis blocks my use of the "strong nations" money? Also, why do we have to hold dollars to obtain these benefits? Why not just sell us the gold? We can always sell the gold back to the US for dollars, can we not? Are we left to assume that no other country or group of countries could perform this same function? Indeed, the early US was also looked at as a "ragtag", "rebel" country, that could not be trusted with "my money". Besides, they didn't honor their gold loans at $35. How do I know when the "goodwill" will not be dishonored also?
canamami, I am American and to war I would go if needed. But these are real views that must be factored in, if we are to understand the unfolding problem.
thanks FOA

Also, SteveH and TownC thanks to both of you for so much work.

FOA (8/3/99; 20:55:21MDT - Msg ID:10252)

Comment

Unknown Economist #33 (7/18/99; 21:15:29MDT - Msg ID:9143)
Gold is a Commodity-Currency is Labor

Mr. Economist,
Your words and my comments:

------First , Gold is a Commodity, and it always has been. It has had its ups and downs for literally thousands of years. As has silver, copper, corn, wheat, meat, & even water.--------

Agree. In addition, gold is also money. Fact: If you review history, it will show that gold has been money for over 90% of the time span that humans have used money.

------ Currency is not a commodity. ---------

Agree. Facts will also indicate that currencies have been used as receipts or "contract currencies" for precious metals during the majority of their existence.

------(currency) It can be in many forms, yet it is always the same, it is Labor. Currency is 'shorthand' for service rendered. It is something accepted by at least two persons toaid in exchange of wanted commodities. I serve you, you pay me, I trade it for what I need. If I buy more than I need , then I have 'stored my labor'. It could be a barrel of oil or anything.-------

Agree. What you have described above is also equally applied to gold. As I pointed out in the first item, gold has been used in this very application far longer than any currency has. It is a tribute to the ingenuity of the human race to equate the use of "currency receipts for gold" in this
same fashion. It promoted the ease of commerce and speed of settlement. It is to the disgrace of dignity that governments embarked upon using currency, by itself as a receipt for labor. If not for the ages old cheating nature of mankind, it could have worked.

---------If you are a trader, a Real Trader, you do not become attached to any commodity in an emotional way. The commodity will gain or lose value in only way anything gains in value, by the pressures of supply and demand.----------

Agree. Because you are a "real trader", you must certainly know that anything can be traded if and only if it can be measured accurately. Man can equate no value to anything without a constant rule of measurement. Being bound to earthly things, said measurements can only be in the form of
real things to be honest. We all agree, that an item of infinite supply, as a dollar created in an electronic charge, could never represent labor in an unemotional way! Truly, gold has a supply and demand, while the modern dollar is like the air of your breath. Always expanding and contracting.

----------This year, Gold is in a downturn. Despite exciting reports of 'coin shop gold sales' it is
continuing to be priced lower because of lower demand and higher supply than what is sought in the world marketplaces. Period.--------

No, a "True Trader" would recognize that it is the dollar that is in an "upturn"! The emotions of traders can play tricks on their judgment. Tulips were once in high demand yet supply was infinite. Double Period

-------Despite all the distress expressed by many here , despite the anger felt for the Bank of England or the Swiss Nation itself, the hate felt for the 'short-sellers', whoever these dastardly persons may be, and the pleading for help to support the price of gold, the Truth is that gold is
Not In Favor and the short-sellers are the Real Traders. If you held a commodity, any commodity, and its value was sliding with little let-up, then you would be a fool to buy more! As a horse race progresses and your horse is losing ground yard by yard, do you bet it to win or to lose?---

----------and the rest of your post----------

As Mr. Another said, "time will prove all things".
As I say, "Your experience with life has but only time to make wisdom sing"
Follow your spirit my friend, your path is indeed, before you!

FOA

FOA (8/3/99; 20:58:15MDT - Msg ID:10253)
Item
http://www.iht.com/IHT/TODAY/WED/IN/edkevin.2.html
----------If America's Wealth Bubble Bursts

By Kevin Phillips Los Angeles Times Service

WASHINGTON - The United States is approaching the millennium with a lotus-eating culture and e.commerce that some insist have banished the bad old business downturn. But what if it is actually living in its first major example of an aging economic cycle on the financial steroids of a ''wealth effect''?

The next business cycle and politics could easily bring the reverse of today's giddiness: an ''unwealth effect'' in which consumer spending contracts as paper affluence shrinks.----------

FOA (8/4/99; 10:09:21MDT - Msg ID:10322)
Comment
Buena Fe (8/3/99; 23:50:45MDT - Msg ID:10272)
BANG ON!!!! FOA
Economist #33
---------If you are a trader, a Real Trader, you do not become attached to any commodity in an emotional way. The commodity will gain or lose value in only way anything gains in value, by the pressures of supply and demand.----------

FOA
Agree. Because you are a "real trader", you must certainly know that anything can be traded if and only if it can be measured accurately. Man can equate no value to anything without a constant rule of measurement. Being bound to earthly things, said measurements can only be in the form of real things to be honest. We all agree, that an item of infinite supply, as a dollar created in an electronic charge, could never represent labor in an unemotional way! Truly, gold has a supply and demand, while the modern dollar is like the air of your breath. Always expanding and contracting.

me
FOA, you could not be describing the coming storm any clearer, I only hope and pray that understanding comes to many before it is to late. The whole world (even creation) is groaning under the weight of SCALES (ancient tool for conducting commerce) being out of BALANCE! Boy oh Boy hear it comes!

Buena Fe,

I'm glad it's clear to you. I'm also happy that you are able to grasp it without having any idea who myself or Another are. It's really a very simple message tangled up in a giant web of political cross currents.

There is only one investment direction anyone should have been able to pull from all of these posts. Buy as much physical gold, in your possession, as is prudent for your finances. In addition, Another always presented it in a way that should have signaled, "let the percentage of gold be in
proportion to your education of the current gold market dynamics"!

Also, people who buy gold in small amounts, will probably always be able to find physical at local dealers of extremely high moral standards (USAGOLD as Example). The ethics is important because the coming crisis will prompt many players to charge exorbitant fees to unsuspecting clients. Run from any company that offers high pressure sales people pushing leveraged plays. You have most likely seen their people posting on other web sites.

I have a further drum to beat about this, but will offer it later after more commentary.

thanks FOA

FOA (8/4/99; 10:12:04MDT - Msg ID:10323)

More Comment

Aristotle (8/3/99; 21:33:22MDT - Msg ID:10256)
Wow, FOA, I'm awestruck by your comment:
"We all agree, that an item of infinite supply, as a dollar created in an electronic charge, could never represent labor in an unemotional way."
Exceptionally well put! A week ago I was hold a discussion with various posters about the meaning of "$17." Aragorn had the last word with various comments and revealing questions that pretty much put the wraps on the issue in my mind. (Come to think of it, I don't think I ever said "thanks for the input, Big guy," so this will have to serve in its stead.)
I think your comment opens the next chapter. Not only must we be concerned whether this particular "$17" is an electronic counterfeit, but we must always contend with the emotional element that at any time could alter its prevailing sentiment to conclude that even non-counterfeit
dollars are bogus by the very nature of the government's willful and indiscriminant creation of them.

Aristotle,
And a WOW back to you for expanding on this item. We are getting right into it here. It isn't just confidence that counts, "credibility" from past performance is a "concrete" fact that haunts foreign dollar holders like the "Blair Witch Project"!

The "real" default on gold in 1971, followed up with a confirmation of that action with the "Jamaica Accords" begs the question, can it happen again? What would stop the IMF/dollar group from defaulting all present gold loans and trading contracts? It's obvious to everyone now that there isn't enough gold to satisfy all the claims. Are we headed into the same circumstances that lead to 71? If not gold, what about the pound? If they are running from the dollar, into the Euro, they have to change a lot of valuation to make this fit as MK points out. Changes that will impact my English holdings. In addition, if England is bailing, what do they know that I don't?

The same holds true for the dollar. If the American economy, that is supporting the world currency system, begins to slump, as a preemptive measure, they will "HAVE" to devalue the dollar. Against what? You got it, the Yen (fact in progress) and the Euro (fact in progress)! Guess
what else will be caught up in this, "GOLD"! A fact that if it is in progress, will bring the need for some big time bailing out of major banks! SteveH, perhaps this is what all the "collateral eligibility" increases is all about. Under cover of Y2K (still a real threat) the new credit is readied for other purposes.

As I have (only recently) said many times, Another guided me to the point that the entire gold market may fail on this move. That's because it's unlike the circumstances of the 70s and 80s. One person on this forum finds this to be "not responsible thinking". On the contrary, if it does
take place, some "simple people" may take massive loses as this plays out. It may not, but it's a huge risk to take. A gold only position may make this trip a lot easier to weather. We "are" going to see!! FOA

FOA (8/4/99; 11:38:23MDT - Msg ID:10332)

Reply!

SteveH (8/4/99; 1:35:51MDT - Msg ID:10288)
Tom Cat
I wasn't sure what the post meant. I was hoping someone would comment on its significance. Just seemed important but complicated, eh?
FOA, why the full-court press now? You must feel we are close? Certainly, the GATA release below'shows a move is immanent but why would it be different this time than all other failed gold rallys? After all, last time we got the BOE announcement. What this time?
What is it that Mr. Another senses from his fellow world leaders that tells him that 1999/2000 is the possible last notch in the dollar belt? Why now?

SteveH,
First I want to thank you for making this statement in your:

SteveH (8/2/99; 20:52:53MDT - Msg ID:10182) "The message is important, whether they are 100% correct or just 25% correct."

This may offend some, but this drum must be pounded home.

In the past, so many writers have come down hard on me for posting Another's Thoughts. Yet, they don't even examine their own writings and the agenda it pushes. Be it options, silver, mines, or gold options, it's always the same story to other investors:
"you can't just lay there and hold gold! Out of the investment capital you have put only a tiny bit in physical gold, then get a great return in all of these other paper gold products. At the very least, if paper won't do, buy silver"

If these thinkers are being responsible to readers "of lesser knowledge" why don't they ever talk about the loses these item can and have recently produced? Why does the "average reader" have to make this "good" return on this portion of their insurance holdings. Their matra is almost
like the CBs saying they must make a return on their citizens most sacred gold reserves!

Most of the mine bulls have been talking and trading these items all the way down over the last many months. Some readers that had decided to hold gold instead, have a loss to show, true. But, they still hold metal that can't go to zero as some companies have. I remember some friends
plowing big bucks, on leverage into ABX and laughing at others for buying anything else.
"I don't mess with the foolish stuff, they said".

Almost every one of them took far bigger loses than they thought. From a mine "fully hedged", they even lost more in percentage than gold bullion! So much for "brains"!

Each step down the slippery hill of this crisis, they said,
"oh no don't buy gold at these cheap levels, the mines have fallen even further and present an even greater value".

Today, gold in the $250 to $280 range is still considered crazy to consider! The mines are still cheaper they say, and
look at those mine options? Then, if someone says gold could fall further (destroying some mines) before it spikes, the "stockers" say, "how could you be so nuts as to cause these poor people to miss out on the greatest opportunity to buy holes in the ground?"

Well, people, the CRB is going up, oil has doubled, crisis is in the air and gold?

A think persons might, just might, consider that the gold market itself is failing. And, worldwide, on the sidelines, people may be taking gold where they can get it. And, yes, as Carl says, the mines may find a way to work around it. But, it's a "total washout" if they can't! What percentage of risk do we place on that?

Do we wait for "responsible", "professional" conformation before even considering this possibility. Remember, the professional "smart money", "money too smart to buy physical gold like the average people", has been trading in and out of leveraged paper and mine stocks "ALL THE WAY DOWN"!!!

Yes the paper investments may explode. I only point out that any explosion will be in proportion to the risk presently in this market. If one has risk capitol, Gold Fields (thanks MK) would be the one. As for silver, they killed the Hunt brothers and millions of simple investors in the last run of that thing. And they have killed it several times in between. This time, I think they will do it long before it ever gets to that extreme. As Another said, gold is presently the most important money in the world. This should make it important to you.

Steve, "Why the full-court press now?" Not now, but a month or so ago, around $280. The action was heating up then so I didn't wait for any lower. Delivery could have been a problem then and it could be even more of a problem now? For me, it makes little difference from here on out. For others, it's going to make a great difference.

I'll be away for a while. FOA

FOA (08/06/99; 10:09:22MDT - Msg ID:10486)
Several posts.

Canuck (08/06/99; 05:29:55MDT - Msg ID:10468)
Response
Bill, The Scot, & Stranger,
As The Unknown Economist recently stated, '...let's not complicate the issue ...'
Gold is either going to go up or its going to go down. I believe Watcher and I are in the same school, that is, gold has an inverse relationship to money. If stocks, dollars, etc. (boom) gold will go down, if they bust, gold goes up.
I have 'poised' myself (cash) to enter into gold very quickly (15 minutes) if Y2K rears its ugly head. I'm, in general terms, 80% cash, 10% PM's, 10% resource.

Canuck,
I'm going to make several posts now. Please read all of them as together.

I would like to comment on your post. Most people in this era live their lives with little fear of change. As "The Unknown Economist" puts it, we are way too complicated. Just keep it simple! I agree. The majority of us can and do drive down the highway without seat belts. If we see to
many wrecks, then it's time to buckle up. On a golf course, don't worry about lightning. Get off the green only after several people have been hit, close by!

Most of the world functions in this way. Be it in private life or business, the perception is that we can rearrange our strategy "IF" things start to look bad. The reason we build on this mindset is because the odds are in our favor. Through out time, seldom do events turn so radically against us that we cannot dive for cover before all is lost.

This is the "steady as we go", "let's not go overboard", "play the odds of recent history to your favor" thinking that perhaps Stranger and several others here promote, regarding gold. It could be a good bet. But, if you follow the reasoning offered by myself, based upon the thinking of
Another, we could be about to make one of those "once in several centuries changes".

When things do change to this degree, history has shown that it's always these "regular simple thinking" people that get ground up, "unmercifully"! Canuck, you are "'poised' (cash) to enter into gold very quickly (15 minutes)". That's fine, but a "fantastic financial crisis" may, this time, lock up the very system you use to function in. Your order may book in 5 minutes, but if the other side of your deal can't close, you will receive nothing! During these few times that events reverse "big time major on a world class scale", everybody holds onto what is considered "most dear". You will hear this often: " Yea, I owe you 5,000 barrels of oil. Yes, I have it, but it's going somewhere else because your deal with me is not as important as my deal with this other guy. He has something I need more, so get in line and kill me or sue me! I'm bankrupt anyway!" This is the way business dealings are resolved during war, natural disasters and major international disputes. Your, so called "lightning fast trade", is killed by a much larger breakdown involving much larger players.

Truly, I don't expect most people to change from this current line of thinking that embraces a "western style" of secure economics. If they did, it would negate thousands of years of natural human behavior. Most of the time, people will continue to play with paper contracts right up to and during the "burning of Roam". The Hunts thought they had "big" oil in Libya. They even borrowed against those assets as banks clamored to lend against these secure in ground holdings. Right up to the last

day, traders booked contracts against delivery of those producing wells. Then, in a split second, it was nationalized. All gone! The same will be seen with gold stocks one day. Traders will buy them right down to .05, and still say, "I know it will come back with the demand for gold because the asset value is in the ground". Heard this before Carl? Gold goes from $100 to $10,000 during the crisis, and someone bigger (the local government?) then the shareholders says:

"Yes, I have it, but it's going somewhere else because your deal with me is not as important as my deal with this other guy. He has something I need more, so get in line and kill me or sue me!"

None of this is anything new. It's just that most "westerners" haven't been defaulted on recently, in a big way. Think about it. FOA

FOA (08/06/99; 10:14:02MDT - Msg ID:10487)

Several Posts

Hello ET, your words:
"I'm extremely reluctant to take 'anonymous' articles seriously."

ET,
Another never wanted me or anyone else to "take anonymous articles seriously"! He wants you to consider the content, apply them to the real / current events and with the education time brings, come to an opinion on your own. Then you should "take your thoughts as unanonymous" and act
on them in your families best interest.

Many of us are a "world" apart in our perception of money. Another is trying to bridge that gap using human experience. FOA

ALSO:

ET (08/05/99; 17:04:25MDT - Msg ID:10440)
FOA
Hey FOA - thanks for your response. Yes, as you have probably been able to tell I am certainly concerned about the return of my wealth. It is an easy decision. Your point about current 'bets' having to have the current framework to work is well taken.I think what few realize today is that the current framework is subject to the same market forces as any other. The dollar framework must compete with other forms of money. To think otherwise one would have to take a very, very short view of economic history. A 'bet' on one system exclusive of all others is actually a very risky venture. Not only must the 'bet' in the system produce a return to be successful but the system itself must remain successful. A two part failure here could cause one to lose not only the 'bet' but one's total savings if all is denominated in the system's units.
Too risky for me. I don't think one can be too conservative at this point in time.
Thanks for all your thoughts, FOA. They are always most enlightening.
ET

ET,
As others would be glad to know that I understand their motives and reasoning, so am I happy to see you "know where I'm coming from"! thanks FOA

FOA (08/06/99; 10:16:30MDT - Msg ID:10489)

Several Posts

Golden Truth (08/06/99; 01:19:34MDT - Msg ID:10457)
Sparks Fly Over GOLD Pegged At $200.
http://www.nationalpost.com
This article proves the tremendous tug of war that is going on to have two extreme views like this.It proves something is terribly wrong with GOLD!
I have to come back to F.O.A comments about how he disagrees with Another over the Market imploding or Exploding. It seems even the experts can't decide either way it should be very interesting to watch. Another says implode, F.O.A says explode, in my simple and humble understanding of the events to be played out.

GT,
Yes, I got hit right between the eyes when Another put this reasoning to me. Anyone that does not have a firm grasp of this "new gold market" is going to need a lot of guts and conviction to continue to hold even physical gold as this plays out. It could go either way, but the downside will
hammer the current "secure trade and paper mentality" of most Americans. (see my last post to
Canuck)
Most traders / investors are just looking for a little new inflation or some type of Y2K disruption to bring gold (and gold stocks) up. The process of moving away from the current gold market to a mostly world physical market could have the effect of driving down the quotes of London gold. Because, every physical dealer and trader buys from someone "upstream" from himself, we must look to the ultimate creators of the "gold price" to see how it's made. At the very top of the food chain, are all the menders of the LBMA, most of the major banks of the world. Practically all of their price setting function revolves around the paper trading of "allocated or unallocated" bullion accounts and the cash settlement of future delivery contracts. All marked to the market and settled in dollars. If the world begins to move away from "investing in gold" using dollar settlement and towards outright physical delivery (as represented by vault certificates) settled in, say Euros???? I think such a process will bring a shrinking liquidity into the dollar gold market along with lower quotes for "contract gold". Just as one bids the price of bonds down from $1,000 par to say, $300, not because the yield isn't good, but because the principal may never be paid.

Because "this new gold market" operates in a kind of parallel universe, most "western traders" will not see the dynamic at work. It will appear on their computer screens as falling gold prices on the world dollar market and increasing premiums on physical gold. If the London price is $100, and your dealer sells it at $650, the press will say that the premiums on coins have risen to $550 because of gold horders (or something to that effect). It will come across that anyone that buys gold at $650 is getting "ripped off" (english pronouncement) because everyone knows that the true gold price is set in london at $100. This is the arena that the mines may get dragged into. Forced by the bullion banks to sell into London in much the same way they forced NEM to hedge. Today, LBMA controls most of the world mines. Believe it!

So, I hope this is understandable? FOA

FOA (08/06/99; 10:20:25MDT - Msg ID:10490)

Several posts

TownCrier (08/05/99; 09:56:18MDT - Msg ID:10412)

IMF gold sale uncertainty priced in, dealers say
http://biz.yahoo.com/rf/990805/wr.html
So essentially, if by some miracle the IMF sale were to be approved, there would be no further slide in price. But if the official word came that the sale would not occur, a big rebound mayhap...?
"Leach, a Republican from Iowa, said a number of alternatives cropped up at the meeting, among them the idea of revaluing IMF gold closer to market prices to give the institution more assets with which to furnish debt relief."
If they were to officially mark the gold to market price, they essentially throw in the towel on the current system as we know it, right? The BIS- (and euro-)type system prevails. Right?
ANOTHER or FOA, do you have a wise word or two on this? Anyone else?

TC,
A lot of people read your items. Thanks for posting them along with your comments!

This is a perception everyone may miss, but, if the IMF gold "doesn't" come to market, it would further damage the LBMA paper system and force a further lowering of bids on the world gold market. See my last several posts, especially the one to Golden Truth.

A loss of gold backing begs the question: "why do I bid par for London gold is it may not be backed with full physical delivery"? So, to the American investor, he just sees a further confusing and conflicting event as the world gold price falls as the Swiss, IMF and perhaps BOE sales are
withdrawn!

Can we now envision why a new physical market for gold priced in Euros may evolve?

FOA

FOA (08/06/99; 11:14:24MDT - Msg ID:10496)

Several Posts

Clint H (08/06/99; 07:49:04MDT - Msg ID:10472)
natural gas conversion
Cavan Man, Koan and all those who factor in natural gas as a competitor to OPEC. For natural gas to compete with oil above $20 per barrel is feasible. However the capital outlay
to build refineries to produce any meaningful quantity would be tremendous. Suppose OPEC raised the price of oil to $50 per barrel today. Eureka! We now start building refineries all over the world. Pilot plants first to perfect the technology, then plan for full factory construction and finally huge production into storage tanks for delivery into the market at a profit margin. Years of work, billions of dollars in capital outlay and the dream of a quick payoff. In this dream there is a $30 per barrel profit. OPEC drops the price to $19 per barrel. Natural gas conversion plants operate at a loss, can't service their debt and go bankrupt.
IMHO natural gas conversion will not take place until the supply of oil is such that it cannot possibly drop below the conversion costs. Decades away.

Hello Clint H.,
Thank you very much for posting that. Your thoughts present the world in the viewpoint of someone "in the business". Not someone trying to project from a

university desk.

A lot of people got cleaned out in the last oil runup and fall down. The average citizen only looks at the mechanics of BTU comparisons, then jumps to the conclusion that "we are saved from our sins" by this law of physics! A joke on the public, indeed.

It should be clear, by now that the supply of oil to the marketplace was never based on the amount of oil that could come from the ground. Politics and international money values have everything to do with how oil is sold. And these attributes are in a state of constant flux! They don't control the amount of oil, rather the value of oil. After all these years and an actual hot war in the middle east, the oil price never went up and stayed up in dollars. As WWC #10461 points out , tanks are as full as ever. Now, suddenly right after the EMU, the price of oil starts rising, as it pulls up the Euro! At the same time, the gold market is sliding into a crisis that, as Mr. Turk wisely observes, has never been seen before?

While many wait for the oil price to come down from "competition" and "the Euro to sink because it could never work", the world reserve currency is being abandoned right before their eyes!

Stay right here at USAGOLD, where Mr. Michael Kosares is only a quick phone call away! The coming events are going to open some closed minds as they reverse the actions of many
investors. It will be poured out, a little at a time until the knowledge glass is full.

FOA

FOA (08/06/99; 12:08:37MDT - Msg ID:10498)

Last of several posts

USAGOLD (08/06/99; 09:16:08MDT - Msg ID:10480)
" I also believe that each of these currencies will be linked in some with gold. The euro serves as a prototype for the currency of the future. Stretching out the implications of such an international exchange rate system, gold owners who have assiduously exchanged dollars for hard metal over the years will be major beneficiaries of such a system. The dollar price of gold would have to be substantially higher than what it is today to make the reserve system workable, just as a much higher price than $35 was necessary to make the post-Bretton Woods floating exchange rate system work."

Michael,
Good report. I agree, In some way, gold will have to be brought back into the money system. Only, the current gold market will have to die first. That process could take London gold way up or way down. It's taking longer than I thought to play out, but it's starting to crack now. This
should get real interesting! FOA

FOA (08/06/99; 12:30:20MDT - Msg ID:10501)

Reply!

Aristotle,

Thank you very much sir! I am going away for a little while and will return later this weekend. FOA

FOA (08/09/99; 08:58:20MDT - Msg ID:10737)

Comment

Quabbin, Your link to this story is indeed a must read. Especially the one part I post below. As I pointed out in my posts a few days ago, the failure to deliver future sales by BOE, IMF or the Swiss could further drive confidence in this market to new lows. The result of "making new confidence lows" would be seen in the public as a withdrawal of bids for gold using LBMA menders. As such, the present world gold price making mechanism would be creating new lows in the gold price you follow, even as demand for real bullion soars "off market". A perplexing situation, indeed as most everyone muse sell their gold production and holdings into the paper "derivatives" markets using london prices.

To ALL: Before you discount that fact, find me someone that doesn't, then we talk.

A new gold market to be created soon, using Euro settlement and backed with oil demand. Believe it! FOA

Below: part of your link:

Quabbin (08/09/99; 08:00:09MDT - Msg ID:10731)
http://www.kitco.com/_a/news/474.htm

City: Passing the buck for that raid on the golden eggs
Source: The Daily Telegraph London
A concern of his at home must be the future of the London market. As the world's biggest market in gold bullion, it contributes to the critical mass of financial services on which the City must depend. For historic and operational reasons, this market has always been close to the Bank of
England. Now it knows that there will be a SALE sign at the Bank until further notice. Its customers know that, too, and so do its competitors. Gold no longer comes to this country on the Union-Castle liners, and the market could go anywhere. Mr George, who understands the ways of markets, can work that out for himself. No wonder he winced when he was told to put up the SALE sign.----------

FOA (8/10/99; 9:34:11MDT - Msg ID:10809)

Comment

ALL: I wish there was some way one could signal their feelings during a post. It seems that I often present a comment or response that is taken as a "retort" to what someone else has written even though it wasn't. My reply to ET about "anonymous" posters was given as clarification rather than being critical. Perhaps a I should preface with a (smile) or (frown) or (just thinking) to impart the feelings (facial english?) one would receive in a direct conversation? It's better that, than some of the things seen on other sites. I know it would upset the flavor of this forum ,(and MK) might not approve if I offered a (pie in your face) or (get out of here with that) before some reply posts. I guess not. It would be tempting? Probably would never hear from Another again, if I did. Anyway:

SteveH,
I was reading your post to Jason.

SteveH (08/06/99; 04:00:13MDT - Msg ID:10466)
Jason
It seems the more you want something the less likely it is to happen. We know gold will ultimately rise. We know that FOA believes it will rise soon enough but we don't know when. Everyone's clock ticks differently. Further, it is becoming a sad affair of "us or them at this point." In other words, why is it that for us to benefit from gold's rise, those who hold gold back would suffer the most and they hold the purse strings? That is what is seems to boiling down to. I feel Bill Murphy's frustration. It isn't right that it has to be this way. But it sure seems as though it is turning out that way. And, that just isn't
fair, is it? Life is all about win-win, not we loose-they win. How can it have come this far? It is if we all feel guilty for wanting our investments to rise, knowing more everyday that for them to do that means a greater and greater chance of financial collapse. Something not right about that.

Steve, (just thinking):
I wouldn't think of it in quite those terms. Gold is an international savings account that spans every generation through out history. Even the use of currency as a warehouse receipt for gold is a short lived experience compared to gold. Further along, compared to the time line of gold, the
use of paper currency "by itself" is an experiment of this current era only. The young people that have grown up during this period can not be blamed for seeing little use for gold. The only reason they continue to follow this current paper trend is the lack of major loses from currency
destruction. No one ever forgets the impact of a "money wipeout" upon their life's savings. Once experienced, the discussion once again returns back to the "damming factors" of unbacked money use.
When we follow the politics of world finance, it becomes clear that the "present system" players are only fighting to keep what they have. This "present system" inflates their portfolios with "fictional values" that would not exist outside government fiat currencies. Yet they believe these assets were well deserved rewards, received from implementing prudent trading practices. The ideals of gold do not rob world investors of their holdings, rather it correctly denominates these assets at much lower values. It's like them using an unrigged scale to weigh the beef. It shows them as having 10 lbs instead of the 100 lbs they really think they had. In this light we should understand that they (world traders) don't lose in the transition. They didn't have the extra 90lbs in the first place so why must we think someone is taking a hit?

So, will the use of gold take down the system? No! The "present system" will be "taken down" by the very same players that participate in it. Their own human nature will drive them to dump their 100lbs before it's weighed on a true scale. Recent history is full of examples of people
destroying their own paper currencies in a race to offload it on someone else before it's weighed. "Quickly now, exchange your currency to the next guy so he takes the loss!" Such is life.

FOA

FOA (8/10/99; 10:23:41MDT - Msg ID:10813)
Comment
koan (08/06/99; 01:10:21MDT - Msg ID:10456)

oil thing
More thoughts on this oil question. I think, and someone correct me if am wrong, the oil industry - US, Japan and Europe- is working feverishly to perfect the technology and reduce costs with regard to coverting natural gas to oil products. It is my understanding that this is a big deal, as
there is so much gas, and it would reduce the reliance on the middle east - of course that begs the question would the middle east decide to make as much as they can now before the technology is perfected.

Hello Koan (just thinking),
Your words and my thoughts:

------US, Japan and Europe- is working feverishly to perfect the technology and reduce costs with regard to coverting natural gas to oil products.------

I don't think feverishly is a good term. Yes, they are working on it, but they are light years away from making it competitive. Any technology improvements would have to also price in the infrastructure to provide such a product to the marketplace. Present innovations would require $50+ oil to even get started. Besides, the US already has tons of natural gas yet it is still bottled up in political state to state regulations. It's already competitive in some applications, as is and no one is switching. Politics plays as big a part in energy as it does in money. It seems that no matter how much we improve our physical processes, the greed of people always get in the way.

----------of course that begs the question would the middle east decide to make as much as they can now before the technology is perfected.---------

The US was the very first to implement price controls on oil to prevent it from falling too far. Have you read Aristotle's work about the "TRC"? The oil producers were never worried about the US coming up with innovations that would drive the price of oil down. Our (US) own political
interest will always control the price of anything that would jeopardize national security. Low internal energy prices in the US would force foreign oil to switch settlement currencies and then deliver oil very, very cheaply. The resulting domestic inflation from a new reserve currency would cause the local US producers to become massively noncompetitive! You see, governments can and have manipulated technological advances just as much as they do currencies. That is the Human factor that blocks your "brave new world" of human advances. My friend, we are quick to steal from each other!

FOA

ANOTHER (8/10/99; 10:53:32MDT - Msg ID:10815)
Reply!
USAGOLD (08/06/99; 14:06:20MDT - Msg ID:10511)
To Another from Yukon Gold (YGM)
By E-mail:
Dear Another: To keep this brief please let me join many others in thanking you for all of your time taken to share your vast knowledge and understanding of these interesting times and their relationship to Gold. My education grows daily thanks to you and many others. As a Yukon Gold Miner (YGM) who became pro-active in an attempt to fight gold price manipulation thru GATA,I now find myself trying to relax and go with the flow and flux of world events and rest assured, safe in the

knowledge that I own many miles of Gold bearing river beds. (Placer Gold Claims) Also I have the equipment needed to mine at any time.
** So now my question to you is-- Does Government view this Gold on my claims as a future asset??** I must also state that Gov't meddling and a never-ending continuous flow of new and cost restrictive not to mention ridiculous laws and regulations come out of Ottawa (fed gov't) with a net result of hampering the operations of all placer mining here in Canada. The favourite avenue to restrict is thru environmental laws. It almost seems as tho our Federal Goverment wants all placer operations to fail thru regulation.
Do you, from where you sit think the days of freely being able to mine Gold (primarily small scale)by individuals is at risk??
Thanks for taking the time to read this:
Sincerely: YGM (worried)!!

Mr. YGM,
All legal tender is owned by your state. Government money is yours for the use only. It be the not legal act to destroy treasury dollar notes, yes? As private citizen, your ownership is in what these notes may purchase, not the notes. When gold was the "tender" of your country, the
government did have right to "repossess" it's "tender", where ever it be.

Today, gold is not your money, therefore, gold in ground is asset, most private of citizen. If America does make gold "Legal Tender" again, gold in hand would remain "in hand" as money. But, gold production from ground must be sold to state. As such, the profit from production of money, that was once the paper production and ownership of treasury, would again return to treasury.

A problem for the thinker of western thought. If government did take gold from foreign dollar holders, it, by nature, may take gold from you, coin it and then pay you the wage. These coins in return, not be the world price of gold. If one could move mine to place of safety, perhaps this fate
is escaped.

Thank You
Another

FOA (8/10/99; 19:56:56MDT - Msg ID:10858)
Comment
http://www.gold-eagle.com/editorials_99/hickel080999.html
Golden Truth, reading yur post and "just thinking":

Golden Truth (08/09/99; 14:47:03MDT - Msg ID:10756)
TO F.O.A, MSG I.D: 10737
I agree that Confidence or "lack of" could drive the GOLD to new lows. If i understand this correctly? Are you saying that who would want to buy "Paper GOLD" if ther is no physical GOLD to back it up? There for the paper price drops which then creates this "invented" World spot price for GOLD?
I had this thought pop into my mind just now about "Cheese Cake" It goes something like this "the price of cheesecake is dropping because they say no one is buying, I say it is dropping because many are buying" ANOTHER?

GT,
The Cheese Cake thing came when others lost the trend of Another's Thoughts.

Some time back (perhaps way back) he offered something to the effect that "gold is falling in price because so many investors are buying it". This was a real lost effort on some readers that didn't understand the full dynamic of the lending business. If I remember right, in that time the LBMA and the BIS both wanted gold to continue trending down. Yes, they were working together, but for different purposes and different final results. World investors were buying physical gold in volume, so these government entities pushed even further into lending to free up more physical from private holders. It had the effect of lowering gold's market price even as more buyers emerged. No one could understand it then as the full manipulation story was still mostly hidden. Another was talking to a larger audience then and didn't worry that a few didn't grasp it.

Today, the dynamic has changed with the now obvious differences of intentions between the factions that are controlling gold. The Dollar/IMF/LBMA group are clearly in trouble as their portions of the lending business is much larger and in need of a constant new supply of CB vault
guarantees. They were hung out to dry after the Euro birth and the Euro/BIS people blocked all further gold sales. A political double cross? We could talk for hours about this! (before you go any further, I hope you have read my last dozen or so posts) Anyway; the gold price as we know it, is created by the LBMA. Without a further supply of CB lent/leased gold or outright sales to Bullion Merchant members (BOE sale), most of the fractional reserve dollar gold loans cannot be closed with bullion. We are seeing the beginnings of this effect in the current rise of lease rates. This is the reason I urged the purchase and delivery of physical gold, several months ago. If you search my posts, I offered that major players were "grabbing the gold and running like mad".

"Another" counseled later that the gold market, as we know it was in danger of failing. In this case, failing means less and less major players are offering bids for future paper in the top tier markets because the gold can't be supplied. This loss of bids allows the paper price to fall further as present paper holders also attempt to sell. This is the "EXACT" reason that gold does not respond to the major financial events of today! Believe it! Local downstream physical dealers, because they use the Comex and LBMA paper market as a price creator, continue to sell gold at lower prices even as buyers come in droves. This brings me to MKs question of physical supply. I get to it in another post.

SteveH offered a very good timeline of these events on the Gold Eagle site. See the link above.

We are headed directly into a storm of events that are being created by the downfall of the dollar as a reserve currency. Gandalf the White wanted to know when? The BIS is letting the dollar slide down a slope it was going down anyway. So my answer is: Any day, my friend, any
day. FOA

Aragorn III (8/11/99; 2:39:01MDT - Msg ID:10880)

Coming to terms with the dollar and with money (a continuation from earlier)

My good friend Aristotle has relayed to you much of the modern story. (Where has he been these days?) I am pleased it met with acknowledgements regarding its assistance, and would like to continue with perhaps some additional background for assistance to some in the understanding of money. Please forgive me the many

oversights for which haste may have to play the fall guy. As later time allows, I shall attempt to repair what is necessary, but meanwhile this should help continue our dialog on these matters.

This is where we left off from before, more or less... (08/08/99; 17:19:07MDT - Msg ID:10664)
"...It should be obvious by the nature of our topic (money) that our conversation is focused on tomorrow, in addition to today. Were we to be truly concerned about today only, we would instead discuss whether our needs of food, clothing, and shelter had been adequately met, we would not speak of money. To speak of money is to speak of today's confidence in our ability of meeting tomorrow's needs."

A currency with an unknown expiration date is arguably of limited use for the role we expect our money to play...to hold its value within acceptable limits of fluctuation based on normal market pressures and thereby successfully fulfill its ultimate destiny to be spent as a medium of exchange for our future needs (food, clothing, shelter, hardware, medicine, etc.). No one wants to be the one left holding the bag when the purchasing value drops out the bottom.

Prior to 1971 the dollar was truly money (gold standard defined the dollar as gold) in the international economy, freely convertible with gold, with an equivalency of 1 oz. @ $35 -- FIXED, no questions asked! (Though it is fair to say there was squawking from time to time when overseas paper came home for redemption). Unfortunately, the U.S. had painted itself into a corner and was trapped. Here is how it happened.

Prior to 1933 the U.S. was on a gold standard domestically, also, at which time the equivalency was 1 oz. @ $20.67 -- fixed, no questions asked. A bank would readily exchange paper currency for the equivalent gold currency on demand. There was a general confidence in the banking institutions, and people were content to use their paper dollar equivalents, and further, were content to let their deposits remain in the bank. Fractional reserve lending privileges allowed banks to expand the money supply--YES...even while on a fixed gold standard! As long as not everyone together would choose to withdraw their money and convert the paper proxies for the gold dollars, this fractional reserve lending privilege did not cause any apparent problems. Did prices stay reasonable as the dollar still appeared "good as gold"? I give you... The Roaring Twenties! When the attendant stock market bubble popped in 1929, the financial system, and much necessary confidence began to unravel, and the bank run became a probationary event for the Olympics. In 1929, 659 banks failed. In 1930, 1352 banks failed. In 1931, 2294 banks failed. Late 1932 and early 1933 witnessed this trend swell to envelop not small or isolated banks alone anymore, but entire communities and statewide banking institutions. (I will tell you that by 1933's end, nearly half of U.S. banks had disappeared...such is the "privilege" of issuing excessive claims on money that cannot be backed through this fractional reserve system!)

You can see why the Roosevelt Executive Order of a bank holiday effective March 6, 1933 was something other than a trip to the beach. In this year, 4004 banks failed, or else were found to be unfit to reopen at the end of the "holiday". In the following year, only 62 failed. Why? Because as you already know, it was at this point that President Roosevelt took the money (gold) out of the domestic dollar, and it should be obvious to us all that a crippling bank run is no longer a threat when a bank need not be held to deliver real money. It could easily deliver the ledger numbers endlessly in portable paper form. A bank run becomes meaningless because the

people are not at risk of being cheated by arriving too late, they have all already been cheated 100% in full! The government knew international parties would not fall for such trickery, so the gold convertibility was maintained, but only after defaulting on the paper dollars they held by redefining their equivalency to 1 oz. @ $35 (as was maintained from this point until the Second World War, and reaffirmed at Bretton Woods until 1971).

With domestic U.S. companies and citizens now subject to the inflationary dollar supply through fractional reserve lending, and a new dollar that even with the best confidence was not as "good as gold" within the U.S. borders, the anticipated effect of higher wages and higher prices was soon to follow. Here is the trap we fashioned for ourselves. The U.S. dollar would easily buy overseas products, as simple math and occasional "confidence reassurances" (by testing the success of convertibility) proved that to be paid $35 was truly to be paid one ounce of gold. Foreign goods were then priced accordingly, and imports flowed to American shores in due course as we spent down our national gold savings. And what of our balance of trade...the exports?

Domestically, with higher wages and prices reflecting a paper dollar rather than a gold dollar, American goods were not a bargain to foreign shoppers. The dollar itself (gold) was the best deal they could get from America in exchange for their own goods, and this money would then be used to shop where a gold dollar was properly held in value...anywhere but America! U.S. imports rose and exports fell against each other until the risk of gold exhaustion caused President Nixon to end international convertibility in 1971. This was essentially a world-scale replay of the 1933 Roosevelt action for the same reason...too many claims had been created on the gold money, and when the confidence for convertibility eroded to bring about a "bank run", the paper system failed to continue in its former manifestation. In the 1930's, gold was made available only outside the U.S. and the paper "price" rose from $20.67 to $35...a 70% increase. In 1971, the paper currencies lost their attachment to real money everywhere else in the world, and gold found a paper "price" in the many hundreds. So ended a time period of an fixed notion of a dollar's value.

Today, the international need for long-term reliable money still exists. Only gold can play that role to satisfaction. Speculators aside, the paper gold trade (as largely explained in Aristotle's work--which can be found at the Hall of Fame link atop this page--in the event you are newly arrived to our Round Table) has functioned as a much needed currency of gold in a fashion very similar to that just described for the dollar during the Roaring Twenties...albeit with a floating dollar attachment rather than a fixed one. The paper gold is received and held as a contract that specifies a right to gold delivery, perhaps some as a lump sum, perhaps as installments. (Contracts can be written so many ways!) The key parallel, and purpose of this post is to show you that this works only as long as confidence is retained, and that excessive issues of claims has not jeopardized the real ability to get gold without being the one left holding the bag of paper gold when the bottom drops out.

These various gold contracts have been a temporary patch in the monetary system, filling a niche in the economic environment of the world. You see why the dollar failed in 1933...too many claims issued on the available gold. You see why the "new dollar" failed in 1971...too many claims issued on the available gold. You see why the "new patchwork currency" of paper gold contracts will fail in due course...too many claims issued on the available gold. The caution is that more is in jeopardy

than only the viability of this paper gold system. The dollar stands to fall with it as the excess paper side is firmly attached to dollars. In the 1920's, you might run to the bank with your "paper side of the deal", and the bank would be expected to make the contract "whole" by honoring the gold side or else it would FAIL trying--with no where else to turn. The parallel in today's system is that you might run to your contract writer (bullion bank) with your "paper side of the deal", and when the bank cannot itself produce the gold to settle the claim, it will have no choice but to turn to the spot gold market (if central banks will not stand for the clearing of gold reserves--such as the U.S. would not in 1971!) to buy gold with dollars, or else FAIL the dollar and themselves in the attempt.

Look for signs of lost confidence in the paper gold system to read the road ahead. Abnormally high lease rates on borrowed gold. The Bank of England, in the backyard of the LBMA, is selling much of its preciously small gold reserves into the hands of this same LBMA. The BoE has been the primary agent to push for IMF sales of gold. LBMA average daily turnover has been slowing, (to be taken as a sign of failing support of this paper system perhaps?) The ECB has called for a halt to gold lending activity among the euro system of member banks. This aggravates the fractional reserve system that depends on new loans to out pace loan repayments to the extent not provided by dishoarding and new production. And on those accounts, Y2K and low prices have brought record bullion sales, and these same low prices have brought failing mine production through shutdowns and curbed exploration. The warning signs are plentiful. When this paper system collapses, the gold metal that always remains will inherit the value currently spread thin throughout the expansive paper system.

got gold?

FOA (8/11/99; 7:17:03MDT - Msg ID:10890)

PAPER GOLD!

Michael,
I hope to comment on your question as I refer to several others. For everyone here, I will post each persons comments as I work on an understandable reply, but first:

Aragorn,
What a great post this was: Aragorn III (8/11/99; 2:39:01MDT - Msg ID:10880) Everyone should read this and make sure you grasp it. Even better, first read Aristotle " Life on Earth: Gold and the Free Market" listed in the USAGOLD hall of fame. After that read SteveH's "25-Year Chronology of Gold" listed at: http://www.gold-eagle.com/editorials_99/hickel080999.html

Once you have read the above, in order, come and read my next post later on, as we are going to get further into this topic.-------

Canuck: I read your post and, will comment as I am best able.

Canuck (8/10/99; 21:17:00MDT - Msg ID:10866)
FOA re:your last post
I have to ask a simple question that I hope you can answer very simply. I will be straight forward and completely honest. I simply don't understand this 'paper' versus 'physical' concept at all. I read your last post several times (and all other posts re paper vs physical) and at the moment when I think I have it I loose it. MK even asked today, something along the line of, "...with demand reaching such highs what

is holding the price down...."

Canuck,
After reading the top listed items, try to grasp this first part of my work (edited by Another)
ANOTHER (7/10/99; 17:35:55MDT - Msg ID:8633), then I will continue:

Gold: Saving Real Money In A Time Of Transition
Introduction

-----A gentleman leans over the fence and tells his neighbor that gold is going to rise in price from it's current $300. As the person on the other side of the fence thinks differently, they both agree to a binding bet. In three months, we will settle up with a payment of the change in the price of one hundred ounces of gold. Whatever it rises, the "bull" collects that amount. Likewise,whatever it falls, the "bear" collects from the bull. Each puts a $1500 payment guarantee into a common shoe box and gives it to another neighbor for safekeeping.

As an observer of the above, we have just witnessed the creation of a wager not unlike a comex futures contract. On each side of the fence stands a long and a short, that together create an open interest of one contract. Neither has any intention of buying gold, nor do they expect
physical gold to be a part of this bet. Yet, at cocktail parties and on public internet forums, one claims to have "brought gold" and the other states that he "sold gold".--

I will post later. thanks FOA

FOA (08/11/99; 21:47:49MDT - Msg ID:10973)
A very long day!
Goldman Sachs stopped 4,718 contracts!! Ha Ha, who said Warren Buffet doesn't like gold?

Must read:
Aragorn III (8/11/99; 2:39:01MDT - Msg ID:10880)
SteveH (8/11/99; 6:40:22MDT - Msg ID:10888) oro
FOA (8/11/99; 7:17:03MDT - Msg ID:10890)

Canuck,
I have been in deep thought and discussion with a number of people today. Will do my best to get this posted in a simple form with the time left. I have to repeat, that post by Aragorn was presented in a way must certainly give a guideline to others. Every person receives information
and concepts differently. Myself and Another could never present this in a light that could be perceived by a large mass of people. With others writing from their own viewpoint, the message is more easily engaged. As events occur, the motives and the intent of this puzzle will become
public discussion on many mediums.

SteveH, I didn't read your #10888 before posting to Canuck. I don't know ORO but he does have the technical ability to present his view of this market in a higher format. He sounds like a player that has had ties to Bullion Bankers. Sometimes, a person in "position" sees things they
can't explain. Then a few clues come along that make it all fall in place. Anyway, it's

also an excellent run down of the present situation that, like Aragorn, brings us right up into today's action.

So Canuck, Paper Gold? Here is a story that could be true.

Have you ever been to a high profile cocktail party with a bunch of mover / trader types. The talk always gets into investments then sooner or later international finance and money flows. Of the gold bulls: One guy says he is "betting" on gold and brought and paid for 1,000 K-rands.

Another says he is also "betting" on gold and brought 200 Comex futures. Then a third, the money man that gave the party, says he had his broker go long some major gold commitments in London.

The average observer would perceive from this discussion that these gentlemen all brought gold. However, his observations would be only 1/3 right. Let's look at these investments "in context".

The first person was the only one that brought gold. He said he was "betting" on gold, but in true context, he was the only one that was "investing" in the metal. His casual use of the term "bet" was for him only a figure of speech and did not carry the same meaning as the other two. It's also, most important to grasp that his investment was the only one that actually created a demand for the metal.

The next person was, in every sense of the word "betting" on the gold. He only put a small cash deposit with his broker and paid a commission to buy 200 contracts. Let's say I was the floor trader that took the other side of those contracts. I also had to place some cash as a deposit to
take the other side of that position. In the true context of this trade, gold is not involved. Neither one of us expects to buy or sell or in any way move any gold. I don't have any gold to sell him anyway, nor does he have enough money to pay for the 20,000 ounces those contracts represent
(for discussion let's say he is like 90% of the people that trade this arena and I know his financial position) So, if we are not buying and selling gold, what are we really doing? He and I are "betting" "ON THE PRICE OF GOLD". The only reason there is any gold in the warehouse, is to
make the contracts legal. Truly, there doesn't need to be any gold deposited for these trades to be successfully concluded. In the rare event that some players want real gold, the short would just go out and buy and deliver it. (Bear in mind that we are trying to understand the concept, not the finer points of the rules and regs. of this arena.) If the price goes up he takes some of my cash. If the price goes down, I take some of his cash. The whole game is about cash, not gold. Why is it so important to drag this point out? Because, the trading of Paper Gold has a very small impact on the demand for gold, compared to the amounts of paper traded! Yet, in today's world gold market, the price paid by investors (not gamblers) for the purchase of real gold is created in these very paper gold markets. Every dealer sells downstream using some derivative price based on
Comex or London.

Let's look at our major player, the money man. He's big, real big. For a number of years he had about 1.4 million ounces of bullion bars in a vault in a Euro depository. Then some bank approached him and asked to use his gold. They would write him a certificate of ownership that committed the bank to owing him the gold. He would

receive a nice yearly fee for this and still have his gold. The only difference is that he now owned Paper Gold. For him, it was time to "get with the program" and "think in this new world era". Besides, the world class size and history of this bank made their "commitment of gold delivery" "as good as gold"! Hell, he had that much in cash with them already and that was loaned out to earn interest, so why not the gold for fat fees? The bank sold the gold for cash and held that cash on deposit as the offsetting position for a negotiated gold loan to a miner. Then they sold the gold loan commitment (but not the gold loan) to a major gold investor that would take delivery of the new mined gold as it came in. That
investor may have used future oil sales as his equity or outright sale of oil futures or just plain cash. The banks original cash was now freed up, because another player was offsetting the gold loan. The miner saw the money in a special account, building interest that would fund his production sales at higher than spot prices. Yet, any time that loan was paid down with gold delivery, it went
directly to another player.

With the original cash raised from the first sale, the bank can now sell it's own gold commitments on the open market to other would be gold owners. Using the funds to support various carry trades for other clients. All the while collecting fees for this good legal service. And
it goes on and on and on and on. Just banking, paper gold banking, that is! The variation to this are as numerous as the people involved. You see, as gold from the private sector poured in, it's sales were used to build a massive infrastructure. And, indeed as long as gold price went down to slightly sideways, it was very profitable.

Canuck, this is how the paper gold trade has been used to first deflate the demand for real gold and second, increase the supply of physical gold. All the while building a massive gold ownership following. The problem is that most of this new ownership is based on cash settlement, using the
price of gold. Usually, in the small print, it states that if gold can't be delivered, they will give you cash based on spot and you can buy it yourself.

Now Michael knows how the demand for physical has been covered with supply from the private sector. As the WGC numbers show, the CBs mostly used gold comments to lend to the middle men while the mechanics of the market used the private stores for supply. On a net basis, very little gold has left the world CB vaults. A fact, not my opinion!
In the event of failure, the "important" customers will be covered by the Euro CBs or made whole in Euros. Everyone else is watching as the private supplies are now gone. What a mess!

Yes, the gold shares will do well as long as investors see gold rising and don't discount the mines need to have an established market to sell into.... However, the miners have never been tested in an environment that has the "establishment" world gold market falling while the physical
market is locked up in a demand crisis. If they (the mines) owe gold to a bullion bank (to repay a gold loan) and the BB has failed, will they be allowed to dump the gold on the market? I doubt it.
Some of them have a clause that allows them to postpone the repay of gold loans in the event of a price spike (ABX???). But, in this crisis the "official" inter bank paper price may fall! Only the physical has risen on what will be described as a "simi black market". I bet they would still have to sell to whoever buys the loan from the defunct BB and sell at the paper price.

Will the media set back and watch the "unhedged" miners, sell $2,000 gold to the public when everyone knows that it should be sold at the official world price of $200? After all, the public still thinks the government price of $42.00 is correct and the present value of $250 is the result of gold bugs? A giant can of worms.

The way I see it: The mines stock will rise. But, is this rise enough to justify the risk the owners will take if this market blows up? Remember, the nature of this new market isn't like the 70s or the 80s gold bulls. No one has ever witnessed the short squeeze of a world class financial
instrument that can not be covered! No printing press resolution here. If the G-7 must intervene and negate all gold clauses, it will most certainly involve an attachment to every mine in an effort to share the pain. They used this market of gold loans to their advantage so part of the problem is also at their doorstep!

Still, the resulting void of paper gold to supply demand would drive all trade into physical purchases. Add this to the concept of the Euro as a new reserve currency and one can see how the dollar price of gold could run into the many thousands. Enough of a value for me to stay in physical only. In the footsteps, my friend!

I'm sorry Canuck, there is just no easy way for me to explain this. I am very tiredand look forward to everyone's discussions on gold at a later time.

Thank you FOA

FOA (08/12/99; 08:03:10MDT - Msg ID:10994)

One Post!

Good day everyone:
There is so much going on right now I cannot possibly keep up. So this will be my one post.

Canuck (8/11/99; 5:35:12MDT - Msg ID:10885)---------Question, funds currently invested
through RRSP (401K?s in the US) do not allow ownership of much other than equities, or in some cases bonds."
Canuck, some people use CEF? Next best thing?

Julia (8/11/99; 9:25:06MDT - Msg ID:10897)----------Hi FOA, Didn't you say once to watch the COMEX to see this new gold market played out? COMEX delivery intention breakdown? What are Issues and Stoppers?
Julia, I said watch Open Interest figures as they will most likely surge into all-time high territory (400,000+++) when an uncontrollable run starts. Comex is the only visible arena that paper shorts can cover in when they can't get the real metal to close trades. Because Comex mostly represents cash bets by longs, the shorts can use cash equity to establish long positions as a means to offset their paper sold position. It's won't close their exposure, only cover it. The OI hasn't spiked yet, but I think it will, big time. As for the local jargon, it just indicates who is locking up real metal deposits. Not much left there, as I think GS is positioning for Mr. WB!
Another said a long time ago (in one of his posts) that his (WB) silver purchases were only front running in a public company. As the cash amounts were real small for his size. His private money was moving quietly into gold. This Comex lock may indicate that there isn't any more (in size)

around?

18KARAT (8/11/99; 13:10:24MDT - Msg ID:10922)
Foreign Purchases of T bonds chart----http://www.investech.com/---Has anyone noticed this?
18K, that chart tells the story. Everyone keeps asking why any entity (or conspiracy) would want to destroy the dollar? Wrong context to view the action. The dollar is being dumped because of the inflationary expansion of this US money. The debt it has created is destroying whole economies. People are moving out of it because they are looking into the future and see a currency that "will" be devalued from it's own sins! If you sell your house and move on, are you killing the neighborhood that made you prosperous? No, you sell because the crime and decay is
going to lower your asset values!

Peter Asher (8/11/99; 13:21:27MDT - Msg ID:10926)----The Credit and Tulipmania Global bubble, cannot burst without destroying most paper held value. What else can they move paper money into and have value survive? On this premise is built the opinion that there will be visible Gold accumulation before there is visible equity distribution."
Peter, Yes! The gold part of this action has been going on for some years in the form of Paper Gold. Only now they will run from Paper gold first, before the physical gold bull!

TownCrier (8/11/99; 13:39:57MDT - Msg ID:10931)---Fed has no comment on Greenspan resignation rumor"
TC, it was a done deal when RR quit. Believe it!

Leigh (8/11/99; 14:42:29MDT - Msg ID:10937)---silver will be re-monetized?
Leigh, the hyped talk about silver has been around sense "forever". It's a good medium to gamble in but the real old world money always has and always will be in gold. I would go against my thoughts and bet on Goldfield (GOLD) or Homestake (HM) long before going for silver.

Orca (8/11/99; 15:20:53MDT - Msg ID:10941)---------It makes no sense that physical gold will increase, but companies that own non mined or just mined physical gold will not share in gold's value. They can hold it or sell it directly to those that want it thus reaping the benefit. Short of total confiscation by governments around the world, this will hold true... and if not, why not?
Orca, confiscation was never my term (that I remember anyway?). Does the government confiscate your assets when they tax your earnings? Do they confiscate oil profits by controlling the local price of oil as the Texas Railroad Commission did? Did they Confiscate oil reserves with
the windfall profits tax (that was retroactive backwards, I might add). In the future, if they said "to promote fair trade and protect the consumer from the fraud of a manipulated private gold market, that has artificially priced gold in the thousands, we, the G-7 propose that all mine sales of gold must be made at the London (or wherever) world market price". Did someone just confiscate a mine here? No way my friend, dig away! (just thinking and smiling, without offense)
koan, I know you are reading this also (as I read all of yours too).

SteveH (8/11/99; 16:04:14MDT - Msg ID:10943)---I take exception to the extremis position that A/FOA hold to the dollar being on its last leg. Who would want this?
Steve, no one wants it, it is just a function of being "free to choose". No one wanted

the British pound to fall from it's centuries old standing as a world reserve currency, but it did. And a lot of people lost a bunch of money in the process.
Also: Your post: One clarification please: "CBs mostly used gold comments to lend to the middle men while the mechanics of the market used the private stores for supply...." If you had to substitute a word for 'comments,' what would it be?
Sorry, bad word. I intended to use commitments, yet guarantees would have been an even better choice.

thanks all, FOA

FOA (8/15/99; 19:10:39MDT - Msg ID:11215)
More tomorrow.
Aristotle,
Glad you are responding to this subject, as I hope to later. I have some very interesting "facts" about the TRC that may also give direction to everyone here (and Koan). I'm sure you will find it especially thought provoking. Here is a sample:

------June 12, 1920 Legislature declares the production and sale of natural gas to be a public utility and gives the Railroad Commission jurisdiction. Tex. Rev. Civ. Stat. Ann. art. 6053 (Vernon 1962)(original version at 11920 Tex. Gen. Laws. ch. 14).-------

-------April 16, 1928 First Rule 37 Case. United States Supreme Court holds that the Act of March 31,1919, conferring authority on the Railroad Commission to administer the oil and gas laws is a proper exercise of the police power of the state in controlling the development of natural resources. Rule 37 was attacked as violating of the 14th Amendment to the U.S. Constitution.Oxford Oil Co. v. Atlantic Oil & Producing Co.,22 F.2d 597 (5th Cir. l927), cert den., 277 U.S. 585. 48 S.Ct. 433 (1928)----------

-------May 11, 1935 Legislature levies a tax on petroleum products and provided for the proceeds to fund the Railroad Commission and the Attorney General's department of enforcement of the oil and gas conservation laws. 1935 Tex. Gen. Laws. ch.245.----------

-------June 21, 1975 Legislature enacts the Texas Surface Mining and Reclamation Act and requires the Railroad Commission to adopt rules and regulations governing the mining of coal, lignite and uranium and the reclamation or restoration of lands disturbed by mining operations. Act
also creates the Interstate Mining Compact and the Texas Mining Council. Tex. Nat. Res. Code Ann. '131 (Vernon 1978) [original version at 1975 Tex. Gen. Laws, ch.690, Tex. Rev. Civ. Stat. art. 5920-10 (Vernon Supp. l979-1980). Also Tex. Nat. Res. Code Ann. Chap. 132 l32.004

FOA

FOA (8/15/99; 19:13:57MDT - Msg ID:11216)
(No Subject)
Aristotle,
By subject, I was thinking about your reply to Koan's post. Be back later.

FOA (8/16/99; 18:21:39MDT - Msg ID:11282)
TRC

ALL:

Aristotle: Life on Earth: Gold and the Free Market

----------The great irony is that a Venezuelan lawyer (and oil minister) named Juan Pablo Perez Alfonso studied and used the Texas Railroad Commission as his model for OPEC, which he co-founded with the Saudi Arabian director of the Office of Petroleum Affairs, Abdullah Tariki, in 1960. OPEC from the beginning maintained that oil was a depleting asset, and it had to be replaced by other assets to balance national budgets and fund developments.----------

When Aristotle wrote his great piece (partly reproduced above) I wondered if others would like to further read the history of the TRC (actually it's called the Railroad Commission of Texas). A fascinating read that gives a clear picture of the how and why it came into being. The TRC
produced "An Informal History Compiled for Its Centennial" in April 1991. They don't talk much about gold, but in a way, because the TRC has been studied and copied worldwide, it's precedent has everything to do with the future of the gold industry in our time. In as much as many of you are
invested in this area, it could be important to understand. Texas "controlled" oil and gas by declaring it's production to be a "public utility".

----------June 12, 1920 Legislature declares the production and sale of natural gas to be a public utility and gives the Railroad Commission jurisdiction. Tex. Rev. Civ. Stat. Ann. art. 6053 (Vernon 1962)(original version at 11920 Tex. Gen. Laws. ch. 14).--------

They never confiscated anything, but in the end controlled it completely. Koan says "we are a nation of laws". Yes, and those laws are created and administered by governments in the interest of people. Not always "all the people" but " the people" never the less. Even the US supreme court
declared that Rule 37 was the proper exercise of government power in controlling "natural resources"! Notice they didn't say "just oil and gas".

-------April 16, 1928 First Rule 37 Case. United States Supreme Court holds that the Act of March 31,1919, conferring authority on the Railroad Commission to administer the oil and gas laws is a proper exercise of the police power of the state in controlling the development of natural resources. Rule 37 was attacked as violating of the 14th Amendment to the U.S.Constitution.Oxford Oil Co. v. Atlantic Oil & Producing Co.,22 F.2d 597 (5th Cir. l927), cert den., 277 U.S. 585. 48 S.Ct. 433 (1928)----------

Even though the Texas Surface Mining Act does not presently contain laws that apply to gold mining, it is but a short jump for the US to declare the production of gold a "public utility" and implement Rule 37 controls on a national level.

-------June 21, 1975 Legislature enacts the Texas Surface Mining and Reclamation Act and requires the Railroad Commission to adopt rules and regulations governing the mining of coal, lignite and uranium and the reclamation or restoration of lands disturbed by mining operations. Act
also creates the Interstate Mining Compact and the Texas Mining Council. Tex. Nat. Res. Code Ann. '131 (Vernon 1978) [original version at 1975 Tex. Gen. Laws, ch.690, Tex. Rev. Civ. Stat. art. 5920-10 (Vernon Supp. l979-1980). Also Tex. Nat. Res. Code Ann. Chap. 132 l32.004

Just so we can read the sign post along the trail, let's see where the TRC came from. The following is indeed a general history that leaves out much of the behind the doors wars that controlled prices. I'll reprint some of their work in an effort to lay a foundation. I believe the Gold industry will quickly come to be governed in the same manner (only much quicker). Perhaps we discuss later.

-An Informal History Compiled for Its Centennial(April 1991)

THE RAILROAD COMMISSION OF TEXAS

CREATION OF THE RAILROAD COMMISSION OF TEXAS

The floor of the Texas House in 1889 and early 1890 was not a peaceful place. The battle had been joined between the railroad supporters and the supporters of Governor James S.
Hogg. While he was Attorney General, Hogg had taken on the railroads, prosecuting several of them as well as the rate-setting organization of railroads, the Texas Traffic Association, for monopolistic actions and conspiracy to discourage competition. In the race for governor which he won in 1890, Hogg had campaigned for the creation of a
commission to regulate the railroads.

In just a few decades, the railroads had turned from being the object of enticements by the state and many communities to being an object of derision. Why this change?

Notwithstanding Mr. Brown's remarks, Texas had early on encouraged the railroads. In 1850, Bexar county became the first of many counties issuing bonds to railway companies
to encourage settlement and communication. In 1852, the State began to grant railroad companies land: 8 sections of 640 acres each for every mile of completed road. Within two
years, that was upped to 16 sections per mile completed.

In the Eastern United States, the railroads followed the people, connecting already existing population centers. In most of Texas, it was the other way around. From the time
of the Republic, it was a recognized policy to set about attracting settlers from back east and the countries of Europe. One way to do that was to have a transportation system already in place. But, railroads are heavily capital intensive--it took a lot of money to do the necessary grading, buy and install the ties and rails, purchase the steam locomotives and cars. Since the companies did not want to invest if there was no market--no people and no goods--the state sweetened the pot by land grants, bond issuances, and loans.

Some railroads were given right-of-ways and alternate sections of public land along them, with the off sections usually going for schools. The railroads advertised heavily back east and abroad to bring in settlers to whom they could sell land from their grant sections. To encourage purchases, the railroads sought to endow selected communities with an aura of stability by aiding in the building of sturdy courthouses, jails, and even churches.

Coming out of the boom in construction that followed the Civil War, the Texas and

Pacific Railway finished construction of its railway line from Texarkana to Sherman and from Longview to Eagle Ford--a total of 251 miles--in 1873. The next portion of the Texas and Pacific began in 1881 as the line moved from Fort Worth toward El Paso, using a land grant from the State for 5,338,528 acres.

By the next year, the law authorizing land grants was repealed--there was no more available public land.

In the decades after the Civil War, the people of Texas began to recognize the power railroad companies held. Dirt roads for wagons were rough and most were short. The state had no navigable waterways. Railroads were the only way to ship materials in and products out. The major railroads had formed an organization, the Texas Traffic Association, which set rates at whatever level it was felt the traffic would bear. One result was an arbitrary cast to some rates: one railroad shipped lumber from East Texas to Nebraska for a lower rate than when it was shipped from East Texas to Dallas. M. M. Crane, a prominent Texas political leader of the time described the situation. "The owners of the railroads were like many other people," he said. "Having the power to charge what they pleased, they were never overly modest in fixing their compensation."

Such abuses and discriminatory rates primed the people of Texas for change. Let's take a more detailed look at those early Texas railroad years and trace the path leading to
effective regulation.

---------EARLY TEXAS RAILROADS------

[from an early(ca. 1940), unpublished Commission manuscript]

The Republic of Texas granted the first government charter on December 16, 1836 to the Texas Rail-Road, Navigation and Banking Company. The company soon dissolved without any stock being sold or a single mile of track laid.

In 1838, the Brazos and Galveston Railroad Company was granted the next charter which included the provision "Congress...shall have the sole power of regulating rates of tolls." Later charters required "good and sufficient causeways" at road crossings, signals with locomotive bell and steam whistle, brake upon hindmost car, "good T- or U-shaped iron rails" of defined minimum weight, and the provision of connection between intersecting railroads.

The great difficulties attending the construction of the first railroads caused many of the early charters to be forfeited for failure to fulfill the conditions of the charters. The first company to begin actual railroad construction was the Harrisburg Railroad and Trading Company which was chartered January 4, 1841. Construction had progressed to the extent of some grading of the right-of-way and the contracting for some cross-ties when the project was abandoned because of lack of funds and the "threat of invasion of Texas by Mexico." On February 11, 1850, a charter was issued to the Buffalo Bayou, Brazos and Colorado Railway, the successor of the Harrisburg Railroad & Trading Company. Grading was begun the following year, track laying the next, and by August 1, 1853, the first twenty miles of railroad in Texas was in operation between Harrisburg and Stafford.

Despite the relatively early date at which the operation of the Buffalo Bayou, Brazos

& Colorado Railway was begun, the Texas Legislature had already enacted rather comprehensive laws pertaining to railroads. On February 7, 1853, the Legislature approved, "An Act to Regulate Railroad Companies." Its provisions included requirements for annual reports, legislative regulation of rates (allowing a 12 percent profit), directors being liable for debts, fixed regulations covering uniforms, crossings,
facilities, bells, etc., and allowing the state to purchase railroads.

The recognition of the people of Texas that railroads were urgently needed to carry forward the development of the State is reflected in the subsidies which were granted the
railroad companies, subsidies of both land and the use of money from public funds at a low rate of interest.

Although much of the early legislation regulating railroads was adapted to control inherent abuses in a monopolistic form of business enterprise, the administration of the laws left a great deal to be desired. Since there was no agency especially created to administer the provisions of the Act to Regulate Railroad Companies, the railroads generally did not comply with the regulations. As the abuses of the carriers became progressively worse, especially after the Civil War, various groups were organized for the
express purpose of fostering regulatory measures to which the railroads would be directly amenable. One of these groups was a farmers organization called, the Patrons of
Husbandry, commonly known as the "Grange", organized in 1873, and having a membership of 40,000. The Grange directed its attack against the "fearful rates of freight," "profligate and greedy management," and "efforts to control legislation, influence courts or override law and justice." The agitation of the Grange resulted in a resolution calling on the Constitutional Convention of 1875 to prescribe a remedy to eliminate the abuses of the railroads.

The character of some of the constitutional provisions points significantly to the nature of some of the abuses practiced by the carriers. And it also indicates the increased ability of the peoples' representatives to cope with the problems of railroad regulation.

However, as sometimes happens in the passage of new laws, there was a very considerable lag in time between the enactment of the regulatory provisions and the effectual implementing of them by the government or one of its agencies. As yet no agency or commission had been created and especially charged with the responsibility of
administering the new regulations. Although the setting up of a railroad commission to administer the railroad laws had been recommended as early as 1876, the recommendation was strongly opposed by some interests, especially the financial backers of the railroads, who considered such legislation hostile and branded the proposals as "injudicious interference with business by legislatures."

After much agitation the office of State (railroad) Engineer was created in 1883, but the office had no power to order or compel obedience of the laws. Its function was to investigate and make reports to the Attorney General. The office was destined for failure, and after two years it was abolished. Bills calling for a railroad commission were passed by the House in 1887 and 1889; however, the Senate refused to pass the bills on the grounds of constitutionality. This objection was circumvented by the

adoption of a constitutional amendment authorizing the creation of a railroad commission. With the last obstacle out of the way, the Legislature passed an act creating the Railroad Commission of Texas in 1891. The fight for its creation had taken sixteen years. Some say it was the
predominant political issue of the time.

[The Caption from the Act Passed by the Texas Legislature in 1891]

An Act to establish a Railroad Commission for the State of Texas whereby discrimination and extortion in railroad charges may be prevented, and reasonable freight and passenger tariffs may be established; to prescribe and authorize the making of rules and regulations to govern the Commission and the railroads, and afford railroad companies and other parties adequate remedies; to prescribe penalties for the violation of this act and provide means and rules for its enforcement.

---ON JAMES S. HOGG, CAMPAIGNING FOR GOVERNOR IN 1890----

Hogg campaigned with awareness that there were more common people in Texas than any other kind, and he suited his merchandize [sic] to the market. He was a great commoner.
He knew the dirt farmer's soul, and which allusions grabbed his mind. Hogg was earthy in his speech, inventive in his epithets--though "by gatlings" was the worst he essayed when
ladies were around. Hogg was a flaming reformer on the hustings, standing against everything the embattled farmer hated, inventing some things the farmer had not yet
imagined. But Hogg was no fool, nor was he really radical. He was a flamboyant, but deeply folk-conservative man; he knew how to survive in party politics, whom to fight, and
with whom to make a deal. He was a hoeman champion, but no farmer himself; he ended up quite rich. Hogg had a keen mind, and he proved it more than once in court against
some able outside legal talent. Above all else, however, in the public eye he was a stump man.

On the stump, he could hold a crowd of Texas farmers for hours, blasting railroads, bloated capitalists, insurance companies, gold; he extolled the simple life and the virtue of the men who tilled the soil. He threw off his coat and worked up sweats; he dropped his suspenders and splashed water over his brow, got his second wind, and went on to new
heights amid cheers. Hogg and his railroad commission plan won by a huge vote.

Fehrenbach, T.R. Lone Star: A History of Texas and the Texans. New York, American Legacy Press, 1968. pp. 620-1.

----------THE "RAILROADS" IN THE RAILROAD COMMISSION-----

Within a very short period of time after its creation, the Railroad Commission cut the rates railroads were allowed to charge. Almost immediately, the Commission was taken to
court and placed under injunction. It was not until 1894 when the United States Supreme Court ruled that the act creating the Railroad Commission was

constitutional that the
lower rates were put into effect.

In the meantime, in 1892, the railroads made an unsuccessful run at having the legislature abolish the Commission. In 1893, the Commission was granted statutory authority to regulate issuance of railroad stocks and bonds. In 1894 the constitution was amended to change the office of the three Commissioners from appointive to elective, with six year staggered terms.

The Commission's responsibilities included:

1. Administration of laws relating to the railroads of Texas.
2. Determination of passenger fares, freight rates, and charges for all classes of commoncarriers in Texas.
3. Holding public hearings.

4. Receiving of reports, making investigations, and keeping of records regarding fiscalstructure, valuation, revenues and expenses, and train, terminal, and traffic service of
Texas railroads.

The legal focus of the Commission was on intrastate passenger and freight activities within the borders of Texas. Interstate moves fell under the jurisdiction of the U. S. Interstate Commerce Commission.

NOTE: John H. Reagan, first Chairman of the Railroad Commission, had been instrumental in the creation of the federal commission in 1887 while he was serving as
U.S. Senator from Texas.

When the Commission was founded in 1891, there were some 8,700 miles of track. When the railroads reached their peak in Texas in 1930, there were 17,500 miles. Following
World War II, increasingly goods began to travel by truck and people by buses and cars and the miles of track began to shrink.

Over recent decades, the role of the Railroad Commission in the regulation of railroads has changed, moving from economic regulation to safety regulation. The Federal Railroad Safety Act of 1970 vested rail safety responsibilities in the Federal Railroad
Administration. In 1983, the Railroad Commission began a cooperative process with the federal government, implementing a rail safety program. The Rail Safety and Planning section of the Transportation/Gas Utilities Division monitors the state's rail lines, inspecting railroad equipment, operations, and track. This section also maintains the state's rail planning program and oversees the use of federal funds for track rehabilitation projects.

Under provisions of the 1980 Federal Staggers Rail Act, the Railroad Commission recognized that it could hold only a passive role in rate setting. In 1984, the Railroad Commission ceased its historic role in economic regulation of the Texas rail industry.

----------OIL AND GAS---------

Shortly after the end of the Civil War, the first purposeful and successful attempt at drilling for oil in Texas occurred at Oil Springs, near Nacogdoches in East Texas. In 1866, less than a decade after Colonel Edwin Drake's 1859 Titusville, Pennsylvania well brought America into the age of oil, Lyne T. Barret struck oil at 106 feet. Oil had been found before in Texas, but it was either through surface leaks or when drilling for water. Alas for Barret, though, the greater volumes and lower producing costs of Pennsylvania oil beat his Texas oil. As a result, he abandoned the well.

Then, in 1894, the beginnings of the Texas age of oil were realized by the first major discovery--Corsicana in the east-central part of the state. Then it seemed like it was one discovery right after another. The first true boom came from the 1901 Spindletop gusher of Anthony Lucas. Working with a salt mining company in Louisiana, he had noticed the gentle mounds that raised the surface of the Louisiana and Texas Gulf Coast. He recognized these as salt domes--natural traps holding reservoirs of oil. Spindletop was not the last of the south-east Texas fields. More followed.

The next cluster of discoveries was in North Central Texas between 1902 and 1920--Petrolia, Electra, and Burkburnett--and, during that same period, and a little further south--Breckenridge and Desdemona in 1918.

Throughout these early years, whenever a boomer came in, oil seemed to cover the surrounding lands. The pressure of some of these wells was so great that it was days before the flow could be controlled. In the meantime, oil soaked into the ground, or ran off in nearby creeks and gullies, or was directed into nearby pits that were hastily dug. Even after the flow was controlled, pits were used for storage or vast open tanks. The results were inevitable--waste and pollution. While pollution may not have been a concern in those early days (oil was a sign of wealth and adventure even if it was in a creek), waste was. And, a fire roaring from one well to the next, engulfing one tank then another, was an all too frequent occurrence.

While the Texas Legislature in the later 1800s and early 1900s had passed several bills relating to the use or conservation of the state's oil and gas, a familiar thing happened--very little or nothing in the way of observance. Laws without enforcement or with enforcement only through the courts had a tendency to be ignored. As each discovery occurred, more waste occurred.

Other problems cropped up in the infant industry. Transportation was one. To have substantive value, the oil had to reach its markets--the refineries. Early on, miles of tank cars were pulled by steam locomotives. Then, pipelines became the choice in many regions. However, if a company owned both a pipeline and wells, the tendency was to take from its wells and ignore surrounding wells owned by another company. In 1917, to prevent abuses, the Legislature designated oil pipelines as common carriers and, more importantly, give jurisdiction to the Railroad Commission which was already regulating a transportation industry--the railroads. By 1919, the Commission was also granted jurisdiction over oil and gas production. It was at that date the Oil and Gas Division was created.

Regulation did not truly take hold until the 1930s and it was a struggle all the way. The East Texas Oil Field was discovered in 1930. Unlike many other fields at this stage of industry development, the East Texas Field was taken over by a multitude of small independent operators, each racing to put up a rig. Derrick touched legs with derrick. Each well was produced wide-open. The price of oil crashed. More critically, it was felt that the natural water drive of the field was being lost. When the Railroad Commission tried to step in and cut back production, action began in the courts and, at one point, State military forces were called in to regain order. It was several years before courts and the
State Legislature were able to settle on the position that the Commission had the right to prorate production--to conserve the state's natural resources, to protect correlative rights, and prevent pollution.

Since the 1930s, the Railroad Commission has held a leading role in the regulation of oil and gas, one that has been recognized throughout the world. Even though production has been declining over the last few decades, the state still produces more oil and gas than any other state. Indeed, if Texas were a nation, it would rank as one of the top ten producers. Today, there are some 241,000 active oil and gas wells which produce an average of some 1.7 million barrels of oil a day and 11.5 BCF (billion cubic feet) of gas a day. The Commission's Oil and Gas Division tracks that production and ensures that it follows allocations that are calculated each month. In addition, through its ten district
offices, field inspectors visit the wells and facilities across the state to ensure compliance with Commission rules and regulations. Increasingly important, the division works to ensure that the water resources of the state are protected from damage by oil and gas field activities.

FOA

FOA (8/16/99; 19:40:00MDT - Msg ID:11288)

Just thinking

koan (8/14/99; 22:04:51MDT - Msg ID:11153)
What about Asia?
Here is one of the problems with this gold conspiracy idea. If gold were artificially low, or if there was true physical shortages, or both, as most maintain, Asia would be in there buying with both hands. I do not believe Asia has ever been considered as part of this gold conspiracy - so how do the conspiracy buffs explain Asia?

---------About a year or two ago, that is all everyone talked about. The facts, to "eagerly address the obvious hard question, is that Asia was buying with both hands. All of the WGC figures point that out. Go back and review their (and any other gold news letters) articles for the 96, 97 era. It's all there. Every gold bug looked to Asia and India to ignite the next bull market. It didn't happen! This massive physical buying was on the verge of destroying the liquid supplies that backed much of the modern paper gold market. Without a liquid market, gold in dollars would have exploded, wrecking the dollar's credibility before the Euro was born. The BIS stepped in and stopped supporting the Asian currencies. An effect that broke the ability of these countries to buy gold. Koan, this was all pointed out some time ago. You must have not seen it. It's only today, that we see the recovery of demand from this part of the world. With the Euro in place, that demand will not be hindered again.---

koan (8/14/99; 22:27:44MDT - Msg ID:11155)

the truth
Personally, I am only interested in the truth. I don't care one way or the other what it is. I have found in life that when people get defensive, when hard questions are asked, it is because they are not as interested in the truth, as they are in defending a position. I have said all along that the
claims made by many may be correct. I just would have no way of knowing.

-----In the early days of the American wild west, educated "easterners" often found their way into these bad lands. Traveling with a scout that knew the way, these nouveau cowboys often rejected the common sense directions that would keep them secure. If we would listen quietly the advise of "John Wayne" can still be heard: "Pilgrim, those arrows flying past your head may not be aimed at you, but you can sure as hell duck down with the rest of these good people. And while you're waiting for events to prove otherwise, load my rifle, please, dam it!------ (smile)

koan (8/14/99; 22:38:23MDT - Msg ID:11158)
no evidence
I know of no evidence, whatsoever, that when paper is presented that gold or silver, or stocks or whatever are not delivered. Does anyone? The conjecture is interesting, but where is there evidence that the contracts are not being honored.

------Now that you mentioned it, I would like to see hard evidence that these contracts are being honored? Does anyone have any recent news stories that suggest this is happening? If so, does it imply that all the rest of the thousands of open contracts on Comex are also going to be supplied?
And, indeed, if the paper contracts do become voided from nonperformance, should we wait for the outcome in the courts before attempting to purchase more gold? Is it possible that the price and availability of physical gold could become a bit of a problem as as the mainstream media confirms these events? Indeed, it is interesting conjecture.---------- (just thinking)

FOA

FOA (8/16/99; 20:16:29MDT - Msg ID:11294)
Reply
Cavan Man (8/16/99; 19:52:39MDT - Msg ID:11289)
FOA
What are your thoughts on the Goldman Sachs event as it relates to our favorite subject?

CM,
Be back tomorrow with some other replies and a comment on GS. Our favorite subject is in for some major battles for control!

FOA

FOA (08/17/99; 12:16:06MDT - Msg ID:11339)
Reply
Cavan Man (8/16/99; 19:52:39MDT - Msg ID:11289)
FOA
What are your thoughts on the Goldman Sachs event as it relates to our favorite subject?

CM,
Our present gold market has evolved into a paper trading arena. It didn't just happen overnight (meaning the last several years).
During most of the 90s the actual demand for gold was easily covered by selling paper gold to those that wanted "a gold portfolio". Contrary to current thought, most of the major buyers of gold (investors that put 500,000+ into it), don't buy coins, bars or fully paid for warehouse receipts. In this "new gold market" they put 20% into some form of paper gold derivative that theoretically can deliver a half million in gold and the other 90% into interest bearing instruments. They then proceed to tell everyone that they have gold in their portfolio.
This is why the current and recent past demand for gold has not impacted the actual physical price. The majority of the paper gold market is a cash market that circumvents the buying of real gold. The demand is satisfied because short players can sell a paper gold derivative without having
or needing any gold, just a large cash deposit will do. In addition, it also works because gold investors are willing to hold and roll over this paper as long as they perceive that the short could buy gold if delivery was ever asked for.
As long as some gold can be delivered and it's price is down trending, over time, a mindset is developed among investors that this paper gold market is "the physical gold market". It's not! A true physical market, buying coins, bars or holding fully paid for warehouse receipts would totally overwhelm the physical supply today. Converting just the current new demand for paper gold (not
considering anyone trying to move out of old paper gold) into physical, would blow the market sky high. It hasn't to date because the demand is hidden as it is channeled into paper supply.
I tried to comment on MKs question about where all the new gold is coming from. Currently, new mine supply is covering industrial and coin needs. Any additional physical gold needs are covered by private investors slowly scrumming to the "new age" trends and holding gold derivatives
instead of their real gold stock. This process has been ongoing for some time. Every industry observer keeps tabs on the "so called "big supply deficit". I can tell you that deficit is almost nothing compared to the demand being covered by paper gold. Forget the shorts running for cover, that's the small potatoes angle followed by the trading crowd. The real move
comes when the current world gold market, operating as the "real physical gold market" breaks from default! Once it's discredited all that demand will then funnel into physical gold and lock up the dealer network for some time (perhaps years) untill price can balance demand.
Yes, we are a nation and world of laws, and because of that the courts will be loaded with gold owners that ended up with just "the obligation of another to supply gold". We saw in my bit about the TRC and how they evolved into something different from what was started. The same can be
said about the gold market. Evolution: The breaking of the dollar obligation to supply gold: the need to create an equal exchange medium for oil supplies: then the use of no interest gold to generate liquidity as cover for destroyed dollar reserves. These real life politically inspired manipulations have brought us to today's approaching destruction of our world gold market. Not the rambling
commodity supply and demand conjectures of traders.
What of the GS comex gold grab? First here is a part of an earlier post: FOA (5/26/99; 20:00:20MDT-Msg ID:6766) ------My friends, the choice is now "clean" and "clear"! The writers of paper gold "outside" the Euro realm are cornered with the lack of available gold! Completely!
--- Presently, from inertia, they still control the "paper price" in the dollar / IMF

arena, but they can never convert it into gold. They must do what any cornered being will, continue to create (short) contracts of worthless nature to protect their position. At some point, their market will suffer a total collapse and cease to function. It will happen no other way.----------

CM, Several months ago and some $20 higher I said that gold would go no lower and physical would become hard to obtain in quantity. I was wrong on the price because I did not fully understand Another's post. Later he pointed out that the actual process of this market failing would
bring on the discounting of paper gold against physical. I didn't believe it at first, but he has to know, he's in the middle of it.
Now I know he was right as there are no large blocks of gold to be purchased. Anyone wanting a few hundred thousand ounces must wait for unknown delivery. As everyone begins to hold onto whatever gold they have (and buy more), the outstanding paper will be forced to revert to cash
settlement. Much as the dollar prior to 71. No gold delivered, you just settled for cash, the dollar cash in your hand. Only, this time, the settlement cash will make a run for gold. It's started.
Truly, we watch this new gold market together, yes? FOA

FOA (08/17/99; 19:16:09MDT - Msg ID:11365)

Comment

Cavan Man (08/17/99; 13:20:11MDT - Msg ID:11344)
FOA 11339
In re-reading your post, I noticed the term "scrumming". Are you in fact a current or ex- rugby player?

CM,
Ha, Ha, you are good! I was wrong all the way around on this one. In my mind I meant to say "scrumming into" as a kind of rugby disorder that occurs in that play.

---Any additional physical gold needs are covered by private investors slowly scrumming INTO the "new age" trends and holding gold derivatives instead of their real gold stock.--

For anyone else here: Scrummage: a rugby play in which the forwards of each side come together in a tight formation and struggle to gain position of the ball as it is tossed in among them.
It was a poor use of words for speaking to a large audience. English is a tough language for anyone to master, well!
ALSO:
Cavan Man (08/17/99; 12:34:49MDT - Msg ID:11341)
FOA
Please accept my humble thanks. From my simpleton's perspective on worldly matters, I cannotunderstand how anyone could refute your commentary; it makes too much sense to me. Either you are a fabulous hoax or, "right in the middle" and just a fine specimen of humanity desiring to give "the little guy" a small break. I say the latter.

CM,
Thanks for yours and others comments. I and Another would rather you consider us the simpleton's. If anyone's perception of these writings are as a "fabulous hoax", that is fine as long as they make the people of this world "think"! Events will prove

this path is the right trail to follow, not our credibility. In part reply to Koan and SteveH; we offer only direction, in that others may find
truth. Thanks FOA

FOA (08/17/99; 19:25:53MDT - Msg ID:11368)

Comment

http://www.iht.com/IHT/TODAY/WED/FIN/ecb.2.html

Aristotle (08/17/99; 13:49:23MDT - Msg ID:11349)

Aristotle,
Your writing along with Aragorn's helps enormously in expanding the view of this subject. It is little wonder that the general public is confused from the hellacious interpretations from the media. Even the news reporters understand but tiny bits of this and that is applied out of context of the big picture.
Below is a good write-up about the Euro. It offers the very reason why it will outlive the dollar.

------''Since the internationalization of the euro, as such, is not a policy objective, it will be neither fostered nor hindered by the Euro system, the bank's analysis said.-

The ECB is clearly not playing the "trading" game. World movers want the Euro to move quickly up and down, so as to profit in their derivatives positions. That is the real reason for criticism. To their credit, the ECB did not sell the Euro when it opened too high and they didn't buy it when it went too low. That practice alone will win massive support for this currency when the dollar is broken with a high gold price. In that time, using the Euro for trade and accounts will look no different to Americans than it would to Canadians using dollars. In truth, the Euro will look much better! see below

Paris, Wednesday, August 18, 1999

ECB Focuses On Potential, Not Frailty, Of the Euro

By John Schmid International Herald Tribune

FRANKFURT - The European Central Bank moved Tuesday to shift
attention away from the euro's prolonged weakness and toward its potential for gaining an expanding role in the global economy.
While few would disagree that the euro stands a chance to cut into the dollar's hegemony, the central bank's position points to the growing acceptance of the 11-nation currency by non-European governments and companies and the eventual prospect of greater European Union influence in international affairs.

''The ECB can be pleased about this because it shows an underlying confidence,'' said Adolf Rosenstock of Nomura International in Frankfurt. 'The trend is well documented, and it is a good time to review the issue.''

The central bank's view, laid out in its bulletin for August, presents a brighter view of the euro than foreign-exchange traders have conveyed so far this year.

The euro lost 15 percent of its value against the dollar in its first six months after its

debut in January, nearly reaching parity with the U.S. currency. After bouncing as high as $1.08 less than two weeks ago, the common
currency has begun to soften again.

In midday trading Tuesday in New York, it fell to $1.0525 from $1.0578 on Monday. It also slid to a new low against the yen.

The central bank was careful to avoid any suggestion that it was striving for global influence. Rather, the bank emphasized that however the euro's role evolved, it would be determined by market-driven forces.

'Since the internationalization of the euro, as such, is not a policy objective, it will be neither fostered nor hindered by the Eurosystem,'' the bank's analysis said.

Despite its disclaimer, economists say the euro's role abroad is just as important to the central bank as the exchange rate. Indeed, the euro's global role will become one of its permanent features, while its value in currency
markets fluctuates daily.

The central bank avoided suggesting how rapidly the euro's role would expand. Nor did it say to what degree the euro could dent the dollar's dominance. It also made clear that the euro's gains as a reserve currency for use by central banks would come more slowly than its gains in the private
sector.

A handful of ''risk characteristics'' will determine how forcefully the euro establishes itself, the bank said. Those include investor confidence in monetary union and the pace of economic reforms and fiscal discipline among the 11 euro nations. Sustained growth in Europe and the competitiveness of its companies can also ''foster the international use of its currency,'' it said.

The euro made its most immediate and concrete debut with an unexpected flourish of new euro-denominated bond issues. In the first half of 1999, the euro accounted for a greater share of international debt underwriting than the combined shares of the former euro-bloc currencies.

The euro even overtook the dollar in that period, the central bank pointed out. About Û100 billion ($105.78 billion) in euro-denominated bonds, notes and money-market instruments flooded the market in the first half,
compared with the equivalent of Û87.1 billion of dollar-denominated securities.

'This is one part of monetary union that is going better than planned,'' Mr.Rosenstock said.

The report also pointed out that the euro began from a position of global strength. The euro already ranks as the ''second most widely used currency at the international level,'' behind the dollar and ahead of the yen, it said.

Compared with the United States, the euro area has a slightly smaller economic output but accounts for a greater share of world exports, it said.

The euro also will remain the second most important reserve currency for the world's central banks, it predicted. The euro's reserve-currency role also has the potential to

expand, albeit slowly, the central bank said. Central
banks typically refrain from abrupt changes to their reserve balances, the European Central Bank said.

FOA (08/17/99; 19:39:19MDT - Msg ID:11370)
Comment
Cavan Man (08/17/99; 15:08:43MDT - Msg ID:11355)
Al Fulchino (08/17/99; 14:50:25MDT - Msg ID:11354)

In reply to your thoughts: Let's all watch and see who makes the next move. As for me, it should be obvious that I have taken my checkers off the board and gone home.

FOA (8/18/99; 7:12:53MDT - Msg ID:11442)
FEARS SYSTEMIC FAILURE IN WORLD FINANCIAL SYSTEM
http://www.Minesite.com/feature3.htm
-------Poor Ms Fukuda. Little did she think she would be taking on the entrenched power of the world's financial system when she took over as chief executive of the World Gold Council earlier this year.-------

------Now the scales have dropped from her eyes and she sees the size and complexity of the problem. Producers, banks, hedge funds and now politicians are all aligned against her as bears of gold, though for differing reasons. Producers, to obtain cash ahead of production at a fixed price,
bankers and hedge funds to make money, and politicians because they fear an implosion in the financial system.----

ALL: I think we are about to see just how important gold is in our present system of dollar reserves. ""implosion in the financial system"" Didn't see that on my local TV?

FOA

FOA (8/18/99; 9:02:39MDT - Msg ID:11452)
Please! Everyone read this also!
http://www2.techstocks.com/stocktalk/msg.gsp?msgid=10990132
USAGOLD, Michael, this link was sent to me! It's just too important for this knowledge to be hid! I hope everyone get's a subscription to the The Freemarket Gold & Money Report because of this exceptional report.

Aug 17 1999 9:49PM ET
<<within two weeks of August 16 ...>> Ron, this GATA like article I present here is a slim'ed down vesion of it's
appearance on Le Metropole Cafe's web site. It's pay per
view protected by copyright, so I hope the next knock at my
door is not a law enforcement officer or a messenger with an
injunction order served against me. Please comment, and in
about 10 days us all can observe predictions justified or not.

Move Over Fisk & Gould, James Turk, james@goldmoney.com, August 16, 1999

In 1869, Jim Fisk and Jay Gould tried to corner the Gold market, and for a time, this notorious duo succeeded. It is a fascinating story, that is relevant to what is happening in the Gold market today.....

... to protect this hoard, Gould paid $2 million to two shameless attorneys to lock up in litigation the assets of the NYGE and countless brokers, as well as to defend the pair from the 300-plus law suits subsequently filed against them. Some of this money also went to Boss
Tweed, who through the Tammany Society controlled New York City's finances and politicians.....

... why have I related this story ? ... within two weeks of August 16, 1999 another Gold squeeze will start .....

... Consequently, central bank manipulation of the Gold market has limits.

... abnormal conditions now prevailing in the Gold market provide the opportunity for the spike...the spark is being provided by Goldman Sachs.

This past Thursday, Goldman Sachs responded publicly to its actions taken over the past few days behind the scenes on the Comex. Goldman announced that it had given notice to the Comex that it was standing ready to take delivery of about 473,500 ounces of Gold, about one-half of the total weight in Comex vaults.....it could take delivery of even
more metal, possibly nearly depleting Comex stocks.

... the reasons behind this move by Goldman ?..... put two-and-two together.

... rumors ... that the big Tiger hedge fund is in trouble.
... investors in hedge funds...are withdrawing their investment quickly at the first hint of poor performance. Thus,Tiger has been suffering withdrawals of capital, which has required Tiger to liquidate investments to provide the funds needed to meet these withdrawals.

Now here is where it gets interesting.

Australia's largest Gold mining company is Normandy Mining (NDY). According to NDY's fourth quarter report dated June 30th, Tiger owned 11.68% of NDY. At present prices, the face value of that position is about US$156 million, surely not one of multi-billion Tiger's biggest positions, but nevertheless, it still is a big chunk of change.

Tiger acquired this stake from another Australian company a couple of years ago around A$1.75. NDY is now trading at A$1.20, and before the latest run-up in the Gold stocks was around A$1. But don't shed any tears for Tiger.

As I understand it, Tiger did what most hedge funds do; they hedged this position. How? Tiger had sold short Gold bullion, and its gains from this short position as the price of Gold slid lower have more than offset the losses on the drop in the NDY stock price. But these are paper profits, and now the hard part for Tiger begins. How do you unwind
this huge position without eroding your paper profits? Taking profits becomes

exceptionally important when you need the cash to meet investor withdrawals, as Tiger apparently now does.

The first thing to do is buy the Gold needed to cover the short Gold position, and here, Goldman once again enters the picture. The metal now being accumulated by Goldman on Comex will I understand be delivered to Tiger, to enable Tiger to cover its short Gold position. What I hear is that Tiger will then unwind its long NDY/short Gold trade. In other words, Tiger has already purchased this metal on a forward basis.
Goldman is Tiger's broker on this trade, and Goldman will deliver to Tiger the metal Goldman will obtain from the delivery it is taking on Comex. Here's where it gets really interesting.

During the delivery of any month, it is the shorts that choose the time to deliver on their short position. The longs have no option but to wait for the shorts to decide when to deliver, and normally the shorts wait until the end of the month This slowness to deliver is understandable because it enables the shorts to earn interest as long as possible. This month the shorts must deliver by August 27th, which in Comex terms is the end of the month. Somehow and from somewhere, the shorts must come up with 473,500 ounces of Gold bullion, and possibly more if Goldman takes delivery this month on even more Gold.

No problem, you say, because there is 948,973 ounces of Gold in Comex vaults? Well, that is true. But who owns that Gold? What if none or few of those ounces are owned by those who are short the Gold that must be delivered to Goldman Sachs? In that case, where will the shorts get the Gold they need to deliver to Goldman?

Therefore, on or before August 27th, which is the last delivery day, one of three things will happen, AND IT ALL DEPENDS ON WHETHER OR NOT THE SHORTS OWN THE 948,973 OUNCES OF METAL IN COMEX STOCKS.

1) If the shorts own this metal, they deliver metal to Goldman, and the Comex stocks will drop by 500,000-700,000 ounces (which is the weight that I expect Goldman to wait for delivery). The upward pressure on the Gold price in this case may be muted, and the squeeze in all likelihood averted for the time being. If so, all the shorts who have driven down the Gold price to its abnormally low level can continue for now to wring out every penny from their short position.

2) OR, IF THE SHORTS ARE NOT THE OWNERS OF THE METAL IN THE COMEX WAREHOUSE, we will get a huge short squeeze as the shorts try to find metal to meet their commitment. And I do mean HUGE, because there is no metal in the pipeline not already committed. The high Gold interest rate is a stark warning to the shorts that metal is not available.

3) Or finally, the market goes berserk because of the short squeeze and the Comex announces a repeat of what they did to Bunker Hunt, i.e., horrendous cash margins and only trading for delivery into Comex stocks is allowed. This alternative will probably prevent the short squeeze from reaching its full potential, but the Comex cannot be expected to act until the short squeeze has already begun. So there is still plenty of opportunity to make a lot of money on the spike that I expect in the Gold price.

The potential now exists to make the 1869 short squeeze engineered by Fisk and

Gould look like child's play compared to what is coming up, if we get alternative #2 above. And my own guess is that we will get #2, but this is just my guess.

One other bit of info. Apparently, Goldman did not want to take delivery of this Comex stock (which they obviously knew would bring a lot of public attention to this move), but Goldman had to tap Comex. The reason? Goldman could not get their hands on this metal from any other source! There's nothing in the pipeline of this size not already committed, so this shortage of metal will add fuel to the fire of any short squeeze. This shortage of metal also explains why Gold interest rates are so high because as I have been saying in recent letters, there is no lender of last resort to the bullion banks.

Without any doubt, it should be an interesting couple of weeks! In nearly 30 years of commodity trading, I've never seen anything like this before, but the upside could be spectacular, even bigger and better than it was for Fisk and Gould.

THE BIG SQUEEZE If I've learned anything over the years, it is to not underestimate the power of central banks and their willingness to play 'hard ball' to enable them to keep their hands on that power. Witness the Gold sale by the Bank of England as evidence of my proposition. So if a big squeeze in the Gold market does occur, will the Federal Reserve stand idly by? Probably not, because I doubt very much whether the Fed would like to see the Gold price scoot to $500 per ounce in a fortnight.

We must therefore try to think through the other options as to what could happen if the Federal Reserve sticks its nose into the Gold market, if it hasn't already done so (some argue that the Fed already has its hand in manipulating the current low Gold price). In any case, some of its options are:

1) The Fed gets its central bank pals to lend metal, throwing to the wind any concerns they may have about the solvency of their counterparty and/or about their need for metal as Y2K approaches. This action would keep the Gold price and Gold's interest rate tame, much like what has happened since 1996.

2) The Fed gets more central bank pals (like Bank of England) to dishoard Gold. This option would accomplish much the same as #1 above.

3) The Fed brings in the federal government to intensify its anti-Gold media campaign. The nameless 'specs' are about to get bombarded with bad press if Gold begins to rise. The Fed will arrange with the media to get many quotes from friendly sources talking up what the Fed wants you to hear. Left unsaid of course will be the huge short position in Gold established over the past few years with central bank connivance, which has created today's abnormal conditions in the Gold market and made a squeeze possible.

4) The Fed gets the federal government to force the IMF to sell some of its Gold and/or to return Gold to its members, which will then be loaned and/or dishoarded by them, thereby providing enough metal to postpone the squeeze. These actions would also allow the abnormal conditions in the Gold market to prevail somewhat longer.

5) If all else fails, then the Fed asks the federal government to close down the Gold market and/or to confiscate Gold like Roosevelt did in 1933, thereby providing the opportunity for them to get their hands on enough metal to relieve the squeeze. This

time though, the Fed would probably get most countries to participate in the closure/confiscation as well.

But if #5 happens, then I think the implications will be even far greater than just trying to prevent a Gold squeeze. We will in that case be witnessing the end of fractional reserve banking, a system fostered by central banks since the creation of the Bank of England in 1694. In other words, it will mean the end of the cartel given by governments to commercial banks to bilk a country's citizens in exchange for the power that commercial banks, through their ability to create fiat money, give to governments. What power is that?

Governments survive on fear and power, but they cannot create bullets out of thin air. So what do they do?

Through their captive central bank and partners in crime, the commercial banks, governments create money out of thin air to buy bullets. This observation explains what central banks work so hard to preserve, but the implementation of #5 above will show how desperate the central banks have become and how little power they have left to prevent a systemic collapse. There are parallels to the waning days of the Soviet Union, which could not in the end prevent the fall of the Berlin Wall, let alone the collapse of its unconscionable people control system.

In short, banks and governments will no longer have the ability to work hand-and-glove toward their objectives, extortionate profits for the banks and unbridled power for governments. And it won't be a pretty sight.

The ultimate irony? The worst predictions of the Y2K doomsayers come true, but not because of computer problems and glitches. Rather, the monetary system built upon nothing but promises collapses because people finally realize that sometimes promises mean nothing, and if promises mean nothing, then the money from a monetary system built upon promises is worth nothing.

Le Metropole Cafe
http://www.lemetropolecafe.com

FOA (8/18/99; 16:25:54MDT - Msg ID:11486)

Later comments

http://www2.techstocks.com/stocktalk/msg.gsp?msgid=10990132

http://www.Minesite.com/feature3.htm

Phos (8/18/99; 12:10:47MDT - Msg ID:11472)

Hello Phos,
It's getting late, but some great dialog and reading came out today that I must address. I will reply to you later tonight, but first I hope you read both of these items. I posted the Minesite piece early on at 7:12:53MDT - Msg ID:11442), then offered the Turk article 9:02 MDT(Msg
ID:11452). If you have been reading the Forum over the last several weeks, then reading these two write-ups will only confirm these thoughts. Many participants on other net groups are not only completly losing their cool, they aren't even taking the time to follow the context of this thread.

Time no longer allows me to read the other sites, so I depend on several others to send in clear thinking discussion (such as yours).
It looks like GS is following the concepts I presented from Another. Sad as it is they are selling short all the various paper derivatives attached to gold that their capital will allow and at the same time buying physical Gold. Others have been doing this prudent arbitrage for some time, only now it has become visible and the street is in total denial! The play they are following is easy to
understand, as the present paper gold market is going into discount with no way to arbitrage it from the opposite direction! More later FOA

FOA (8/18/99; 21:41:40MDT - Msg ID:11496)

comment

St. George (8/18/99; 7:05:07MDT - Msg ID:11440)

Hello St. George,
I'll comment on your questions in order.

---Query to FOA: Sir; I would like to know what percentage of arab oil's physical gold holdings is actually in the hands of its owners? ie. within the respective owners national boundary as opposed to being in a vault "overseas" in NY or London etc. ----
---

SG, I really don't fully know. My understanding is that much of it is spread between Europe (Swiss?), London (that may have been changing the last year or so) and New York.
The following is a political answer that is more than troubling and confusing for most. For the sake of deep interesting thought, I'll throw it out here. No need to discuss, just think about it. A 007 type mind is needed to grasp it fully. Hard trading commodity types usually roll over with this one.

The first thought most westerners derive from this is that "oh, well, we have the gold so we'll just keep it if they don't give us the oil"! I don't often state this in writing, but I have to laugh at that joke of a thought! You see my friend, in this world black gold is far more valuable than yellow gold. It's just that very simple. For our lifetimes, the majority of the two most important items for commerce will both remain buried underground, gold bars in NY and oil in the ME. Another often said that "oil and gold never flow in the same direction". With that statement, most of us close our eyes and imagine a barrel of oil crossing the ocean while a gold bar sets in an airplane heading for the desert. In reality, as long as the worlds largest pool of oil is under that sand, their gold deposits are safe in
almost any government bank. Long standing protocols state the obvious: if the oil runs out, the gold is ours; if the gold runs out, the oil is ours! They get a warehouse receipt that says the gold is shipped when and if wanted, we get a warehouse receipt that says the oil is shipped when and if
wanted. Stated another way, they keep the hostage and demand that we hold the reward?
Well enough of that, this market is hard enough without adding more.

Your conclusion:
---------I believe this is an important fact to know for it will help answer the recurring theme/ question on this forum of WHEN? Assuming that there is increasing fear of defaults on paper gold contracts, are we now witnessing the owners of physical gold held overseas "backing up the truck" and taking their money home?

For it is a matter of "trust in your banker" Finally, as gold is repatriated, the ability of the bullion banks to use this gold and engage in fractional reserve gold banking would seem to end and would answer the big question of WHEN?----------Your comments are most appreciated. Thank You.

SG,
This new gold market is a vast sea of paper gold IOUs. We can divide the owners of those receipts into two groups, owners with major oil reserves and "everyone else". Because the world is so much more dependent on oil than it was in 1971 (the last time gold loans failed), oil producers will get their gold "no matter what"! Dam the citizens rights, war to the infidels, burn all books, but oil will flow! The only real problem for this failing gold market is what to do with the "everyone else"? I suspect that investors will lose their respect and money in the paper gold market when they see the premiums on physical gold rise in a major way. If any person knows WHEN people will come to their sense, I reply as Another did "I would bow low before that knowledge".
Remember, even as Rome burned traders inside the city were still buying and selling houses. As the foreign armies were "pounding at the door", merchants gave runners orders for new supplies to buy. Nothing has changed. When / if gold closes in london at $50, someone will still say that you
should buy it there because it's a better value than wasting your money on $6,000 gold trading in the alley. And a better deal than $6,000 in the alley would be that gold mine for a nickel.
FOA

FOA (08/19/99; 08:11:14MDT - Msg ID:11517)

Comment

Aristotle (8/19/99; 1:07:39MDT - Msg ID:11501)
Oh no, FOA, You came soooo close! You had the set up, and then you blew it!

Aristotle,
Yes, I certainly did, didn't I! Completely forgot your challenge. Will work it in another time. Thanks for your suggestion to place my posts in the Hall. Actually I would ask that they remain mixed in with the others in the forum. When someone has interest in this subject, they are forced to dig through all the other fine thoughts and perception presented here. It's important for them to also see everyone else's analysis because it shows how current events are disseminated into the minds of a community. Five people can hear one view and all come up with a different conclusion.
The long process (struggle?) of reviewing these conclusions, then balancing them against ongoing events
teaches people to read the news correctly. No one here is right or wrong, only events will prove all things true. For me, this forum is a world class one of a kind, that is as much about learning the human heart as it is about government and money. Inevitably, we all pour out our fears, dreams and aspirations while delving into the future of out life savings. Michael has done a brilliant job of drawing out the money conclusions everyone is hungry to read about. Just look at the Forum Contest Metal Winners posts, fantastic. In addition, our two Hall Of Fame posters are the written basics of where ORO is comming from.

The Western world is adrift in confusion when it comes to conservative money. We clamor to compare our thoughts to others, just to see if we are on the right track. Most are not. Another would never betray his friends by presenting private facts.

This just isn't done in his world. So we
are told to look there, consider this, why not this way, they will do this if that occurs and so on. In this way we will not learn from him, rather we teach ourselves from the actions of others.

My last post (yesterdays forum?) became a short incomplete response as other pressing discussions took precedence. Sorry for that. Now I see where ORO (#11512 and #11497 thanks SteveH and Tomcat) has not only taken the ball, but is running with it. He is a fine example of how
someone has looked in the right places and found the truth. For most investors, this ongoing affair has been torture. They have been caught with the wrong strategy for eventually benefiting from this transition. Without the knowledge of how gold is really valued it's difficult to walk away from old losing ideas. But, the process continues, with or without us. More on GS in a little while. FOA

FOA (08/19/99; 09:42:52MDT - Msg ID:11528)

Comment

Phos (8/18/99; 12:10:47MDT - Msg ID:11472)
Gold Shorts
In the GOLD-EAGLE editorials today is a note from Sunil Madhok on the CB gold leasing mess. In the editorial he makes the following points. He mentions the amount of the loans ~14,000 tons although I understand that no-one really knows the true number.
As to the reason for leasing their gold, he states:
"They leased out their Gold not because they wanted to earn the lease money, but to provide liquidity to the markets. The purpose of lending was to prevent a squeeze due to short-term increase in demand and/or cornering of the market by big speculators.
Because we now have a physical shortage, he continues:
"For mining production to exceed demand, the price of Gold must go up significantly. If the price of Gold does go up significantly, then some big bullion Banks may go bankrupt. One big failure would result in chain of defaults. It appears that some CBs now realize this and, therefore, are planning to sell their Gold reserves just to bail out some market players who are short. It is possible that the
Bank of England made the controversial decision to sell their Gold reserves in order to protect some bullion Banks. It is also possible that for the same reason some other CBs may be ready to sell their Gold reserves, whenever the price of Gold starts shooting upwards."
Obviously, the BOE supply is a drop in the bucket compared to 14,000. But the US and other European countries, such as Switzerland (which talked of selling, I think 1300 tonnes?) easily have enough gold.
My question is: Why would not the CBs that have lent the gold simply sell it to the borrowers? as he states. Would this not prevent or at least limit a meltdown in the financial markets that everyone is expecting? Or are the CBs simply not willing to sell it? Or are the problems so much bigger than this that it alone would not undo the damage?

Hello Phos,
First, go to the USAGOLD Hall Of Fame and read the posts there by Aristotle and Aragorn.

To comment on your question: They don't sell because they have the economic lives of other people to protect. As an example, if you were broke and owed a ton of

money, would you sell your fully paid for house to pay your debts? In the process put your very family on the streets and subject them to exposure and difficult living conditions. In the human logic of things, most people won't and don't! They let the banker "eat it" first.

In the absolute same context we must view the "Major CBs". Only the major ones count because all the others fall under the shadow of the money systems of the majors. Yes Belgium sold most of it's leased gold to paper holders and other CBs, yet it was coming under the Euro umbrella. England is a case in transition as they must now move from the dollar realm into the Euro arena if they are to survive. So, they also close their lease books. The Swiss thing is a joke because they too are posturing to enter the EMU and will absolutely be selling gold to the ECB for Euros! Believe it! But the Major CBs countries that back the dollar or the Euro?

Look at the US. Will they cover? Well, if they didn't dump their gold to honor dollars at $42 / ounce in the 71, why do it now? Everyone that held dollars as a gold loan, was told to "eat it", we are keeping the gold! Further, why doesn't the US Treasury exchange their gold for outstanding
treasury debt that earns interest. Yes, dump the gold on the market for $42, why not? If we follow the logic of England, they should have used their own created pounds to buy the gold and just given it away.

This current generation buys into these fairy tale assumptions as logical because they haven't seen what happens in a currency "wipeout". We'll get one soon enough and when it does, they will also tell the gold loan holders to "eat it", I'm not putting my country (family) on the street.

No, my friend, they will only cover in tiny amounts if that action can prolong the system. As we head into large scale discounting of paper gold and outright default, they will walk away for the same reasons you would. thanks FOA

FOA (08/19/99; 10:38:23MDT - Msg ID:11535)

Comment

USAGOLD (8/18/99; 11:28:21MDT - Msg ID:11469)
Mr. Insider....
Talked with Mr. Insider about this morning's price drop. He says Goldman Sachs is selling on paper -- major selling. Goldman is also taking delivery on another 725 COMEX gold contracts.
(You figure it out.)

Michael, It's kind of "unbelievable" isn't it? Is it possible that "all along", GS has from way back seen the failure of this modern system of pricing gold? When the BOE sale went off, GS starting right away selling against the market. Well, if you were an "in the know" mender of LBMA and saw the BOE sale as a stopgap measure to patch a failing system, what would you do?

As long as the physical community had supply and continued to price it's product based on Comex / London, I would buy (take delivery) whatever physical was offered in size on the off market at ever falling prices. Sell the LME or future dates on Comex then start taking delivery on
spot month as other supplies dry up! Look at how slow it's arriving now. In the old days, several million ounces would be there in a minute. Warren Buffet would have to have a piece of this new action?

Why doesn't some big player call the shorts? The Bunker Hunt fiasco is still fresh in their minds. If anyone tries to call for "big product" on the paper exchanges the regulators will just revert to cash settlement. So there is no way to play it against them on a large scale. It will all end when no supplies arrive for the front months. The whole thing, London and all will go to cash settlement just as the 71 dollar did. The end of the gold market as we know it? So far it's following Another's thoughts. Ideas from anyone else??
FOA

FOA (08/20/99; 12:46:41MDT - Msg ID:11630)

Open Reply To Mr. M.

I must reply to this private letter that was sent to me. It was written to Cage Rattler by Mr. Martin Armstrong.

Date: Sun Aug 15 1999 07:28
Cage Rattler ("Gold was a store of value throughout ancient times, however money NEVER was!" - M Armstrong) ID#33182:

----------Dear Bob:
You are making the opposite mistake of Karl Marx. Marx assumed that everyone in the private sector was corrupt and therefore that property held in the hands of government would be fairly managed. Marx never accounted for human nature and it doesn't matter if control over money is
private or public, both have historically tended to exploit it for personal gain.
Money is ONLY a medium of exchange and it is NOT, and has NEVER BEEN a store of value. Gold in itself has been a store of value as demonstrated in Korea and Asia. Gold was a store of value throughout ancient times, however money NEVER was! These are two separate issues that should not be confused.----------

From FOA.
To the contrary, Mr. M, these are two separate confusions that deal with the same issue! Your assumptions always conclude that the values established in a public "marketplace" represent the private views of the majority of people. In other words, if someone trades anything using the
marketplace price and using the accepted mediums, the mechanics of that trade must also represent the mind set of the person. Through out history, it rarely has. Your view is further skewed with the "control over money" issue. The world has always assumed that the "people" want someone to control the money, be it public or private.
When one looks closely into the private actions and reactions of people during various civilizations, the mindset of the majority (the average citizen) was always that we don't need "money at all". Just let us alone so we can trade our things. The modern argument of the Public vs Private "control" always found the banks as representative of the term "Private" and the government put forth as "public". The "free market citizen" was never considered as a viable contender to pick the trading medium.
Banks, long ago assumed the roll of making and controlling money for private interest because they saw that the "free citizen marketplace" seemed to always use gold to trade with You say:

-----Money is ONLY a medium of exchange and it is NOT, and has NEVER BEEN a

store of value------

The problem with this is that in the old "free" marketplace, these people never thought of there use of gold as using "money"! It was only a "thing" that most of them found to be the best item to trade with. For them (again average people) gold held it's own particular independent store of value just like anything else they owned. Indeed, in their mind it wasn't the "medium of exchange" money concept of the bankers in a later time. I submit that even the term of "money" in the early bible was not in the same banker context. Back them it was more closely associated with a "thing of personal value" that could just as easily be "used" as traded. Therefore your statement,

---Gold was a store of value throughout ancient times, however money NEVER was!-
----

does not present a valid conception for comparison. It was the banks that, in the assumed roll of creating money for commerce, decided to make and control the "CONTENT OF THEIR CREATED MONEY". In this action, by no means did they represent the perceptions of people who can be depicted as the third party in this debate of control. Yes, banks were owned by private interest, but that should not imply that they presented the private viewpoint. Yes, the people did use the created money (both coin and paper receipt) for
trading, but the mindset of that early evolution did not hold that this "bank money" was solely a "medium of exchange" Rather it was a receipt for a tradeable item of use. The "medium" only concept came into play as the banks lent out more receipts than they had or they could not collect upon failed "real gold loans". That excess of gold receipts in circulation could then be perceived as the "medium of exchange modern banking concepts refer to". We then clearly proceeded to the era you next present (as it is explained in reverse):

-------- The Greeks, Romans and everyone along the way ALWAYS and WITHOUT EXCEPTION played with the gold content of their coinage which led to Gresham's Law - good money drives out bad money. Whenever money was debased, older issues of higher metal content were hoarded. They then ceased to be MONEY (medium of exchange) and became a (STORE OF VALUE).--

With the clear viewpoint that I presented above, we can see that this next statement does not apply to a post contraction "free market trading arena". Rather it is the present conjecture, using the present thinking in a prosperity mode mindset that assumes the private and public terms as the only viewpoint. They are only two parts of a three part society.

-------If you think that a return to a gold standard in some way will eliminate these issues, you are wrong! No matter if it is the private sector or the public sector, whoever ends up in charge will always play games. ----------

Indeed, if a true free market in gold was established and all gold was coined and sold into the market place, games would still occur. However, new concepts for hard times would require mines to make all coins to conform to set standards and pay their taxes to governments with the same
(however high that might be). In addition, they would pay their help and buy supplies with the same. Private stores of gold (both government and private) could choose if they wanted their bullion coined or not for a fee. Yes, the value of gold

would gold very high compared to real things, but it did that long ago, before banks called it a "medium". Anyone that owned gold would be rich. So what? Anyone today with a lot of cash is rich, again so what? Gold money is spent and loaned and in general always circulated. Just as in the early days before banks and gold was just another
thing of wealth, but not the only store of wealth in a persons portfolio of things. Yes, Banks and governments would fail and go bankrupt as they always did. Yet, the money supply would never be changed because of their failures. People that loan gold money would learn not to count that asset loan as part of the money supply as today.

Further on you state:

-----Gold is a store of value today - but it is NOT money. It is NOT acceptable to pay your VISA, rent or to buy food unless on a barter basis. Only dollars (money) is acceptable in the US, and now Russia while it may be yen, marks francs, deniers or whatever in other nations.-------

Again, you assume that gold is not money because it is not accepted as "the medium" in the Government / Bank operating economic system. I submit that this perception represents a short conclusion. If we extend the thought we find that no government or bank said that gold was not
money. They only decided to not "use" gold as "legal tender money". Both of these entities chose to pursue this route because they wanted to create more "money" than was in existence. Something they could not accomplish it using a money that possesed a "store of value".
As I pointed out, the "citizen" and their trading are the "private free market" that the world economy is and has always been based on. This market place does not need "more created money" as it worked fine using the old "store of value gold" as long as the market could increase or
decrease it's purchasing power as measured against all goods and services. Banks and governments fought hard to stop this function because it took power away from them and returned
it to the economy.
As a result, history proves how poor of a job government and bank paper money has done without using gold. Your description that follows is an excellent example of the battle between the first party governments and the second party banking systems. The third party private person will
be impacted from this abuse of the money system, however, our heart was never in it. Your words:

----- I simply disagree with your interpretation of 1929, the Fed and the wildcat banking era. Your view of anti-central bank was shared by Andrew Jackson who was bitter because he had lost money and was turned down for loan in his youth. When he became President, he destroyed the Bank of the United States and with no central control, the entire banking system quickly fell into trouble. There are countless "broken bank" notes that collectors can buy today from every little one-horse town in the country. Some were in the hands of local politicans who quickly exploited the system and bankrupted their communities. The Constitution specifically prohibited the States from issuing money and because of the hyperinflation of the 1700s.
You are also misinterpreting dictating private investments with restrictions of asset class and leverage. You now have a perfect example of your no interference policy for the private sector. Long Term Capital has just blown up by leveraging positions to

the extent of $1 trillion. The
uncontrolled activity of this one hedge fund is going to disrupt the free markets everywhere in ways you have not yet even noticed. There needs to be a rule of law that establishes the basic guide lines. It should NOT expand into regulation of every aspect over investment. What an individual does with his own money is his own business. However, when institutional money is gathered and used
at the discretion of fund managers who buy into the latest hype like Russia, then allowing this type of investment to be carried out with ANY restrictions whatsoever, is extremely dangerous. LTCM is a significant threat to both bonds and stocks right now. A few other funds are now rumored to be in a similar position. Such unbridled leverage threatens to bring down a lot more than anyone
suspects. I think there will be investigations and a whole new set of regulations that will come out of this debacle. The Fed is currently calling around the street in an attempt to assess the damage. There will come a day when you will see that the proposal of that I have made to merely
regulate asset class will be far more attractive after the next set of regulations come storming out from all government bodies that will seek to restrict every aspect of investment. What they don't understand - they ultimately kill.
Your argument for no regulation will not even be seriously considered by any government body I have ever testified before. In reality, there may be no way out, because the people themselves will demand action because they have lost money in stocks caused by hedge funds in Russia and interest rates like LTCM. They will in the end bare the blame and a host of new regulations will spring forth in an effort to appease the people who demand government action.
Martin Armstrong

From FOA.
Sir, I have commented on your thoughts because it is important to present the flaw in this perception. Some of your analysis is in the context of a rebuilding of the government / banking financial system after a great contraction. It places little support to gold as a choice to preserve wealth during this event as gold will not be in demand.
I submit that you have misread the historical attraction to gold that private citizens impart upon this metal. The human factor always has and always will gravitate to using things as trading items. We were born a people of earth with senses that touch, see and feel for value Weather our trading things can be considered money, a medium of exchange, legal tender or a store of value, was never the issue. Governments and banks made them an issue so as to circumvent our value of trade for their benefit.
As such, when the next downturn threatens to destroy the perceived values created in fiat currencies and securities, people will then circumvent these modern concepts and return to trading the most convenient things. History, not modern computer research, has shown that we will return to gold.

Thank You for your time. FOA

FOA (8/22/99; 15:05:43MDT - Msg ID:11781)

Lost posts?

Welcome Mr. Gresham, looks like you picked a good time to start! These things happen to everyone. I hope we didn't lose too many good posts. FOA

To Jeff, USAGOLD TECH: My system saved all of the posts through Msg ID:11729 yesterday. Even my Power was down for today so nothing past that post was retained. If needed I will post or send what I have? Post instructions,please.

FOA (8/23/99; 8:21:51MDT - Msg ID:11846)

Starting to See the forest, not just the trees!

http://www.fiendbear.com/guestpg1.htm

Gold Price Sinks Due To Sheer Weight of Paper.
August 21st, 1999

Professor von Braun
The Rocket School of Economics.

There is no question that the "paper gold" market is considerably larger than the actual physical gold market. Estimates we have seen range from a minimum of 90 to 1 to in
excess of 100 to 1 paper ounce contracts being written for every single ounce of gold that changes hands. This is mind boggling.

The paper gold market is not in the slightest bit concerned about such things as supply and demand numbers and anybody who is relying on these numbers and such comments as increased demand for physical metal to make investment decisions, fails to see the significance of what's going on here.

We clearly have an aberration here that is unique. No true futures market could operate this way for too long since there is not enough gold around to cover the positions that
have accrued.

In a sense, there is now two markets within one and considerable confusion will result if this is not understood. The usage of gold has changed in the sense that now its the bullion banks that write the paper contracts (using other entities reserves), as opposed to a central bank printing paper currencies that have some form of gold backing.

This activity really began its current expansionary phase after gold peaked in February of 1996. The downside has been continuous since that time and the number of contracts
written favoring the shortside has increased year after year. The price has of course correspondingly declined.

Eventually supply and demand will have its way and the long awaited and often referred to short squeeze will appear, but at present the odds still favor the shortsellers. They are onto such a good thing and still maintain the ability it seems, to stay at least one step ahead of the game. It is unlikely it will end just yet. Lurking in the background is the issue of the IMF gold reserves and a potential sale. Never mind the political resistance to this sale, the odds favor it happening and politicians stated resistance has a habit of disappearing when the time comes to vote. In this case, the IMF needs the cash and the alternative (US taxpayers) may be even more unpalatable.

Markets have a habit of correcting aberrations caused by the greed of the players

whether they like it or not. As we all know, most "flavors of the month" are "too good to last", and this paper gold market is no exception.

Casinos, those wonderful places that have replaced the town meeting halls of the last century, have rules and certain guidelines that must be followed. Most of these rules and
guidelines reflect such things as odds given, credit extended, mild (and legal) intimidation, and so on. The gambling industry for the most part, is self- policing because of the risk. It is their cash they stand to lose.

Consequently, while there are some exceptions, the odds given in the various games of chance don't change all that much from casino to casino. But most bean counters fail to
realize that their little universe is not the epi-center of whatever industry they are in and lose sight of the fact of what they are and are not, in control of. From a casinos point of view its Achilles heel is people through the door and money on the tables.

Las Vegas is a good example of this in the sense that you have a market that has expanded rapidly since 1986. Expanded ? How about exploded in terms of growth and new casinos.

Like the current paper gold sellers boom, the industry players all convinced themselves that they needed to expand and many new casinos now dominate the Las Vegas skyline,
such as it is. In doing so the bean counters all ignored their own rules and guidelines and have now created one of the biggest ongoing traffic snarl ups in the southwest, created a shortage of skilled staff and put the towns sewage system under strain. Oh dear. Using greed as a fertilizer for growth always produces unexpected results.

The "too much of a good thing" syndrome begins to come into play and the activity, regardless of what it is, tips itself over, or self corrects. Nature may abhor a vacuum but it
abhors an aberration as well.

So too with the paper gold business which has of course grown out of the actual trading of physical metal, but now dominates it to such a degree that it is beginning to impact on the realities of supply, demand and more importantly, the potential for increasing new supply. Why mine gold at these price levels ? Obviously, more metal is not needed.

But watch out when the paper gold supply turns to the physical market for its redemption's. That indeed will be an interesting day.

Professor von Braun can be contacted via email at profvonb@aol.com

[Return to the Fiend's SuperBear Page]

FOA (8/23/99; 9:14:45MDT - Msg ID:11852)
A run for physical?
Welcome ORO!

TownC,
Am I reading this market correctly? Is an LBMA member selling future dated gold

paper (for all to see) and buying physical (for all to see)? If one member is buying physical "in the open", will others soon follow (in the open)? If the OI on the Comex gold options calls is above 400,000, will a run for physical create a rush to call (convert / take delivery) for Comex contracts? Will OI on Comex then surge the same amount?

ORO, Perhaps we should forget the money and "follow the gold"!

More later FOA

FOA (8/23/99; 21:10:00MDT - Msg ID:11896)

Comment

Hello Aristotle, this talk is sent to flow past you, not at you. I'm using a part of your very good post to make a few comments. Your part is in ---- marks.

Aristotle (8/18/99; 9:54:21MDT - Msg ID:11457)
And this was from my
Aristotle (8/15/99; 18:35:22MDT - Msg ID:11214)
----- Doesn't it strike anyone as significant that this Gold was not acquired on the spot market, but rather through the odd route of using futures contracts? If you have explored the link I referred koan to, the analogy here is that Goldman Sachs has only thus far succeeded in getting themselves a fistful of paper dollars in the 1920's, and they have announced their intentions of walking down to the bank to have these paper contracts honored with real Gold. ----------

Ari, I'm going to ramble a minute then get to your comment. It's a testimony to how many major gold players (not talking about GS) use some form of future delivery paper as the real thing. They don't really want to hold real gold as that would require "buying it for delivery". Because paper gold only requires 10% to 20% (or less) to hold, the rest of the money can be put to better use. They pick up the future derivatives (I'm talking about all the various gold arena's) and hold until it moves somewhat close to delivery. Then, before delivery, they sell and run further out. All of this is done with a mind set of "we are only holding this gold as a hedge against our portfolio, so paper will do
fine". This thinking has, over the years, progressed till it represents most of the major Western public investment money.
With this view, is it no wonder that the large bullion houses rule the paper market. It's easy to sell (short) the outdated derivatives because all that is needed is cash! As the market slowly falls, the short equity requirements become nonexistent. To the advantage of the houses, the longs practically always settle up in cash and move on. The large funds don't want the trouble of real gold so they continue to play this game of "let's bet on the gold price and see who is right"! Today, they are learning a painful lesson that the stated price for gold is established by the same derivatives that they don't want to exercise. In their world, they are convinced that massive physical gold is but a phone call away for shipment into certified warehouses, so the derivatives price must truly reflect the real market.
Today, anyone that is "blind in one eye" (Another's favorite) should be able to see how easy it's been to maneuver gold lower without impacting physical. As I pointed out in other posts, it's the private Western stores of bullion that have been slowly fed in to fill most of the physical deficit and replaced with derivatives holdings. In essence, a lot of conservative entities have brought into this new gold market and now hold derivative gold as the real thing. Truly, their trading up has helped to legitimize this market as this "Old Physical" was delivered to some who demanded it.

Add to this, the enormous number of completely new investors that have entered the gold arena as paper players and we can see just how large demand is. When this market fails, those who traded "Old Physical" are going to be head first into what ever physical market is left (or newly
established). To fully grasp their ability, one must realize that they were just "hedging" a much larger portfolio against some future problem. If the world markets begin to falter at the same time that the paper gold market begins to unravel, "extremely emotional money" is going to be moving, big time!
All of the above has nothing to do with the huge international government and private bullion investors that hold and move gold as a currency. During a breakdown, whatever gold they do control, will be "locked down" for the duration! Believe it! Like I said before Yhey will reply
something like this:

"yea, I wrote calls on my bullion, but things have changed and I moved it (fraguently) out of your grasp just in time. So send your army or sue me"

Build this dynamic into the size of the Yen carry and Gold carry trade and you will understand it's impact.
Back to your comment: You bet it's "significant that this Gold was not acquired on the spot market". Even if they (GS) are acting for a client, they, as a LBMA member should have easily been able to secure spot bullion. I can tell you that they are no longer acting out a long term plan to
support the dollar by lowering the derivative gold price. RR is gone and Green S is right behind him. The US official stance is about to change reguarding gold because the entire IMF system is comming apart. The action and price in gold look like the same "low gold / dollar is good" maneuver, but it's not. In reality, their open physical purchase is a defining picture of a failing gold marketplace. They aren't just going to hold this unmanageable position that is simular to those 1920s dollars and watch them devalue. They are out to make something as the paper gold market is discounted into oblivion. Your analogy is correct in the comparison, but there is little they can do. Just as everyone was trapped long ago in old "gold loan" dollars held outside the domestic US market, only one course remained. Short the dollar for all you were worth. It did plunge for some time, back then. Today, with the whole market in denial about what the true price of gold is,
common sense requires one to sell paper gold short if it cannot deliver. Who in the hell is going to arbitrage it from the other side. Will someone put 500 million long and go to court to settle? What if they Bunker Hunt it? You're out, big! I think this falure is going to make Y@K look like a walk in the park. We shall see.
This is the hailstorm of events that GATA is leading gold stock investors into. If the present gold market explodes to the upside in a paper covering run, it will shut down every major bullion bank in the world. It cannot be allowed to happen. I think most readers know just how that will play out. Every bit of financing arranged with just about every mine in existence will be locked down, as in
collateral seizure. Without an established (read that official) gold market (none will exist for some time), no mine will be allowed to sell to anyone. Place yourself in the context of events, the governments will be trying to grapple with the failure of most of the currency markets, let alone hold together these banks. They are not about to let some major underground equity just float off and be
sold as the stockholders wish. Think about it?

Aristotle, a different view from a different perspective for everyone to see. You fully well understand all of this much more than even your finest posts show. (smile) FOA

FOA (8/24/99; 8:15:06MDT - Msg ID:11928)

Comment

Aristotle (8/24/99; 4:22:15MDT - Msg ID:11917)

Things are definitely getting interesting!
Is Japan's current absence from intervention on the forex markets (as seen in recent-past operations to maintain strength of the dollar/yen) also symptomatic of the end-game you've hinted at in that passage, or an unrelated affair?

Aristotle, more thinking placed on the table.
End-game? It could be, it just could be. There are so many different windows to view this event from, it makes it difficult to stay in context while discussing the "why's" and "what for" of the various players. Most of my last post to you was given looking through a window at the typical American investment professional. For so long they reached for the "leveraged play" as an avenue to hedge with gold. In their mind, because the recent record of gold indicated it's price would always rise in the face of currency inflation, they didn't need to hold it, just gain from it's rise. Their use of paper is understandable because almost every portfolio in America is some form of derivative, not direct
deed in hand ownership. Be it stocks, bonds even the currency. Sense derivatives are only bookkeeping assets that indicate a value in something else, the concept of paper gold worked fine to balance risk. Indeed, on paper this balance has worked because the bulk of the portfolio that
was to be hedged has performed very well. The risk side of the equation has yet to be tested.

Only now, eyes beginning to open as to what is happening. Yes, the massive dollar currency inflation has exploded worldwide and inflated financial assets only. However, what if the risk they hedged against, real price inflation, will arrive during the destruction of the derivatives market before it devalues the dollar. The markets themselves may fail and no longer function in their ability to offset risk. We are seeing this in the Yen as it's dynamics is crushing the Yen carry trade. Eventually, there trades will become so far under that they cannot be unwound. The same is happening in the paper gold trade. The very vehicles that people use to manage risk are the items that will fail, bringing on the financial destruction. Now we see why there is no gold of size out
there, even as it's derivatives are sold down. Worldwide, real gold inventories are being locked down as players perceive their predicament. The dollar reserve currency arenas offer little to lock down. How do we "get physical" with the Yen?

Going back further in time: In this fertile ground was born the beginnings of the BIS maneuver to expand the ownership of gold without increasing the demands on physical supply. It solved several problems and yet ironically set in motion the eventual destruction of the dollar from it's own weight. Real gold could be diverted into areas that kept the system alive until the Euro was born (low price of oil in dollar terms). In addition, because the dollar is but a unit of confidence, a spiking "real" gold price (perhaps on a black market) would someday create a stampede out of that currency. That is why a new currency, of size was needed to receive that flow if the world economy was to have any chance to survive. The Euro didn't arrive to destroy the dollar, it was created as a place to run when this present system falls. That is why it's so important to the middle eastern oil producers. The MEast, China, India, eastern Europe and Russia will all eventually fall into the EMU, if not in reality, then

from actual trade transactions. The ECB has made it plain to everyone that they will not restrain the Euro up or down. This clean float will be the very reason everyone runs to it, especially the up side of the equation. Every Euro critic in America will be among the first to buy it when the dollar starts to fail.

The events surrounding the Euro and gold have yet to begin. The entire dynamic is only just coming into sight for most thinkers. When Another spoke of gold and oil backing the Euro, it made little sense and still doesn't completely add up in the current context. Later, with the dollar / IMF
system coming unwound, the same writers that speak of the Euro as "just another fiat currency" will be discussing how it's only so strong because of ?????? We shall see.

FOA

FOA (8/24/99; 8:29:23MDT - Msg ID:11929)
Reply
Al Fulchino (8/23/99; 21:45:51MDT - Msg ID:11899)
FOA
Wouldn't we have been smart if the Western governments had gone to OPEC when the prices were low and offered them *help* in the form of buying future production at prices 10,20,30 percent higher than the 10-12 dollar prices per barrel we saw earlier this year. That would have been interesting when you compare it to buying the PM mines future production. yes?

AL,
Put yourself in a producer context. Then write out your reasons for accepting such a good deal. Then we can discuss it. (smile) Seriously, it could offer some perception for all of us! FOA

FOA (8/24/99; 8:57:04MDT - Msg ID:11935)
Reply
Golden Truth (8/23/99; 23:17:41MDT - Msg ID:11910)
F.O.A i,am guessing you mean the P.O.G would be allowed to rise? So if every Bullion bank in the world can not be allowed to shutdown what does happen???

Cavan Man (8/24/99; 6:32:30MDT - Msg ID:11922)
FOA 11896
I share GT's question. To paraphrase; "the bullion banks cannot be allowed to fail". I posted several days ago wondering if the "crisis" could somehow be managed or negotiated. I realize that was naivete but still I wonder. Why can't the market be manipulated to let the air out a little by sacrificing a few innocent lambs (none innocent really)and controlling the damage as the POG moves upwards? If I understand you correctly, that doesn't appear to be an option as the "damage control" will consist of siezing collateral (mines)in the event of default. That is a logical progression of cause/event but almost too difficult to believe!

GT and CM,
From my standpoint, most of the gold paper market will revert to forced cash settlement at the last trade! That's for long investors only because it's the inability of the shorts to deliver that will precipitate this. They will be taken out and shot because the CBs will be clearing the deals. If it's dropped to $100 and established trading markets halted worldwide because of sudden delivery

demands, everyone will settle at $100, cash and walk away! People that are waiting to sell their hedged gold into their counterparties (mines included ABX?? to the BBs) would have to sell their gold at the new settlement price. Remember, when big international bankers are in trouble on this grand of a scale, the rules are changed into the banks favor. Always has been, always will be.

Understand, that the BIS clears all trade in CB gold. If that gold is tied up in private Bullion Bank deals, it will come under their rule. The BIS tells the Government what needs to be done and the Governments tell the mines. In perspective, this will be happening in every industry, worldwide, not just gold. Everyone will lose some skin.

Perhaps, now we can see why any capital that's left will be pouring into real gold if it can be found anywhere. We don't have to believe it now, unfolding events will drive it home, soon enough. Thanks FOA

PS. ORO, keep writing. Great mind.

FOA (8/24/99; 9:20:35MDT - Msg ID:11940)

Reply

Tomcat (8/24/99; 8:31:02MDT - Msg ID:11930)

Mr. T Cat,
You make a good point, but it didn't work that way the last time Precious metal derivatives got in trouble. You write:
----Once the US nationalized the BBs they would have the authority to go to the "physical gold" owner, who wrote calls etc, and, at the point of a gun, complete the call and collect the gold. ---

When Mr. Hunt wanted delivery, the government didn't pull a gun on the shorts and make them deliver. During small cases they do, but the bigger the problem the more irretractable it becomes.

-------Settlements could take place with silver and platinum as well.------

In the same light, they didn't settle silver with physical gold, did they? Not then, not now.

----------Which government would take over the LBMA?------

The LBMA will be disbanded and it's member banks and brokers dealt with by the governments that each bank is established in.

----------It will not be a rapid collapse but will be a gradual phasing out of the old system.---

True, not a rapid collapse, rather an immediate shutting down of trading of any instrument that people are running from. The "gradual phasing" part is implemented once your assets are blocked. My friend, no one sits still when they are being relieved of their wealth. Looks good in theory, but in reality we are organic beings of emotion!

Yes, No? FOA

FOA (8/24/99; 9:47:21MDT - Msg ID:11943)

Comment

CoBra(too) (8/24/99; 9:08:34MDT - Msg ID:11936)
Endgame among not so clearcut adversaries?!?

CB2,
Good point. I have one view for what you write:

-----So why hold on to bad debt paper scrip if the endgame between $/IMF and Euro/Bis was so clear-cut policy as FOA feels, all along.---------

There is no possible way that the CBs could ever sell or unload all of those dollars. Presently they are held in the form of US treasury debt. It's owned by the CBs not their public / private interest. So, the CBs would not be looking to "spend" these reserves in the usual sense. They
obtained these reserves as their local economy generated excess sales to the US (for them a trade surplus) and their private citizens wanted to hold local currency assets, not dollars. The Cbs printed Marks (example) and traded with their citizens for these excess dollars. Then they traded these dollars for US debt so as to earn interest.

Now, exactly what good are these debt holdings as long as their country continues to carry a trade dollar surplus? Not much, if the locals don't want to hold dollar assets. In the end, if the CBs were to sell these treasury holdings it would crater the US debt markets long before any value was
received. And, to add further, that value could only come from using the dollars to buy something. Now what does a Cb use it's reserves to buy, cars, TVs, other currencies??

No, the only avenue to balance currency value is through the age old asset of gold. Indeed, if you already hold enough gold, one just uses the dollars to bid for gold until the dollars become worthless (price of gold spikes to the sky). Usually only the intention to bid is enough?

Yes, No? FOA

FOA (8/24/99; 10:20:59MDT - Msg ID:11947)

Reply

Al Fulchino (8/24/99; 9:12:26MDT - Msg ID:11939)
------what I was grasping for is the connection with this analogy to the gold industry is how the industry wasn't wary like OPEC with their own product. This manipulation could have been prevented had they OPEC'ed themselves. Do you agree?------

Al, it's true that the mining industry could have done a better job of managing their product. But, would they have been allow to? Just prior to OPEC and the 1971 gold window close, all the major nations were still trying to work out a common ground with respect to gold. The price was so low
that few mines were making anything more than subsistence. The governments were finding that they could no longer use gold as money because they needed to cheat on the currency. The US wanted the price of gold to run up so as to spike the oil price and obtain more local production. Something they couldn't do competing against the nickel a barrel ME producers. As gold rose, the mines didn't need any production agreements so no one sought one. Through out the 80s everyone was

expecting gold to regain it's trend, so again , no need for collusion. It's only been in the 90s,
especially during and right after the gulf war that the industry began to smell a rat. Hell, even two years ago, Another's Thoughts about manipulation were dismissed as crazy. Now, the industry sees they are in a battle for their lives as their asset is at the center of a realignment of world currencies.

Truly, if gold is repriced high enough, as a competing currency, the falloff in jewelry demand will negate the need for any additional supply. At extreme prices, the CBs could supply the market for years to come without impairing their asset reserves. Production curbs on the mines could again
restrict them to minimal profits even if gold was in the tens of thousands. A mess indeed.

FOA

FOA (8/24/99; 10:28:02MDT - Msg ID:11948)

(No Subject)

Welcome old gold, rainman, and all the other new posters here. I'll be back sometime later. FOA

FOA (08/24/99; 15:58:38MDT - Msg ID:11975)

Please, first read: mellow88 (08/24/99; 11:00:49MDT - Msg ID:11956)

The scene begins as a tall, dark gentleman leaves his mercedes to enter the casino at Mote Carlo.

(He walks quietly up to the card table.)

"Good evening Mellow, I've been wanting to meet you"

Mellow looks up with an uncomfortable grimace: :Do I know you, sir?

You should, My name is ----Bond---,,,,, James Bond.

(Mellow looks down with hardly any expression as James sits down beside him.)

Come on 007, I've given you the stuff, what more do you want?

Do you take me for a fool, my man "Q" in London says your info has been on the streets from before 83!

Agent Another was working that angle before you were born.

But it was mine, I tell you, all mine! Our people said no one else could have possibly known!

Shut up and listen. Now do what I tell you and you'll stay alive. First shuffle the cards so no one will notice.

Listen, I have an American contact, code name Kosares. He pays well for good secrets. Silver and gold coins, the money your kind can move into Switzerland without drawing attention.
Meet me here later and you can post what you've got.

It better be good, I'm giving you one last chance, Mellow!

Trust me 007, I have stuff no one has ever seen before. But I need time?

Five days Mellow, ------five days------- or I feed you to the sharks like all the rest.

(Mellow has become cool and expressionless. Yet his collar is wet with fear!)

Now if you will excuse me, I have an engagement with the princess of Monaco.
Here, keep my chips, and remember, if you lose at this game they won't find a place for you to
hide.

(The scene ends as a suave James Bond moves smoothly across the room.)

007

FOA (08/24/99; 16:03:55MDT - Msg ID:11976)
Aristotle made me do it!
Mellow88, all in good fun. (smile) FOA

FOA (08/24/99; 19:56:29MDT - Msg ID:11992)
Reply
Tomcat (8/24/99; 10:49:06MDT - Msg ID:11954)
FOA
-----Also, you stated: "In the same light, they didn't settle silver with physical gold, did they? Not then, not now."
Could you expand on this a bit. Clearly I am missing the boat on something fundamental. If physical gold was not available why wouldn't silver or platinum be an option?-

Tomcat,
I took your statement to ask the question (in my words), "if gold is unavailable for settlement, then why couldn't they use silver or platinum?".
If I'm in the right context, then my reply was a
comparison to the period when the Comex changed settlement on the Hunts. My analogy was that with silver in short supply for delivery, they didn't try to use gold as a substitute. A reverse to your question.
In my experience, when things become so convoluted a regular "everybody settle up now" doesn't work. So, the system is just stopped in it's tracks. Some lose big, some small.
Hope this helps FOA

FOA (08/24/99; 20:04:14MDT - Msg ID:11995)
Reply
RAINMAN (8/24/99; 10:46:24MDT - Msg ID:11953)

--------Working for a large bullion bank , I know for a fact that a lot of Gold accumulated by Middle eastern investors is regularly offered for leasing purposes. This baffles me. They are negating the very reason why they invest in GOLD by lending it with the risk of facing a default by their counterparts. Maybe FOA could

give us some of his insights about that fact.---

Hello Rainman,
I can't help you there. Another may if he sees this??? My view of that is much the same as yours, it's baffling. I would also have to ask the question, "who is helping who" in that situation? Perhaps the BB needs some gold? Fees are also a consideration, as in who gets them!

------When considering the Euro versus the US $, a lot of people on this forum expect the Euro to
eventually overtake the $.--------

I don't look for the Euro to so much overtake the dollar as for the dollar to fall away. I know it's the same outcome, but this perspective brings us more into context. The Euro is much younger than the dollar and certainly has less baggage in the form of a trade deficit overhang. The dollar has been building up a huge float in foreign hands for 20 or thirty years. It's that mass of currency that's unneeded for Euro zone commerce (or the rest of the world for that matter). ORO wrote a beautiful piece the other day, pointing out how the ME countries could ask the question, why are we using the dollar when the Euro could work just as well? In addition, I point out that the Euro is governed by a diverse group of countries with different interest. That very point sets it in better standing compared to the dollar that is controlled by the interest of one country, the USA.

---However , there is something that I don't understand. Either fiat currencies disappear, and the Euro will have the same fate as the $. (The Euro is no more backed by Gold than the $. The ECB has a certain amount of GOLD in currency reserves and the regional banks like the BUBA , Bank of France or Bank of Italy have a lot more but so does the FED) Or fiat currencies survive by some mysterious alchemy and from a pure economic perspective , over the long term , the claims on US assets by $ holders are much more valuable than those on European assets since the US has already won the economic and geostrategic war.-----

Well, I don't expect the fiat currencies to disappear. Look at Brazil or Mexico? Years (decades) of regular currency death and they still use the dam things. A testimony to the persistence of mankind. In a similar light, I expect the US dollar to be devalued on a grand scale. Yes, it will most likely stay in use, only, like these other countries, it will be worth a lot less. Indeed, I can picture the American citizens using cash Euros to store wealth and make trades, just as others do presently using dollars. Say, in Canada?

Your presumption that the foreign dollars are more valuable as claims on US production should be adjusted to include a true accounting of just how many are outstanding. A little research will show that these dollars would buy up almost all of our production for decades! The real problem is that we are still in a deficit trade condition. If these dollars are unneeded to buy now, how could they become more valuable later? If we don't have enough to sell them using current trade, what would they buy using all the additional float? Remember, these countries in Europe have assets for their people to invest in and goods and services for them to buy. They don't need to buy from us on a scale that the dollar overhang would require.
As for economic wars, they are never won, rather always ongoing. Thanks FOA

FOA (08/24/99; 21:06:47MDT - Msg ID:12004)

I'll be back later.

Cavan Man (08/24/99; 20:06:51MDT - Msg ID:11996)
FOA
I see there are a couple of posts here this evening that are not pro-gold and perhaps for good reason(s). Do you have a repartee?

CM,
Yes, it is sad when someone gets hit without a clear knowledge of why. Unfortunately there will be more of this because investors are unprepared for the times ahead. We could see gold go through tremendous swings as this is unwound.

Long term booms (20 years +??) always die with major loses inflicted on the most leveraged positions. Add to this a once in a century destruction in the most popular currency, and we produce an economic earthquake the likes of which no one has ever seen.

Most investors retain their life savings in a fully invested mode and would not get off these train tracks if they saw two engines coming. They will stay there because it's impossible for them to believe they occupy the wrong position! Who can lay blame or call them fools? These typical western savers have been educated to believe in a money system that serves no purpose, except a medium of exchange. Yet, they perceive that all of their assets are correctly valued by this system.

The gold market suffers the same fate. The same ideals that hold us in bank accounts, using credits to indicate what is on deposit, also drive us to invest in gold assets that must be sold to realize a profit. Modern gold bugs travel from bank accounts into paper gold and back into the
same bank accounts. All the while pointing out the weakness of the system, yet needing the same system to keep score. Without the modern paper gold market, gold bugs, as we know them are lost to place a value on their holdings. That is why they gravitate into familiar gold holdings. Ones that still retain some connection to their paper currency. Mine stocks (and various option / futures) are a likely choice as they sit squarely upon the financial system we know most.

Great swings in asset preference always bring monumental profits. However, these profits will be shared by only a very few. And those few will have to endure gut wrenching blows to their assets when this storm hits. Gold will by no means be safe and it will not be secure. But in comparison to every other form of wealth, it will be the most well known and sought after asset on the planet.

I think, many will be weeded out from this market as events unfold. Most of them never expected the fluctuations occurring now and they would be horrified at what may come. However, what they retreat into will be completely cleaned out. Completely! As for those that are sharp enough to buy when the proverbial blood is running in the streets? Time and events will prove that they were not as smart or quick as they thought.

Having said that, paper gold may rally, gold stocks could storm up and physical could just sit there. But that won't be the end of it and such an action would simply draw more into the fire. I remain steadfast to what Another once said:

" when a thousand hungry lions fight over one scrap of food small dogs should hide

with what's in their belly"

This dog is well fed with gold and hidden deep in it's history. Thanks FOA

FOA (8/25/99; 8:51:16MDT - Msg ID:12048)

Reply

Rainman,
If you don't mind I would like to carry this on a bit further (from my post #11995). You mentioned being French. I assume this gives a better perspective of Europe from having lived there (past or present). Good!

--------RAINMAN (08/24/99; 20:46:43MDT - Msg ID:12001)
@ FOA : Thks for your answer
The 2 countries which by far outweight any other country in the European Union are France and Germany. Both of them have retirement systems which are based on active workers paying for retired workers. Unlike the US or UK , unaccounted claims run in the trillions of Euros in the next 20 years which is a crucial problem since there are less and less active salarymen per active men.---------

Yes, I well know that problem, having studied it for some time. I hae relatives in Germany that also expressed the same concern. What you described above is the same quandary faced in this country by the Social Security system. The comparison between the cost to these separate
societies is clouded from the reporting by the respective governments. In Europe, the facts and figures are very open, available and contain honest evaluations regarding the eventual impact. Alarming as they are, at least no one is hiding anything. In the US, the cost of our SS system is
completely overwhelming to the future generations, yet it is glossed over as manageable. How can anyone believe even these government SS projections (perhaps they are worse) when the same people state that our national debt is turning to surplus even as the actual debt figures are growing
daily. And, unlike Europe, these manageable figures are projected into the future using a continuation of our current GDP. We are currently running at the highest long term rate in history and that is coming off an economic expansion of some eight years+.

You use the GDP in this section:

--------In France , a man making real money will pay a marginal tax rate of 74 % including social taxes. Even though the money supply denominated in Euros is smaller than the one denominated in $ adjusting for respective GDP , the fiscal and social overhang are unmanageable in Europe . (I am french)---------

I point out that historically money supplies in major economies never shrink much. They remain a constant in fiat currency systems. Governments use the GDP as a tool to indicate if their respective social programs can be accomplished What good is that in justifying a debt burden? If a fiat money supply is always static or growing, it leaves the GDP as the variable. Because economic expansions
(GDP) expand and contract it changes the picture of a debt burden dramatically.

If two years from now we see the Euro zone in a major expansion and the US in a contraction, all the critics of Europe will rewrite their analysis of Socialism in Europe. Many say the Eurozone cannot expand without the US, why not? They did before,

and that was at a time when Europe had
to import Americas inflation because of the Dollar reserve system. Today, an expansion in Europe would have "legs of it's own" in a Euro currency concept. See today's WSJ for some bullish theory.

Our (US) national debt and SS commitments loom far more ominous when viewed in the light of a reduction of growth back to "normal"! Again, comparing respective social financing needs of these two economic zones pales as a problem when their respective currencies considered.

-------Technological innovation in the US is light years from what you might find in Europe. Civilizations disappear , and the occidental civilization will disappear like the egyptians , the etrusques , the greeks , the romans , the ancient chinese , the maya ....However , Europe will
disappear before the US. Hence my feeling that in the very long term (and in-between the Euro might appreciate itself up to 2$) , the US $ is a safer fiat currency than the euro.----------

Well, technology isn't always what makes the world go round. Especially if it's true benefits are being consumed by the debt created from currency inflation. If one looks at all the fantastic cost saving advances that Tech has brought the world over the last twenty years, where are the price
reductions? To the extent that the world has been on a dollar reserve system, that system has robbed it consumers of hugh price decreases that should have been available from all of these new production efficiencies. Indeed, this is where the massive dollar currency inflation is hidden. The
very fact that prices are flat (or rising at all) is a testimony to the inflation robbery present in the system. If all these advances were omitted, our price inflation would have been hyper in nature. Yet, to date, consumers are pacified by their phantom increased return on investments instead of the real savings a technology driven price reduction would have created. Yes, some costs are falling, but those are few and far between as they do little to negate the static cost of daily necessities that should have fallen much lower by now.

No, I believe the management of a nations money has more to do with maintaining it's prosperity than all the goods and production it's citizens can muster. I look forward to turning over the reigns of the reserve currency to a collection of diverse societies that, together will offer a more "world driven policy view" of how a money should act. The very fact that the ECB has not acted to artificially impact the Euro value is a credit to them. Even though they only hold gold as a reserve, soon, oil will back that currency in a way that will benefit them as much as it has the US dollar over all these years. I don't know about you, but I'll take black gold as backing any day.

Thoughts from yourself or others? FOA

FOA (8/25/99; 11:29:26MDT - Msg ID:12064)

Comment

---------The Stranger (08/24/99; 21:34:29MDT - Msg ID:12005)
The Post With No Name
Last night, somebody calling himself Skip posted a sad commentary of his experience in the gold market and issued a plaintiff call for reassurance from this Forum. Tonight, Canuck, in an act hardly anybody could fault him for, suddenly

jumped up and made a run for the exits. The last time we were at these price levels (and after years of pie-in-the-sky forecasts) ANOTHER and FOA suddenly reversed themselves and announced that the POG was very likely to collapse. And now, just to be sure we are all scared as hell, Farfel shows up tonight to remind us that the world economy is about to slip down a black hole, taking gold with it, of course. (Needless to say, I think such pronouncements are as looney as they are facile.) ----------
(to see the rest, read his post)

What do we conclude from the above post? Stranger, I appreciate your presenting your thoughts and perceptions. They validate my own perceptions of how westerners feel about gold. I also used to read Another's Thoughts, as an observer when they were presented by someone else. The one common thread in all of them was his council to buy only gold, physical gold. Yet, it never failed to impress me that every time those considerations were given, all discussion immediately turned to buying gold options, futures and mine stocks. It was like an automatic response that was ingrained in investor psychology from years of indoctrination. Your conclusions fit the same pattern.

Why is it that professional brokers and investment councilors in this country lead the public to this end? Is it because they have on depth of history to draw from or is it that they have "no fear" of losing others money? Mention that gold may rise and could become a bedrock for your life savings and not one paper pusher tells his clients to buy real gold. Yet, we let the facts speak for themselves. The gold price having fallen from manipulation has literally destroyed a large percentage of portfolios invested primarily in gold stocks. Some of these mine stocks have gone to zero and are in bankruptcy, never to return.

All the way down Another (and later myself from association) said to buy gold for the long haul because in the long term it may go very high. Then in typical like form, traders said buy gold stocks for the long term also. Don't listen to Another, it will never go that high and with these paper items you will get rich if it only goes up $100 bucks! Indeed, leverage ruled the day all the way down
with little regard to the fact that the "little guy" could lose it all with no hope to run for the final payoff . Now, here at $250 gold, Another presents a case for the destruction of the pricing market mechanism and still says, buy gold for the long haul. A concept, I might add that fundamentally offers the most bullish case for physical gold, while posing a worst case scenario for mine stocks.
Yet, intelligent thinkers and admitted white collar investment professionals, such as yourself, lay the
blame of of loses to mine stock investors at the doorstep of physical gold advocates.

The whole philosophical reasoning for buying physical gold was always to negate the possible total loses to ones assets from a breakdown of the worlds modern derivatives pricing system. A system that spans our entire financial structure, not just gold. Even with this risk in mind, I submit that it is still the current system advocates that present a "pie in the sky" council to new, unseasoned
savers. Just as you use Bill Gates and other "risk takers" to portray an "American Spirit" of "plunging in", it hides the hideous failure rate inherent such accomplishments. Had Skip not listened to the sirens song of great wealth, he would still have had a chance today to benefit from a
centuries old investment, real gold. So consider this, the next time you drum the march for the average persons savings to the tune of "paint your wagon and come

along". For myself and many others, long term playback and asset safety are more important to our family than the bragging rights of day traders.

Please continue. (frown) FOA

FOA (8/25/99; 16:45:26MDT - Msg ID:12083)

Comment

------The Stranger (8/25/99; 13:46:23MDT - Msg ID:12068)
Sorry, FOA I didn't make the point to offend you. My intent was merely to share my confidence in the gold market at a time when people were obviously getting nervous.------

Sir Stranger,
no need to be sorry and your post did not offend me. I felt the offense was directed towards intelligent physical gold advocates. When you publicly interpret my posts as a reversal of thinking, you are wrong and send a false signal. To say that I expect the (physical) price of gold to
tumble, is a misleading statement that subordinates my reasoning by talking out of context.

I understand how our gold market presently trades as a paper derivative and in physical form. Every day, new evidence comes out to confirm this concept. TownC offered the excellent work of John Hathaway to further explain this evolution. When Another pointed out that the derivative side
could fail and be discounted in price from the effects of that failure, you obviously did not grasp it. Others did. If you had then you would have noted that I expect the physical gold price in the dealer community to explode as it's supply falls. A process of rejecting the current price setting methods.

--------As to your comments about white collar professionals and "westerners", I suppose you mean well. I would emphasize, however, that, out of respect for our host, I have specifically avoided discussing the merits of stocks vs. coins. I intend to keep it that way.-----

Again, I present a balanced observation that helps to account for the much larger percentage loses to investors that have followed the "established paper rout". Nervous people have a more pressing need to learn why their strategy has failed. Without balanced imput, we often repeat out
mistakes. I learn from my mistakes also.

As for merits of stocks vs. coins? There is no valid comparison. Apples and oranges have never had the same taste. The percentage of loss for one or the other is but a function of the risk one takes when placing savings into that vehicle. Coins will never be as risky as stocks of any kind. Nor will gold bullion in ones hand. The very simple laws of nature dictate that gold cannot fall to zero as
stocks have and often do.

-------Finally, as to who is misleading whom, all of our (your's and mine) posts are a matter of record. I hope I need say no more. ------

I believe we come to this forum to offer out Thoughts for everyone to view and discuss. No one is right, wrong or misleading as only events can and do prove all things. To date, cash invested in gold bullion has lost value much less than if it was

placed in mine stocks. All of us can grasp that fact. Indeed, no more need be said. Thanks FOA

FOA (8/28/99; 7:28:54MDT - Msg ID:12257)
(No Subject)
ALL:
I wrote an apology to everyone and posted it late on the day everything was lost. In it was offered some of my feelings of why I post. Hope someone saw it, hope someone can repost it. I saved it not.
we talk again. FOA

PH in LA (8/28/99; 8:36:46MDT - Msg ID:12260)
FOA's lost post
http://www.larouchepub.com/lar_can_you_survive_2630.html
FOA and All:

I, for one, can testify that I did see FOA's post in which he spoke about the difficulty of using this "information-moving based medium of the internet" to communicate ideas, etc.

Unfortunately, I did not save it to disc, either, but as with all of his posts, it made a memorable subjective impression.

One concept that struck a resonant chord was his assertion that he is "but a medium for the transmission of ideas between two worlds"...and that as he tries to clarify that message he evolves inevitably into a "translator"...a role he never wanted to play.

As a classical musician, I am reminded of something heard long ago from my violin teacher. He spoke similarily about the recreative artist (musician) who should strive to be a perfect mirror in transmitting the composer's music to the listener. Personal involvement in that music on the part of the performer can easily get in the way of that process. Of course, the performer was always intended by the composer to be there, and to recreate the music in the moment of its performance. So it is no simple process from the beginning, this transmission of ideas from one person to another.

I, for one, have been fascinated by FOA's input and interpretation of the ideas of ANOTHER. It goes without saying that I would like to know who they are; but I do understand their desire to let their message speak for itself. In some ways a laudable goal, and in so many other ways, another hurdle in our quest for understanding.

I included the above link to Lyndon LaRouche's site offering an essay that refers to many of the themes of ANOTHER. Though admittedly not a main-stream figure (and thoroughly discreditted politically) he does offer thoughtful analysis, a professional economist's background, and more than a measure of corroboration of ANOTHER's scenario for me (who does not pretend to fully comprehend everything offered by FOA and ANOTHER on the first try.) Anyone who visits the link will see powerful assertions of the danger of derivetives, gold, world political situation, etc. A fascinating read for the open-minded!

ANOTHER (8/29/99; 15:56:08MDT - Msg ID:12365)
Discussion

Mr. Kosares,
All be well with you, my friend. The Greenspan is a large topic for this day. His long words pour from a troubled mind. That concern is great for all that can understand his reasons. The next move by this Federal Reserve will change the world, yes? We do not underestimate his problem and do feel his path to be locked in place. As it will be, I have little to say now, we wait for the next
response from mankind. However, this subject is of little reason for my words today.

I request the FOA say no more, as he considers his emotions. An explanation must be considered, even as his years are only somewhat less than mine. His defence of my Thoughts were the misplaced use of great energy and good spirit. However, I require no such army before me, for
my words stand in full view of all.
What of the many that find fault in my Thoughts? I say, attack and molest them as is needed to regain the calm mind. But, let it be known that without " the spoken reasons of logic" others view your sword thrusts as the "warrior that cuts only air"! We chose to ride this medium of discussion, and as such I must remain the "faceless one to all"! Such
as that may be, even the conduct of "well known" posters be at the risk. For all society requires a traveller to receive more than good wine for dinner. Even the guest of your house will see you as "faceless" and without form if he is sold only the "opinion" as rich conversation.

In addition, I stand before all people and laugh at their pronouncements of how important their words be. The creator made us as "fools" of the earth and we be "fools" to our death. To promote oneself as strong, wise and of need to others in this world, is to be seen as little more that the
beggar of recognition.

For all that concern themselves with "Another" the "thief of thoughts"! Be very fearful, my friends, for I have grown as such a "taker in the night". From the womb of my birth to the dust of the grave, I have stolen all my mind does know! My father did say, "breath in all that blows on the wind, for no man owns the storm". Indeed, I add, grasp every dust of knowledge from any breeze that parts your hair! Will this forum be a marketplace of "no cost" or do writers ask for payment of "notoriety" before others may read? I council all, pay noone this commission of "pride" for conversation most free. Force them to walk this lower path with citizens of every make of life. Indeed, I stand low before ones that say "I am new at this and know little", for from their very oratory spring the logic that moves this world into the next day. A world blinded with the perceived
power of control that exists only in minds of unfree men.

We speak again, in later time. I offer Mr. FOA's last item as condition of inducement for "free speech":

"let the knowledge pass through me as a river runs wild
yet don't claim the water for it's free as the nile"

We watch this new gold market together, yes? Thank You Another

FOA (08/31/99; 16:15:01MDT - Msg ID:12506)
repost
FOA (8/31/99; 10:23:02MDT - Msg ID:12471)

Come what may?
ALL:
I do thank everyone that have voiced support for the continued sharing of my insights. Anyone of you that have been alive for a while must also understand the frustration of explaining a difficult topic. Truly, I (like all of you) am not a machine and the process of walking a fine line between two worlds of thought is a major energy drain. This unique forum gives all readers an opportunity to expand their viewpoints by observing the "real world of money" through different eyes. As such, I deplore any direction that takes us into the ego world of "traders calling the market". It is an accepted fact that many aspire to make that roll their life's work as there are plenty of other net
sites and forums to confirm it. As popular as this may be, it offers little in the way of gaining insights to the perspectives that drive world investments. As a group, the trading society often loses the concept that feelings and viewpoints are the driving forces that shape those little chart patterns so many follow. Because many give up in trying to decipher the meaning of these forces they degrade
themselves to a level of "follow the leader investing". True, it works sometimes, but one's spirit of understanding develops little from the process. As a result, when a major change does impact world thought, people are lost to grasp why the trend reversed, and more importantly, cannot change their strategy with it. Perhaps, something we have seen in the gold market these last many years? So, "let the world have it's way, come what may", I will try to present my insights as seen through others. I hope many will join us on this journey.

Further:

I completely understand (as do you) that many people become upset when someone attacks the validity and purpose of their favourite investment strategy. Indeed, if most of your savings are installed in said discussed vehicle, the urge to find a flaw in the reasoning becomes overwhelming. Often one does not have a factual explanation, but we do have the ability to "think out loud" in the form of a rambling discussion. Perhaps, this is how many view my posts? I offer that this form of "rebuttal" is preferable to just stating "he/she is faceless and doesn't have the facts"??? If I do this, I apologize and will try to change. I think Mr. "PH in LA" had it very right when he observed how some internet writers, "come wading in with both barrels blazing" as they present their thoughts! I add that this could be an offshoot of our modern society. Hope we can get past this, soon! Thanks PH.

Onward:

Most investors that have assets in this broad arena called the gold market, have also come to appreciate just how large an "impact area" gold has had. Not only through out history, but right up to today. The ongoing battle over the "gold concept" has won and lost fortunes, built and destroyed empires and in general has warped the human senses about what money and savings should be. This conflict continues today, even onto the pages of this forum. As the stress builds on our world financial system, the lines of thought concerning gold are becoming more clear. Let's examine some of what I perceive to be some of those lines.

Of course there are those that do not even consider gold as a viable contender on the world money / investment scene. The have lately been a major vocal class that have prospered in the realm of the current financial system. Myself nor anyone else should blame them, as they follow their reality in a world that presently benefits

their ideals. I think few of them have given themselves a full study of how world currencies have come and gone through out the years. If they had, the fact that they "have lived in a period of little change" should hold for them that things can reverse without notice. History is full of recounts that describe the rise and fall of entire social groups at the hands of a sudden rethinking of what has economic value and what doesn't. In any event, ingrain monetary ideals usually do not change during ones lifetime, so the past lessons may be worthless for some. As a result, a large mass of society must always return a great portion of their wealth into the hands of some "historical event".

Also included in the "gold perspective" are the true "physical gold advocates". They have seen through history how the destruction of various "money systems" always leads to the destruction of the "economic system" built upon the fiat concept. The efficient money system present in those fiat times, help to create the need (and therefore increase the value) for many real assets. The ensuing breakdown of the money always destroys the "efficiency" factor that society used to up-value the assets. Usually, any enterprise built upon the current functioning money contract system is impacted as it cannot change quickly enough to the evolving money system. It's hard to grasp that even real assets like houses, land, equipment, vital necessities and even food, can lose value as their trading pipeline is disrupted because no medium exists to fairly create "market value"! We have seen, time and time again, that real gold can gain value against "everything" during true money destruction.
During these times, the human spirit need for using a familiar process is all consuming. The exchange of goods and services continues, with or without a valid medium of exchange to express it. Still, values become so conflicted and lost during this process that the marketplace reaches out for the most tradable of things that can act as a medium. In that need to replace "efficiency", lost with the medium value of paper money, it upvalues any store of value thing as the new "medium of exchange". Yes, within a large marketplace, the human need for trade gives any "efficiently" attribute more valuable than food.

This is why I smile when someone says, "how will anyone be able to know if the gold is real and what will they value it as"? I say, that the marketplace dynamic will ram this education home very quickly. The above question is asked by someone that accepts and uses paper dollars every day.
Yet, these dollars are paper (how do you know they are real? as often they are counterfeit) and hold value only because the marketplace is using them. During a money breakdown, you will observe trading in the marketplace and quickly come to accept anything, ANYTHING, that even could be gold. Believe it!

Finally, we also have the "in-between gold advocates" in the "gold perspective". Usually, their view of the market is such that it is an industry built within the confines of the present monetary system. They do not hold an extreme view about paper money, and believe that today is different and our currency will only fail "somewhat"! So far, in concept they have been right for many years. Yet, in investment practice, their "gold perspective strategy" is failing. I say this in contrast, in that by holding physical gold, the "physical in your hand money insurance factor" is never lost, even as the quoted gold price falls. Especially, in today's new market dynamics we require the question:

"does the paper security in your hand give you an absolute claim to physical gold, or does it more so give you a "right" to receive dollars that match the increased value

of gold?"

This "in between gold perspective" strategy, calls for placing money in various forms of paper gold. All based on the convenient factor of holding paper that gains in price as the demand for gold increases during a controlled slow burn of the world money systems. These paper investments are
expected to all gain because their value is "derived" from the quoted price of gold on established major exchanged, London, Comex, etc. Weather you hold "gold certificates" , mining stocks, gold options or gold loans, an observer can readily correlate their increase and decrease in value to the world quoted gold price. They are derivatives by nature, because there very worth requires the observation of another price setting market.

It is here, in this "in-between market" that I believe most gold investors will first see the breakdown in the world money system. Yet, for them, this breakdown will bring the loss of performance to their paper holdings, because, from necessity, our financial structure cannot allow the established quoted price of gold to rise. To honour the present contracts, would require the supply of millions
upon millions of ounces of gold that simply does not exist. In as much as these players expect a huge payoff on their holdings as the gold market must run skyward to balance delivery, the opposite action will most likely be delivered. Because all of their holdings are valued upon a marketplace that establishes a price with even more derivative trading, the expected failure of those contracts will crush the quoted price. Just as most men will not hang themselves with a rope, the shorts that actually create the quoted price of gold today, will not trade it higher. In fact, I believe they are trying to gather physical gold (taking delivery everywhere) while it still trades in relation to the low derivatives price. Unless you are a major entity in world affairs, holding something the world must have, I
doubt any form of gold paper securities will escape the burn. Indeed, over time, in a up and down fashion, most of the paper gold holdings will be destroyed first, then the physical gold price will zoom in a matter of days if not hours!

How will mining shares respond to this "POSSIBLE" event?
More (sometime?) later. FOA

FOA (9/1/99; 6:11:11MDT - Msg ID:12547)
(No Subject)
Peter, Tom, Junior and others,
Thanks for your ideas, comments and support. For anyone that is contrary to my thinking, feel free to jump on it (hopefully in a constructive / conclusive way). Rest assured, someone a lot stronger than you is poised to cut me off if I spout off again! I will be back a little later today with some replies and more discussion. I think the markets are starting the long awaited "final convulsion"! I'll try to point out what my side of the river sees as significant to watch (if only Jeff/Usagold can remember to change the oil and check the radiator on schedule, smile). FOA

FOA (9/1/99; 6:14:01MDT - Msg ID:12548)
News
http://www.iht.com/IHT/TODAY/WED/FPAGE/fecon.2.html
Paris, Wednesday, September 1, 1999

As Europe Grows, France's Jobless Rate Falls to 6-Year Low

------The latest data underscore recent signs of stronger growth throughout Europe. France's main trading partners - Germany, Britain, Spain and Italy - are all undergoing economic revivals. Indeed, Italy and Spain reported separately Tuesday that factory prices jumped by a greater than expected 0.6 percent in July.--------

-------Based on the improvement in industrial output and continuing high consumer confidence, the government predicts that economic growth will accelerate next year to between 2.6 percent and 3 percent, up from estimated growth of 2.5 percent this year.-----

-----Although the latest economic data raised fears that the ECB might increase interest rates, inflation seems firmly under control in the EU. Consumer prices in the single currency zone rose at an annualized rate of 1.1 percent in July, well below the 2 percent limit for countries that have adopted the euro.-------

FOA (9/1/99; 21:12:43MDT - Msg ID:12639)

Reply

Peter Asher (8/31/99; 22:35:25MDT - Msg ID:12542)

Peter,

Thanks for not only reading my post, but for understanding some of it. It's interesting how well we comprehend our own thinking, yet never really know if anyone else is following the same trend. That's why I'm happy to see others offering their viewpoints. It broadens the conversations and allows everyone, in their own way get something from of it. Right or wrong, at least we pick up the drift of all the many discussions that occur here.

Your comments about my #12506: I'll rearrange your words a little.

Does your (statement) describe the same phenomena and event as my #8841 of 7/13.

FOA said: ----Just as most men will not hang themselves with a rope, the shorts that actually create the quoted price of gold today, will not trade it higher. In fact, I believe they are trying to gather physical gold (taking delivery everywhere) while it still trades in relation to the low derivatives price.-----

Peter said: ------I believe they will continue this control of the POG with impunity, until their cohorts have completed the trading activities necessary to protect their positions. They do not have to buy physical gold to do this. As negative sentiment holds the price of gold down and leaves all rallies suspect, larger quantities of long future contracts can be purchased without pulling up the price of physical. The same leverage that created massive short positions will also serve to acquire the longs. It is the writer of those long contracts that is caught short by the breakout. The purchaser has locked in his cover price for a small fraction of the funds that would be necessary to buy the physical. Squaring off the short sales then becomes merely a technical financial matter. Provided, of course, that the 'System' is still in place.-------

Peter, I went back and read your post to better understand it's direction. First, let me further expand on the thought I presented.

The understanding I'm presenting here, is offered to explain why so many are off base and confused about the current gold price. Because I too am "Western" my thinking was also skewed towards a big short covering blow-out, where all "paper would burn". It seemed the only outcome, the markets would lock up and close down as the price of bullion went sky high. That was how Another offered the original thoughts, as he tried to get everyone to see how out of whack the real market was. What would have been required to set off such a run back then? Anyone large enough to buy spot physical gold as an "open order" on the world dealer market. Perhaps, several oil states working with several CBs could have offered, say, a 10 billion book priced above the
London fix. It would have been all over with, as anyone with short exposure would be shut down from margin calls as gold zoomed in price. That didn't happen, probably because the market was in the process of entraping itself with false perceptions. Most of the real gold was corrnered anyway,
so let the world have it's way!

As time has passed, our gold pricing has seemed to become more irrational. Other important analyst are starting to look for different explanations also. Today, Another is no longer "on the fringe of reality". However, there was always more to it than just politically manipulated markets.
The lower we go the more questions crop up. Why does gold still continue to drop in the face of statistics that show massive demand and ongoing supply deficits? Why does it hold here at $250 when this range will obviously destroy most supply from the mines? How in the world can it go even lower when everyone is buying it?

The answer lies in our perception of the modern gold markets. Back in the late 70s and early 80s, anyone "big" that wanted gold simply brought it "spot physical" in "allocated" form in London. The gold was there for delivery if wanted. Others brought through large world class dealers.
Further out on the limb, one could buy Comex "spot month" or "near by" and take delivery of a warehouse receipt later. When large orders went into the paper market, it had a major impact on the price because the price was tied to a "good probability" that real gold may be called for. Paper
buying, back then scared shorts because the longs that brought for hedging and investment purposes, really did take delivery quite often.

Time has gone by and things have changed. I won't get into the political why and what for because that's Another story. The gold market evolved as needs and perceptions changed. Through out the late 80s and early 90s the "need" to use gold as a "security" hedge expanded tremendously. Far more players entered the market to secure a "gold hedge" than physical off take statistics indicated. The physical side of the market was becoming less and less important as
players became satisfied to hold the promise to supply gold from someone else, instead of the actual bullion. Mine supply and scrap was becoming more a product for the jewellery trade and bullion coins. The market then evolved further as large gains from booming world security markets
pressed portfolio hedgers to commit less money for gold hedges. Even though the demand for paper gold was exploding, derivatives were allowing investors to tie up the same exposure with less cash. If they could go a little further out on the limb, away from "deliver ability probability", they could still hold gold using less working money. After all, the world was doing fine as even the worst of problems seemed to be handled by the IMF team. The real need for physical gold was always in the "total currency default / inflation" arena and that seemed light years away. So, over time,

the gold market matured into it's present state. Today, by far, most of the holdings of gold are
represented in derivative form. Little more than a bet with someone else about where the price of gold is going. You put up cash, someone else puts up cash and both of you watch the exchange price indicate how you will settle up later. Settle up in cash, that is! The "good probability" of someone wanting delivery was fading away.

What is the problem with all of this, you ask? It's the trading of real bullion that still must set the price of all of these outstanding derivative bets, yes? Well, not really.

The end work of this process has found the 3,000 or 5,000 ton per year real bullion market, is little more that a sea shell on a fifty mile beach. Everyone on the "gold net" already knows how much LBMA trades and that is small stuff compared to the other unseen world markets. The debth
and liquidity of the paper market moved the bullion trade into the "pink sheets". Needless to say, today, the famed "closing bullion price" is set by the cash commitments that bid for derivatives, not the cash that bids for bullion. In the old days, really big traders would arbitrage any such paper overhang against bullion by calling for delivery. Today, with the paper market so large, any such power play would find most traders taking delivery of gold as the market is sold out from under him. Besides, this new market perspective works against any long traders because none of the present "derivative gold demand" wants delivery! They only want to settle in cash, because taking delivery would require selling their other "better performing" investments. The mindset today is that gold is only an insurance hedge, as such "an increase in it's price will settle up in a cash delivery to me, to offset my other risk of cash impairment to my portfolio"! To further develop: "I don't need physical gold, I only need to participate in it's price movements"!

In complete satisfaction of the current trend, derivatives fill the bill for this current gold market. Clearly, we can see that this new market is not "fraudulent". There is nothing wrong with players pouring margin money into the short side to create a demanded product! It's has evolved into a cash game. This is where GATA is fighting a war they cannot win. Gold bugs (of the last few years) were viewing the present market using 70s eyes. Indeed, they were investing in an industry that was losing primary demand for it's product, even as "the need" for that product was exploding. This new gold market found a way to channel the "modern need" for gold's attributes away from physical demand and into paper supply. You simply can't create a short covering run if none of the current (insurance) longs want to take delivery. Even worse, as this trend was further developed, more and more old private physical holders were selling their gold and holding paper instead. Add to that Western dollar supporters wanting their currency to look good, and we have paper gold supply that's also used as a form of positive currency intervention. Anyone investing in the gold industry, expecting bullion to explode from all the new demand was truly disappointed. For every new Western gold bug that wanted gold for insurance, there were five paper sellers to supply him with all the gold insurance he needed, at a fraction of the cash commitment.

Peter, (if you are still with me) this is only the end of this act, not the end of the play. We have been standing on the trail and looking at where we have just travelled. Now, let's turn around and look forward.

Everything we just discussed was what "Western Gold Bug Eyes" didn't see! Most

have read my other posts and have seen how Another has cleared the path without pointing the way. My above is a broad overview without describing the full political involvement. Just as everything is in
constant movement and change, so too is the gold market. The recent evolution in the world currency scene has set in motion a new sea change of events. The same dollar/IMF world that created the seemingly endless wealth for American investors is now entering the end of it's historical
timeline. The tremendous debt that purchased our lifestyle, is slowly being revalued world-wide. Every tick against the dollar currency is translated into more sales by foreign holders of that debt. Soon, the par value of that debt will begin to fade as the negative trade deficit of the US works it's evil ways. At the same time, for the first time sense the dollar overruled the Pound, another currency has been created that is equal to the task. The dynamic of changing world reserve currencies is also going to change the dynamic of the gold market. Once again, the needs of investors will redirect the method of using gold. As the wealth effect of the Dollar/IMF system goes into reverse, the process of receiving your gold hedge insurance in dollars will be perceived as a risk. At this stage, all of the past demand for gold that was channelled into cash settled paper
derivatives will suddenly reverse it's trend. Slowly, more and more of a percentage of settlement will be asked for in real gold. As delivery fails from increased demand, existing derivatives will be dumped upon the market place in an attempt to cash out. This very process will: First dry up all gold supply and lock down any existing private stocks. Second, cash biding on the dealer market will become convoluted and reflect only gold's currency value. It's economic / industrial use will be priced totally out of the market. Third, what was once the world price making market for gold, will become useless for delivery as it's contracts are defaulted on and discounted in price. What price could the world gold price be set at, using these defaulted, bond like securities? How low does russian debt trade?

Peter, using your analogy about how the traders may be buying gold paper long, could be correct for this moment in time. But, as you can see, if the above plays out, they will be in the same boat holding nothing but a ticket for court. I bet, most of the smart ones are slowly looking for available gold, not more derivatives. I believe that in fits and starts, all paper gold (any comex paper outside of spot month) will be sold down. Driving the perceived physical price lower until no more can be delivered. Then, a general default will begin, destroying the entire gold industry as we know it.

As in conclusion to my earlier post, I hope to later describe the trouble this will visit upon the mining industry.
Thank you for considering this, FOA

PH in LA, some post! We will talk here later, across this USAGOLD forum river, that is.

FOA (9/2/99; 9:31:55MDT - Msg ID:12660)

Comment

PH in LA (09/01/99; 12:45:07MDT - Msg ID:12583)
Normal view from "this side of the river"
"I think the markets are starting the long awaited "final convulsion"!" FOA (9/1/99; 6:11:11MDT - Msg ID:12547)
These last months have been difficult for those who watch from this side of the river the slow-motion playing out of macro forces that seem so much clearer from over there on your side. It all appears so much more dramatic and dynamic from over

there. From here, in a desperate attempt at perspective, I sometimes wonder how dramatic it all really is.

Hello PH,
The drama in any play is only as real as it's impact upon your perception. In real life, and in a similar view, economic events are only an "observation" unless they manifest themselves into a forced change of your life style.

For most people, the wealth they carry is the determining factor in how much they are "free to chose" their living conditions. Further, your freedom to move about in a social standard is governed by how others that network (trade) with you and the world in general value the form of wealth you choose to hold.

Your post is so very "on point", in that it defines how the last twenty years (+/-) have not seen the American Dream altered with some "Historical Event". Even though all the items you described were predicted to cause major problems, none of them destroyed the system. Lives were impacted somewhat and plans redirected, but, all in all our social order continued with the perception is that our wealth has grown a great deal. Yet, there in lies the residue that "1971 was a cataclysmic Historical event"! It did not affect our life style, so much, but it did change our "perception of how we value wealth ". The use and acceptance of a world reserve fiat currency has altered the concept of how much wealth we really own. Many Westerners and Americans feel rich and act out that perception by living life in an "unaltered way". It has worked this long because all of us and the rest of the world "carry our note" in the form of US debt denominated in dollars. As long as we "put on a convincing act" the play continues because others think we are "good for payment"!

In a sense, America is like a stock that has been traded up to par, say $100 a share. Yet, all of the companies capitol was borrowed from creditor banks and spent on a lavish lifestyle. The perception is that: "this stock called America, it's going higher as long as everyone keeps trading it". Yet, if the bankers call the loans, this dollar concept (the above stock) will prove to truly hold nothing more than "the American Dream"!

Here is where we have walked in the misconception that "everything is normal" and "nothing has changed, that much". The truth is that none of these past problems have washed onto our shores because our debt has purchased these years of a "normal lifestyle". Prior to the event of 1971, a
nations "lifestyle" was brought on a cash basis, using a neutral or positive trade balance. Today, practically all of our wealth and economic strength is an illusion hidden in the dollars debts. Without a competitor, the dollar was accepted without recourse. 1971 was a highjack on a world
wide basis. In like form, when a person is robbed of all of their reserves, human logic dictates that they will go to work for the thief (that now has the money) in a effort to stay alive. Needless to say, this working arrangement will change as soon as the victim has saved some money again.

The arrival of the Euro will precipitate our first "historic event" that does wash onto our shores. It will arrive as a failed dollar gold market, rising US interest rates, a falling stock market, spiking oil prices and inflation on a major scale.

Holdings of US debt, world-wide, are now reversing and that trend will only escalate.

One has but to review the recent thoughts of "contraryinvestor.com,,,,,,,,,,The Dollar and the "New Era": Are the Rules Changing?

-------The linkage hinges directly on the stock market. Lower dollar equals lower demand equals potentially lower asset prices. If the declining dollar ultimately causes a lower stock market, consumption declines and lower U.S. economic growth results. A lower market and economy would depress tax inflows possibly causing the government to get into the "crowding out" borrowing act again. A lower dollar also creates the unintended consequence of importing
inflation. Another interest rate no-no. Do all of these linkages work perfectly and in a linear manner? Of course not, but one can see that the virtuous circle of dollar upside can quickly turn into a dollar whirlpool to the downside with reinforcing mechanisms that cut in a negative direction. A true and sustained change in the dollar and inflows of global capital to the U.S. would seriously
challenge the "new era" thesis. We're not completely there yet. Like any market, the conclusion for the topping process of the dollar is anyone's guess. We'll gamble that the process is at least officially underway.----------

Also read: Mr.Richebacher

-----The dismal science will never be the same if Dr. Kurt Richebacher's dire predictions for the global economy should come to pass.

The former chief economist and managing partner at Germany's Dresdner Bank says a deflationary collapse lies ahead that will ravage the world's bourses and usher in a dark period of austerity and financial discipline.

Probably not one economist in fifty shares his views, at least not publicly. Richebacher, now living in France, says many of his American colleagues have been seduced into ignorance and complicity by Wall Street's billions as well as by their love affair with mathematical models that shun fundamental laws of economics. -----
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------* Derivatives can insure individual market participants against risk, but not system as a whole. Ultimately they have spurred higher risk-taking through leverage, exposing the global financial system to the prospect of devastating failure.

Richebacher, who counts former Fed chairman Paul Volcker among his close friends, says U.S. economists of the 1960s would more readily have recognized these problems and acted stridently to counteract them.

Public discussion was still influenced back then by staid economists who represented the banks and who knew their theory. The current crop, however, is "really a part of Wall Street's sales force to sell shares."

In contrast with European economists, their theoretical thinking is "not too deep," and in recent years has been completely eclipsed by mathematical models that fail miserably in reckoning with the crucial variable of human behavior.

The current level of thinking is "unbelievable," he says. "How can you simply overlook a negative savings rate and mountainous trade deficit" in saying the economy is healthy and robust?

"There is almost no one left in America to pose critical questions about economic fundamentals," he laments. "The only miracle about the American economy is the consumer's amazing propensity to borrow" -- a fact which Richebacher says has delayed a day of reckoning. ----------

And finally see: The Magic of Credit & Financial Engineering by David W. Tice

------ This, like most derivatives that have come to so dominate our financial system, works well during bull markets. We, however, see these derivatives much a ticking time bomb. One of these days, we will have a bear market and First Security Capital and other writers of derivative
insurance protection will be forced to sell securities to hedge their exposure. And if enough buyers do not come forward willing to part with their cash in the midst of a sinking market to take the other side of these trades, markets will suffer a liquidity crisis. And we, unfortunately, see no way around such an occurrence as our over-zealous financial system has created truly unfathomable
"perceived wealth" throughout our economy that is supported mainly by overvalued securities and unprecedented credit excesses.----------

PH, your last item: ------ Maybe that's what the "final convulsion" will be. Just another "normal" convulsion. Over here! From this side of the river!--------

Take your vitamins, sleep well and get plenty of exercise. With a little luck we will live long enough to watch this drama to it's final conclusion.
Thank You FOA

FOA (9/2/99; 16:15:22MDT - Msg ID:12699)

Reply

Peter Asher (9/1/99; 22:56:08MDT - Msg ID:12641)
FOA #12639
Thank you for devoting so much writing time to your response. I understood all of it quite clearly. I realize that the operational words are "Cash settlement."

Peter, we talk again! Your comment:

-----One question, regarding your <<< I believe that in fits and starts, all paper gold (any comex paper outside of spot month) will be sold down. Driving the perceived physical price lower until no more can be delivered. >>> That event would show up as "backwardation" which is regarded as an extremely bullish factor. Would that not trigger a definitive reversal, giving birth to a runaway upward movement in the spot market?--------

You are right, if we use our past gold trading history as a guide. The problem is that there have been only a few full cycles in the gold market. And, just as I offered before, the market has "evolved" after each go around. It's not the same animal most gold bugs started out with. Using the past "probable reactions" of traders to what were bullish signs on established markets then, could send one into trouble today. Look at how many positions were established these past few years, only to see traders reverse and pull out over and over again.

I think, the first time that Comex can't deliver, all future months will be called into question. Most likely, the officials will "Bunker Hunt" the exchange long before anyone knows what's happening. Let's face it, no one has ever seen Comex react

when there were almost 500,000 OI contracts on
their option side? Not to mention a world full of derivative contracts looking for relief!

Your call my friend! I'll be watching if you (or anyone else here) want's to try and ride it. I agree with Leigh's take on this (hello and thank you Leigh) , " stay with physical"! It will pay off more than you could spend anyway!

------One thought I am still wondering about, was my conjecture that the apparent motives of Gold carry profits, politically driven debt bubble controls, Central Bank cash needs and collusion driven short sale profits, while all true, could be lesser activities behind a plan to corner most above ground gold and to acquire the ownership of many of the mines.-------

I'm not going to head into the political issue until finished building the basic mechanics of this. It's too confusing not to have a springboard of thought to jump from. I need that background so as to dodge the bullets. I'm smiling as I write this because some out there put an extra shell in their gun every time I write this analysis of Another. Crossroads #12665 wrote a good piece about how we
all see things (hello CR and thanks for the repost). One of the reasons I write the way I do is because I am "born in the USA" and still retain a true "Western view" of things. In other words, I know how some of these conceptions came about and how people will mentally fight to retain that
view. In essence, Another sees that sometimes it's better if hard riding hombres don't fully understand your concept as your words relate it. In the end it still aggravates them enough that they study it hard to find every flaw to throw back at you! Welcome to the new age school of advanced education or is it "if you build it they will come to destroy" (smile)! Just shows you how different worlds think. Oh well, I don't intentionally try to be vague, as it's a very complicated subject.

Peter I'm saving this and will get back into the oil gold politics later.

I may be here over the next few days? Or may not? Thank everyone for contributing (TownCrier, you're the best) FOA

FOA (9/5/99; 15:20:08MDT - Msg ID:12859)

Gold Mines!

When I read this letter from I.V. Holtzman (USAGOLD (09/03/99; 15:13:20MDT - Msg ID:12765)I really had to lean back and smile. That was good, very good. I looked up from the computer screen and gazed easily out the window. Out there, across the ocean, someone sailed the seas with very deep thoughts. Perhaps, what he once saw on the horizon as a mirage was now becoming a little more real.

Earlier I posted an introduction and chapter one (Msg ID:8633) of "Gold: Saving Real Money In A Time Of Transition". It concluded with: "In chapter ((2)) we will build upon the workings of the gold market as it represents oil, the most strategic world commodity.". In that framework, Another is editing each chapter. In as much as I would like to quickly proceed, the question of "Gold Mines" is becoming more urgent. Another sees no need to go into this as his world holds little purpose in these investments. Yet, in my world, "the Western view" these securities are widely held in place of gold. Perhaps it is time to "Stand the ground and do battle upon the enemy before it devours our private wealth."
Mr. Holtzman, FOA here, broadcast being prepared:

FOA speaking:

Mr. Holtzman,,,Over here!,,,,Are you out here?,,,, Can you hear me?,,,,,,Are you out there??

Oh well, Damn this fog. That man must have one good transmitter. Sending messages over such a great distance, yet his signal comes through clear as a bell. Amazing that even his thoughts are not garbled and nothing missing in the train of logic, either.

Mr. Holtzman,,,,,,,,,Over here!,,,,,,,,You out here??,,,,, Hope you can read me!

This fog has been hanging over these waters for as long as it has the recent gold market. Trouble is, as long as it continues, no one can find the right direction. Especially with these GPS units built during the early gold trade. Wish I had a communication system as good as his. Bet he was born
with that transmitter because money just will not buy a message maker that everyone can understand thru a fog.

Holtzman here,,,,,,Holtzman here!

FOA: There you are. Didn't hear me talking to myself on the mike did you? Good! Ok,, sorry about this old mental system, but my next transmission is in the works. Thanks for
listening.

USAGOLD (09/03/99; 15:13:20MDT - Msg ID:12765)

From Holtzman....

Tomcat said in (9/2/99; 11:22:58MDT - Msg ID:12671) that "the problem with using backwardation as a signal is that the spot POG is determined from paper gold transactions (thanks for this reminder, FOA)."

Holtzman here,

The measure you seek is not Spot, but Street.

You've correctly said that Spot is a creature of the Derivative world. It's the Paper price of a gold futures contract to be settled during the present month, and almost always to be settled for cash rather than for delivery.

As a result, it's no surprise that Spot POG is a better indicator of the Paper market since it is itself determined by constant repetitions of FOA's analogy of the two neighbours betting over the fence. Perhaps one in a thousand participants in the daily setting of Spot POG plans to buy physical gold or sell it. The other 999 participants are merely there to bet on it and claim their winnings in some other currency.

Put another way, how many people at a racetrack are attempting to buy a horse? If you want to know the going price of a physical horse, don't waste your attention on a racetrack.

If you want to know the going price of physical gold, don't waste your attention on

the paper chase. And it's pretty obvious where we should look to find the going price of physical gold... I mean, after all, our very conversations here are being hosted by someone who spends his waking hours discovering that price.

The cash or Street price of gold is the number of dollars (or pounds, or euros) you take out of your wallet and hand to your friendly, neighbourhood coin dealer in return for a one-ounce Krugerrand.

Why a Krugerrand? Because it's the least numismatic, most commonly encountered, least lovely form of gold. It has no numismatic premium and no jewellery premium and no patriotic premium. It's even less attractive than a one-ounce 9999 ingot from JM or Credit Suisse.

That makes the Krugerrand the perfect unit of measure for Street POG. Its only special quality is that it contains exactly one ounce of gold (mixed with way too much copper).

The only thing which would disqualify the Krugerrand would be if suddenly coin dealers were willing to sell Maple Leaves or Eagles for less than Krugerrands. But to deal with that case, interpret Street POG as the price of the cheapest one-ounce coin available for sale at that moment.

The backwardation signal you seek will be when you see Quantity 100 Krugerrands selling on the street for significantly more dollars apiece than the Spot POG quoted by the paper markets that day.

A Krugerrand will always have a little premium built into its price (hi, I just bought these coins and I'd like to sell them to you without making any profit at all on the sale... my, that would be daft).

As things now stand, a month ago when Spot POG was quoted at $260, I bought a single Krugerrand for $268. That's within the range of normality. We're not in backwardation yet.

Let's say that Spot POG drops to $200 (easy, stomach, don't turn over now). What will a Krugerrand cost on the street then? If Spot POG drops no more abruptly than has been its wont in recent months, there's a decent chance Michael and his fellow coin dealers might then be able to profitably sell Krugerrands for $205 each. In that case, we're still not in backwardation and the shorts are still in control.

But if you see Spot POG drop to $200 while a Krugerrand selling on the street never falls below, say, $230-$240, hello new gold market. That's backwardation.

I think maybe the hardest mental hurdle for people to clear in understanding Another and FOA is this notion of two gold markets occurring simultaneously. There's an historical example (and it's Western :-) in which very much the same thing transpired...

In 1864, the USA and the CSA were reaching something of a stalemate in their war. Contrary to what most Americans learn today in (the winner's) school system, had but a very few decisions been made differently, the Confederacy would have won.

This, by the way, is why we see so many Americans (descended from both sides) re-

enact Civil War battles over and over. How often (except on Monty Python) have you seen re-enactments of Pearl Harbour? The only battles worth replaying are the ones that could have gone either way.

In any event, to the average person living in Either the USA or CSA in 1864, the near term future was incredibly unclear and terrifying.

In the pre-war USA, national government funding was handled by the levying of import/export duties. The IRS was not yet a glimmer in politicians' eyes. For a nation at peace, duties provided sufficient income to run a minimalist national government.

In time of war, however, expenses magnify dramatically. Both the remnant USA and the new CSA needed to acquire vast funding very rapidly to raise an effective military. The both of them did so in the time honoured way: they borrowed the money. Have a peek at Lincoln greenbacks and Confederate paper money sometime. They are promises to pay the bearer with gold and/or silver at some significant time following the cessation of hostilities.

These documents were by no means the equivalent of today's Federal Reserve Notes (try redeeming a $20 FRN for a St. Gaudens sometime). No, Civil War paper banknotes were the equivalent of today's Gold Futures Contracts.

Oh, Lincoln greenbacks and Confederate dollars passed from wallet to wallet during the Civil War years as if they were currency, and in the first year or so they were regarded as 1-for-1 equivalents of coin. But as 1864 drew nearer, something odd began to happen.

"Howdy, I'd like to hand you this crisp $1 greenback in return for ten silver dimes change."

"I'll give you 8 dimes for a paper dollar, not a penny more."

Realise this happened in the North, in the remnant USA. It happened too in the Confederacy, but modern people remember it there only in association with the final default on paper which happened when the CSA government was extinguished.

But the sole difference between a Confederate dollar and a Lincoln greenback was that one paper issuer was still in existence in 1866 and one was not. In 1864, no one could confidently say that either government would still be there a mere two years hence.

Notice that, in this regard, not much has changed since then. In 1933 for US citizens, then in 1971 for the rest of us, the USA government voided its obligation to pay gold for paper dollars.

If you hand me silver or gold, I won't care whether the symbols impressed on it are from a reliable government, an unreliable one, or a defunct one. But if you hand me paper, I'd better be firmly assured the issuer will live long enough to pay off this debt to me.

Another and FOA, by saying wise people should avoid paper and only hold physical, are indicating that they expect the LBMA and Comex Gold Contract documents will go the way of the Confederate Dollar (or maybe more appropriately the pre-1933

paper dollar).

At the very least, they're saying the risk is so substantial that one should not be standing too near the fault line should the quake come sooner than predicted.

What the both of them are describing is an official Paper Spot POG (and its kindred future months' POGs) which may well plummet to $200 or even, as Another allowed some time ago, perhaps $10. Realise, though, that Another is by no means predicting that Michael will be able to profitably sell Krugerrands at $10 each. Far from it. What Another and FOA are anticipating is a situation much like the paper money situation in both the USA and the CSA in 1864: how likely is it that the paper contract you're handing me today will be redeemable for any amount of gold by this time next year? Tell you what, I've got a spare ten bob I feel no desperate attachment to. I'll buy your one-ounce IOU just for kicks. If LBMA completely expires, I'm out only a small amount. If LBMA unaccountably fails to expire, I've struck it rich.
Meanwhile, those of us with less of a gambling inclination will sleep more soundly holding physical. After all, a silver or gold coin remains silver or gold even after its issuer expires.

The one point of Another's and FOA's that I still don't entirely follow, however, is their contention that all mining stocks will go down to zero along with the Derivatives market. Certainly, any mining company which ties its future earnings to the paper market has also tied its future stock price to that teetering mass (Barrick, for example). And certainly, a low tide drops all ships, so that even those mining companies which are not involved in the paper chase will still suffer in the stock markets.

However, I have some difficulty seeing All mining stocks world-wide being extinguished utterly. Maimed, perhaps, but no matter how much trading turmoil occurs there will still be well-identified veins of gold ore sitting below ground, just waiting for someone to consider them valuable again. Yes, some of them may become nationalised. Yes, others will end up being sold at fire-sale prices. But I can't break myself from the notion that, much like the airline industry, the strong will survive and absorb the weak.

I'd dearly love to hear from either Another or FOA their thoughts on why they feel that not a single mining stock will survive. Or have I misunderstood you?

Yours,
I.V. Holtzman

FOA (09/06/99; 20:56:39MDT - Msg ID:12946)

Gold Mines: Little more than paper derivatives of gold!

From Mr. Holtzman #12765:

------Put another way, how many people at a racetrack are attempting to buy a horse? If you want to know the going price of a physical horse, don't waste your attention on a racetrack.----------

Thanks Holtzman,
To develop this further: ----------If you ever want to "use" the fine qualities of a "physical horse", don't plan on gaining those qualities by owning a "horse farm"!

True, the best avenue to gain exposure to the "profits" (and loses) in the "horse producing industry" would be from the ownership in shares of said farm. However, any viable industry, incorporated into today's fiat currency inspired markets, depends entirely upon those markets to channel profits and increased equity values back to stake holders.-------- Even if the financial markets function, is it valid to compare the real wealth of owning a horse with the increased value that comes from the business of
producing such an animal?

From horse stables to automobiles to gold mines, it's important to understand that the ownership of any industry is not the same as owning it's end product. --------- Every industry's established "worth" is not only "just a derivative" of the value of it's end product, but is also a "derivative" of the "efficiency" and "continuation" of the world financial system that creates the marketplace for that
product.---- Better said: Your ownership in a company may be real, but for others to value your ownership realistically, it requires a functioning efficient medium of exchange. The beginnings of the first waves of currency inflation allows that function to upprice real producing companies. However,
historically, the end breakdowns in fiat money systems along with the rules / laws of the land, have always destroyed the efficiency of any industry to provide a product, no matter how valuable that item may be. Gold mines, like any other service, must operate within the official money system until
that system is completely destroyed. That includes abiding by all laws and official declarations the governing society may bring forth.

Preserving wealth during such times provides that the more clear and clean the ownership, the more likely one may control those assets. Again, even if the financial markets function, is it valid to compare the real wealth of owning gold with the increased value that comes from the business of producing gold?

We walk the trail of common logic:

If you needed a new car, would you buy General Motors stock instead ? Of course not! Why? Because the average citizen has first hand practical experience in the use and need of their car. The notion of owning the industry as a proxy for the car is quickly discarded as ridiculous. Still, some analyst would have you believe that one should hold gold mines as a proxy for gold.

I believe this flawed investment logic has become the "default" norm of most "western investors". While everyone understands the attributes for owning a car, few today have practical experience in the use of real gold as a money asset in their personal lives. For that matter, the analysts that promote this "proxy concept" are in the same boat. Let's face it, none here have never had to view gold as the "only savings to survive as a representative of their wealth"! Nor have we used it as "money in trade" on a regular basis. So, how could you, your broker or anyone else refute the proxy concept?

Heard this pitch before? Perhaps in a different format?: ------" The price of light trucks are going sky high due to world debt problems. So put most of your money into Ford stock and as little as possible in real trucks. Then, because of the way their production is leveraged to the "physical product", their stock will rise 100 times over the price increase of the "truck product"! After that we can sell some of the stock and buy hundreds of the trucks for later use when the money goes bad and times

get tough. It's a unique concept inherent only in the automobile industry that few average "physical truck buyers" can grasp or understand. I have clients that have made millions doing this the last time light trucks rose in price. Ford is the best of the bunch because it has all the reserves already "in place" to supply "physical trucks" to a needing world. As such we can presume that those reserves constitute a value that will never be lost during hard times. -------- Compelling? Isn't it?
Of course we could be talking about the gold industry also.

Yes, it's a financially viable concept. Gold stocks "should?" rise as their product soars in price and brings currency profits to their bottom line. Because it's happened before in other industries and has repeated this cycle recently, mines must go up in the next bull market in gold, right? Well, maybe not!

We can see the long road behind us:

Read #12471, 12542, 12660. In those we find my reference to "physical gold advocates", "fiat money advocates" and "investors somewhere in the middle". The "in the middle" thinker looks back and sees a gold market that has responded to a kind of business cycle. To them, from the early 70s
onward, gold moved up from typical supply and demand issues created by the ebb and flow of our inflationary fiat system. The next cycle should take gold up to $400, $700 or even perhaps $1,000. The dollar will remain the worlds premier currency and the US fed will again raise rates to cool
things off. We create yet another cycle. Gold stocks will again be the prime beneficiary as "sophisticated" money moves from the world equity and currency markets into the shelter of "reserves in the ground".

Now, I would like to point out that this gold cycle has only been around, in this present form sense the dollar began it's withdrawal from being a gold loan. That's not very long in this gold world, when one considers how far back it has been in use. For us to draw conclusions that this dollar / gold cycle is of a lasting, repeating nature is stretching precedent to the limit!

Understand this: For countless years, mines have sold their product at established world gold prices. They may sell where and to whom they want, but the price was always a function of government currency valuations. The free markets that direct gold into jewellery and such have never set it's price. Rather they have always functioned under the currency / money use as the value creator. One way or another, the government sanctioned established marketplaces of gold have always been under control and in evolution as the world currency structures have changed.

During this time the establishment gold price has not always benefited mine profits. During the 50s and late 60s gold was largely unprofitable to mine. Yet, we find no evidence of mines selling gold outside the "official" marketplace price in an effort to circumvent it's perceived obvious low price? I submit that in the past and in the future, they will always subject themselves to the
"established official" gold price, come what may. Any breakdown in the present dollar financial system that results in the failure of the "official established" derivative gold price will find every mining concern selling their production into that market price regardless of profit. To bypass that channel, the mines would separate themselves from the fiat banking establishment that they depend on to function in this world. Even though the "street price" (thanks Mr. H.) of gold soars within the

small dealer network, it will be viewed as somewhat "Black-market". Mine selling into that arena would invite laws with "immediate" and total retroactive taxation of those profits. Or worse,
production limits could be fixed upon all mines as a means to prevent the same gross profit margins. Perhaps in the same way as the Texas Railroad Comm. controlled all US oil profits. Further, such a breaking away from supporting the official gold market by withdrawing physical supply could bring on the total closure of what established gold markets that exist. To that extent, mines could find themselves selling all gold production to the official CBs for who knows what price.

Can't happen, illegal, you say? When it comes to gold, nations, governments and Central Bankers change the rules quite often. One has but to look into the laws of every nation to find that " emergency currency flow controls" always include gold! You see, it's never considered money or a reserve until a crisis strikes. Some examples of past illegal actions:

1797 Napoleonic Wars. Bank of England suspends gold payments.
1917 US prohibits gold exports.
1919 UK prohibits gold exports without official permission. UK now off Gold Standard
1919 US gold exports permitted again.
1925 UK Gold Standard Act Currency convertible but only in amounts of 400 oz. Export of gold permitted again
1931 September UK abandons Gold Standard.
1933 US convertibility suspended ($20.67/oz). Export, all transactions and holding of gold forbidden.
1934 US Presidential Proclamation makes dollar again convertible to gold ($35/oz)
1939 London gold market closed on outbreak of war.
1954 London gold market re-opens after World War 2
1968 London market closed at request of US government.
1968 London market re-opens 1 April and now fixing in US$ for first time.
1971 US$ convertibility to gold suspended.
1973 US proposes further devaluation to $42.22/fine oz.
1975 US abolishes restrictions on citizens buying, selling or owning gold (formerly needed Treasury licence).

The above may not seem like much now, but it wrecked havoc upon many investors. Of special note: Was the gold market was closed between 1939 till 1954?

Onward:

Over the last few years, we have seen how the gold market is failing to act out it's past precedent. Many investors write this off to government gold policies that must soon end. Be that as it may, the process continues without regard to "past gold cycle logic". I point out that the lack of new mine supply did not prevent the low real prices prevalent during much of the 50s and 60s. Will the shutting down of most world mines prevent a low "official gold price" today as many think? Not in the broad political scheme of things.

But what are they thinking as this process is worked?

Would a dealer "street price" in the thousands change things? Not if the only recourse is for private money to move into Euros! The crisis policy will be to maintain the official gold market with low priced mine supply and allow the physical dealer

market to run with whatever private stocks that arrive. Remember, the present financial system has a need for new mined gold to flow into derivatives at a low price to support the paper market. The same paper market that keeps oil behind the dollar also holds the dollar together. As of today; To further pull existing "old gold" from portfolios by forcing the street price down now invites a run from the dollar. A high physical "street price" will at least keep the dollar in play when price inflation begins. If the paper gold price rises from it's present level, will gold stocks follow? Probably! But what if that rise ends quickly as the gold market begins it's next "official" failure run?

We make camp and rest here:

Looking outward:

The next money breakdown will not be a typical inflation cycle. The dollar has reached the end of it's "currency inflation" logistics as it's local debt load now only expands as foreign dollar debt is devalued from par. Yes, there will be "super inflation", but it won't be part of a "perceived" next cycle that extends from the lows of the last go around.

The ECB view:

Because gold continues to be the respected "currency of nations" in each currency block, our physical gold must be withdrawn from honouring the long standing dollar based "derivatives gold market". In fits and starts, the entire gold industry as they know it will fall away as the dollar is destroyed through local US inflation. Because history has never witnessed the destruction of a fiat world reserve currency, many world industries and businesses that grew up within this US system will suffer as investors shift holdings. Any industry that finds it's value from a dollar derivative marketplace will be in disarray. Therefore, we must allow the Euro to float on it's own and thus guard the Eurozone from the shattering effects of this.

To conclude:
Consider how you hold your gold as "we watch this new gold market together.

Thanks for reading, FOA

FOA (9/8/99; 19:02:38MDT - Msg ID:13085)

Reply

Cmax (09/07/99; 19:59:17MDT - Msg ID:12996)

Cmax, Hello and welcome again!
Thank you for sharing your present thoughts and very relevant earlier posts. Did you read Holtzman #12765? His excellent post was able to create a nice perception for physical gold, "street gold". A well written analogy that allows the average investor to grasp what I believe will be a new, much larger market for gold world-wide. It also generates a real understanding of how the "street price" would differ from all other established markets. He used the 1864 American civil war to demonstrate how two issues of paper money (as in comparison to paper gold?) were discounted in common circulation. It is a tremendous help to anyone that reads it.

In any event, I believe most of the lesser developed countries will be in the forefront

of building a high "street price" for physical gold. Especially China! For them (some Chinese are very, very wealthy), price was never the real consideration, rather it was the enormous amounts they had to bring in well ahead of any supply disruptions. Hence their buying patterns over the last many years. Many very large buyers were moving gold through Hong Kong, before and after the take-over. I believe, far more gold has already entered that country than public figures show. It will not be available at any price when the storm hits. They already have the gold! Any move to announce an open bid, using dollar reserves would be after the fact. The oil producers are very well in the same situation. I think it was the poster "GFD" (hello GFD!) that noted China the other day. He also pointed out how "street gold" could shield many citizens outside the Western block from the extreme fracture that is coming. Y2K will be something to behold, but it will be a side-show when the modern gold market breaks!
Again, thanks for reading from Venezuela and write when able.

FOA

FOA (9/8/99; 19:09:11MDT - Msg ID:13086)

Reply

Leigh (9/8/99; 9:35:05MDT - Msg ID:13035)
IMF Gold Pricing Scheme
Does anyone remember FOA's June 14th prediction of a major shift in gold valuations? He said theU.S. would openly go along with this change. Well, it looks like this is it. My question, again, is how and why they are only revaluing 10 percent of their reserves.

Hello Leigh,
Let's look at what they propose and lay that upon the 1976 Jamaica Accords. With that background we can work out why the US dollar block is "now" moving in the gold direction.

----------By Mark Egan

WASHINGTON, Sept 8 (Reuters) - The International Monetary Fund will revalue some of its gold to fund debt relief thereby avoiding open-market gold sales, a politically difficult proposition that spooked gold markets, documents posted on the Internet revealed on Tuesday.----------

First, I want to say that the posting of those documents was no accident as some think. No one wanted to take credit for floating this in public, so an order was given to send it out the back door! This is a major shift in international currency dealings that will eventually impact the LBMA gold
market in a big way. The BOE gold sales to help out some favoured dealers is no longer looking like a bumbling operation. Because no more gold was coming out of Euroland and the USA cannot touch it's bullion, London had to be on track to cover some bases if the original IMF deal fell
through. But, you might say, they always had the Swiss sale to back them up if the IMF went sour? No possible way! The US knew that world liquidity was drying up and the dollar would have to be sacrificed with some move to gold revaluation if congress cut off the sale. Once that "gold currency" door was opened, the Swiss will never sell! Change is coming to the gold world and London had to already be online to the EMU before this hits the dollar. "Street Gold" and "Paper Gold" are going to part

ways!

----------The documents released on the Internet provided few details on the new plan but sources told Reuters the latest plan had already been approved by the Group of Seven nations. Under the plan, countries which owe the IMF money from past loans, such as Mexico, would buy IMF gold the day before loan payments are due and then repay the instalment the next day with the same gold, sources familiar with the scheme told Reuters.The plan raises cash for the IMF because the fund values the gold on its balance sheet at about $46
an ounce. Since gold is actually worth about $255 an ounce, the transaction would net the IMF profits of about $209 an ounce, or about $2.1 billion. After selling the gold, the fund would return $46 per ounce back to its General Resource Account and then transfer the $2.1 billion in profits to a trust fund. The trust would invest the $2.1 billion and
use the proceeds to fund both the HIPC debt relief nitiative and ESAF. The new plan will likely appease the gold industry and lawmakers from U.S. gold producing states since the IMF's gold would probably never leave its vaults. ---------

Leigh, this action is a direct violation of the Jamaica Accords:

2.C Managed floating system and the G-7 Council

----------In January 1976, the IMF convened a monetary summit in Jamaica to reach some agreement on a new monetary system. The Jamaica Accords formally recognized the managed
floating system and allowed nations the choice of a foreign exchange regime as long as their actions did not prove disruptive to trade partners and the world economy. Gold was demonetized as a reserve asset. The Jamaica Accords were ratified in April 1978.----------

For the first time sense 1978, gold is going to be recognized and utilized as an "international currency" "in the open" on a G-7 level! They are accepting the gold as a "MONEY" payment and will hold it as a real Monetary reserve to lend paper currency against. This is a HUGE reversal for the Dollar / IMF block and will work to the advantage of the ECB / BIS! If this action holds, the ECB has won the dollar roll for Europe thru default!
The point I made in my June posts (and prior) was that everyone was buying physical gold and "running like hell"! They were doing this because of the risk implications! If none of the non Euro major gold holders could sell gold to further support the paper gold market, it would fail and bring down the dollar. When England announced their gold sale, it was obvious that the political chances of new gold hitting the market had become almost zero. Now with GS locking up "street bullion" and selling future months like crazy, we can see where the split is going to occur. This could mark the turn!

All: I hope to reply to ORO, Michael and everyone, but must take care of several things.

Will return much later. thank you FOA

FOA (9/8/99; 19:50:16MDT - Msg ID:13090)
Link to my last post
http://biz.yahoo.com/rf/990908/bda.html

------Republican Jim Leach, chairman of the House of representatives Banking Committee, welcomed the IMF's new approach to the thorny issue of unlocking the value of its gold which would see the fund revalue some of its gold rather than sell it on the open market.--------

Cavan Man, nice.

USAGOLD, much thanks for this forum, but just as soon as England is in the EMU I'll still have to collect that dollar! FOA

FOA (09/09/99; 06:00:15MDT - Msg ID:13113)

IMF comment

------jinx44 (09/08/99; 22:49:44MDT - Msg ID:13107)
IMF gold sale - a question to anyone.....
Foa's 13086 was another keeper. I love the tale unfolding and I can only pray this may be a way for us to find our collective way out of the dark times at hand. That being said, I can only wonder how the current IMF plan differs in function than an outright sale? I understand the accounting tricks-wink wink nod nod-but the disposition of the yellow stuff is still into a market of some sort, right? Will the IMF sell to the good 'ol boys or what? The gold is still absorbed into the market place. I don't get it.------

---Gandalf the White (09/08/99; 22:25:25MDT - Msg ID:13105)
Just a few comments! Thanks FOA for the view of the "floated" IMF change of policy thought. -- Years ago, when I was in the other Wash. (DC), it was common technique to float a rumor and see the response before implementing a new policy. No scream heard from either party or the sheeple, and BANG a new law or policy! -- The IMF had already said to the WGC that it could not do as the WGC had suggested, as it was against their own charter, BUT now after the webpage error -- do you hear anything ? --- We watch together, yes? --- BTW the Hobbits each have their "precious" !!<;-)------

Jinx44 and Gandalf,
This IMF change is a fresh revelation on the market and may take some time to sink in. My current understanding is that the G7 accepted it as an inevitable consequence! Yes, it was a "floated" idea, but changes of this magnitude are never "put out" for approval. Rather, it's an "announcement" of direction and "everyone make adjustments" as they see fit.

Jinx, the gold will be sold (to Mexico as an example) at $46 ounce. That $46 in real cash (paid from Mexico) will go fill the hole left in the IMF bullion account. It won't change the rest of the bullion holdings as they will still be valued at $46. The sold gold will then be accepted by the IMF as payment (again example, Mexico) on a loan at the new $255+/-. You should recognize this for what it does. Gold will for the first time in "a while" be taken as a cash payment for a G7 loan obligation. Prior to this the gold had to be sold for currency and the currency used in payment.

Further: This "new money gold" will go into a IMF new account as a real currency reserve (just like dollars and marks) and be used as collateral to lend currency against. Read that collateral word as being just like all the other currency reserves CBs now hold. The big "no no" about this is that from the Jamaica Accords until now, gold could only be held as a commodity to be sold or lent before it's liquidity was recognized!

Leigh; This action opens up the door to use all "unlent" gold resources as currency. It could set off a scramble to "unlend" all "lent" gold. Especially notable is the fact that, through this precedent, the CBs could sell gold reserves to anyone at $46 and receive it back as a currency at market price for loan payments. That is why it's so important for the IMF to hold the other 90% back in another
account! Need I tell you that this action uses "physical gold" "as is", no paper! If, and it's a big IF, this goes through it will be the death of the paper gold era. AND, it will open the door to get the "street price" as high as possible!!! If they don't back off from this, it will open a can of worms the size of the pacific ocean! We patiently watch! FOA

FOA (09/09/99; 06:52:59MDT - Msg ID:13115)

More on IMF!

http://www.iht.com/IHT/TODAY/THU/FIN/imf.2.html
Paris, Thursday, September 9, 1999

IMF Plans to Revalue Its Gold Reserves

Accounting Step Is Latest Effort to Finance Debt Relief for Poor Nations

By Paul Blustein Washington Post Service

(FOA note: see link for full story)

------According to Reuters, which translated from Dutch the document posted on the Web site of the Dutch Finance Ministry, the plan works as follows: A country that is not having trouble making its debt payments would buy gold from the IMF at the lower price the day before a loan payment is
due and then make its payment the next day with the same gold.

The IMF would then have gold it could value at about $209 an ounce more than the gold it started with, based on current market prices.

The IMF would set aside the ''profit'' in a special trust fund for poor-country debt relief, as well as another low-interest loan program for low-income nations. ---------

FOA (09/09/99; 08:51:54MDT - Msg ID:13125)

Comment

Hello ORO,

-----ORO (9/8/99; 10:46:57MDT - Msg ID:13043)
MK, is the IMF a little bit pregnant?
The repricing scheme for 10% of the gold in their vault is not going to make sense to anyone but those who value the gold at the 35 SDR $42 level, who would be the lenders. The result is the use of gold as reserve currency by the IMF. This is a micrometer move towards a gold standard
defacto. ----------

ORO: This was the corner that the ECB was hoping to squeeze the US into. Because the modern gold market was built upon the concept of using "proxy paper" for gold, it was vulnerable to any return to using gold itself as a currency asset. The use of

actual bullion as a money asset, negates the use of gold IOUs in the fractional reserve function they now occupy. The trend changes as investors
want to use the "street gold" itself for the payment of debts. The advantage of this becomes evident as this "new acceptable currency" is seen as appreciating against other currencies.

The problem is manifest in every entity that made a market or used "IOU gold" in their dealings. It's much the same way that modern banks fold if all their customers start using cash and depositing it into their safety deposit boxes. Because we are most familiar with a currency fractional reserve, it's obvious that the treasury just prints cash until everyone is satisfied and price inflation has it's way. But, with a return to bullion, the BB have to eat their paper in a general default as all of the physical gold is diverted for other uses.

The US started this when they nailed gold as only a physical commodity. Now with the IMF in a bind to save the dollar reserve system, they are forced to use gold as a very physical asset and in the process return it back into a medium of exchange currency context! The very dynamics that
destroys the need for a IOU gold market. They ran so fast, they caught themselves!

----------The building of the gold short position is a necessary step towards a gold standard as well. Greenspan's old competitive gold bond vs. $ bond concept has essentially been adopted by the bullion departments of the banking industry, and their bonds have been found lacking (ref. lease rates going from 0.9% to 3.7%-4.5% is quite a blow for a bond holder). So is what we have a failing gold standard stunted in its infancy by fiat level leverage? ----------

I think this whole market started as a way of absorbing all the demand for gold by diverting it into a paper product. It also allowed important (oil) buyers an avenue to channel surplus cash into gold without driving the price. The more purpose the product served, the more it was accepted. The Dollar / IMF faction brought into it early on because in addition, it drove the dollar price of gold down, thereby making it (dollars) look better. Perhaps it is a kind of "oddball" gold standard! Whatever the case, it became massive enough to make it a threat to the dollar system. A major breakdown in the LBMA gold market, in conjunction with a spiking "street price" will push the
IMF rescue operations and the dollar over the cliff. This is where I see a run into the Euro by default. This brings me to your next item:

------The modern banker would not expect a currency without forced demand to survive and rise in value. The success of the dollar since Volcker has much to do with the $ debt of the resource rich emerging nations (a.k.a. colonies), has much to do with the rise of their $ debt and their need
to trade their resources for dollars to repay it. Hence creating the conditions for prolonged demand due to debt is the prerequisite for a return to a gold standard. Of course, one does not want the gold banking system to keel over before a gold standard starts in earnest, proving to the bankers that it is not desirable.-------

I think the new "gold standard" of the future will evolve from the collapse of the present paper one. They will never revert back to a "gold exchange" operation again. Rather a free trading physical market (again "street gold") most likely based in Euroland. It will give the governments the freedom to run their currencies as wanted and gold will seek it's own level. None of this will extract the old "paper gold" system

from a protracted "workout". Look for the Mines, Bullion Banks and CBs to be at it for many years.

I saw your post about putting some numbers and times on this so people can understand it better. Another always had a definite "workout" period for this, but he never wanted readers to trade that knowledge. Too many variables that would entrap most "family savers". Besides, just buying gold and holding during this end time was plenty. Never the less, I'll try to put something together.

Thanks FOA

FOA (09/09/99; 15:22:35MDT - Msg ID:13160)

More comments

http://abcnews.go.com/wire/World/reuters19990909_2765.html
WIRE:09/09/1999 13:10:00 ET
FOCUS-IMF plans to renounce further gold sales

WASHINGTON, Sept 9 (Reuters) -

----------The document said many of the fund's directors believed "that a public statement should effectively limit the amount of gold that the fund would use for this purpose and would renounce any further gold sales for a given period of time in the future." --------

ALL: Once all the members get a taste of how painless this process is, the above "" for a given period of time in the future"" will be qiickly adjusted. Besides, who are they really addressing with this statement? None of the world gold advocates would have ever objected to using gold in this fashion! No, this "public statement" is aimed directly at dollar reserve holders! Don't want to start a land slide, do we?

--------"Since these transactions would take place between the fund and a member at a market-related price, they could not be regarded as having been undertaken with the
objective of managing the price of gold in the gold market, which would be contrary to (the fund's rules,)" the document said. ----------

ALL: Here they are trying to balance the old Jamaica Accords, just a bit. Also, when this happened before (see below), it wasn't the same process. Don't have the facts right here, but I know it was different. Hope we can find a record of it.

-------The fund noted that a precedent was set in 1992 when it accepted from Cambodia a payment in gold, which it had sold in restitution to Cambodia at a market-related price in partial payment of Cambodia's overdue obligations to the fund. ----------

Give this some time to sink in! It's a major concession that demonstrated just how much world liquidity is falling. The ECB and the BIS handed them this rope and then pointed to a near by tree.
What a mess??

FOA

FOA (09/09/99; 18:33:16MDT - Msg ID:13175)

Comment

TownCrier and all:
I have to laugh as they (IMF) keep revising their plan. I can just picture someone faxing out the "last" revision and another official running in saying "no, no, no, no, that won't work. we have to reword it"!

No matter how they cut it, the G7 has given the ok to revalue gold to market. That is where the extra equity will come from to give debt relief. Weather they sell it at par $46+/- or sell it at $300 or buy and sell it ten times, when it comes back to them it will carry more value than when it left. All the jawboning is a smokescreen to get around their articles. Otherwise, they would just revalue all their gold and work from there.

Because none of the rich member countries want to fund the IMF any higher, the precedent of re-valuing gold to market will used much more often. That, in turn will create a changed atmosphere in the gold world as the use of it's hidden equity will be impossible to ignore. If this action is pushed through it will legitimize "physical gold" as a valid currency for the payment of debts
Let's wait for them to issue a few dozen more explanations. Then have another look. I'll be back later.
thanks FOA

FOA (09/10/99; 19:17:52MDT - Msg ID:13264)

Comment

ORO (09/10/99; 05:22:07MDT - Msg ID:13194)

That was a good, well presented and thought out post, ORO. I know you have taken some time to put this information in perspective, so I will not just answer your question simply. This also falls inline with your earlier post, creating a line of thought within a complicated subject. I will reply to your "FOA Is this the US/IMF corner?" using as much of the material presented as possible. Give me some time, I'll get back to this. Thank you so much, FOA

FOA (09/10/99; 19:19:09MDT - Msg ID:13265)

Comment

Aristotle (9/8/99; 0:06:36MDT - Msg ID:13011)

Hello Aristotle,
Your post offered a good recount of the very subjects I'll use in reply to ORO. Hope you printed his #13194, good background and foreground there.
Thanks for recalling my words. FOA

FOA (09/10/99; 19:21:43MDT - Msg ID:13266)

Comment

Hello Tomcat,

Tomcat (09/07/99; 22:11:23MDT - Msg ID:13003)
FOA
Dear FOA, thanks for you post #12765. I was reading it with great interest and then hit a set of walls that stopped me cold. If you would allow, I would like to ask a few questions.

You said:
--------"Would a dealer "street price" in the thousands change things? Not if the only recourse is for private money to move into Euros!"----------

Tom, this statement is an observation of an evolving dynamic. The years have gone by and it's late 1999, today, not yesterday. When gold does break to the upside, it's going there without most of the "Western gold paper market". The Mines, CBs, Bullion Banks, and Exchanges will all be
mired down, working out a failed IOU gold market. It almost has to! Listen to what most of the respected industry analyst are now observing: "a huge short squeeze is coming that will break these evil shorts". It's absolutely true, but the real physical world we live in will deliver an entirely different scenario than what most expect. Tom, just as ten people can't physically possess the same ounce of
gold, nine of them are going to court to make the others perform what physics will not allow!

We will not see a simple resolution (over six months to a year) of an accumulation of paper gold that has taken a decade to build. The result will be a completely failed and untraceable "IOU gold market" groping around as the "street gold" dealer market goes completely through the roof.

This will be happening during nothing short of total "trade warfare". Politically, no one over here is going to shut down "street gold trading" because it would invite people to move into Euros as a safe haven. You have read my other posts and understand the logic behind this position. Consider the "very clear observations of CMAX #13186". Here is someone that understands the dynamics of foreign assets and money during uncertain times. He states: " In all cases, when rigid or "virtual" exchange controls are applied to ANY money, the "street price" always runs the official price out
of the market.". Without the blow off valve of an "official black-market", everyone runs before the act! Without physical dealers like USAGOLD, dollars would more quickly leave the country for the next best world money, Euros. Currently the same thing happens with dollars in other failing countries.

-------"To further pull existing "old gold" from portfolios by forcing the street price down now invites a run from the dollar. A high physical "street price" will at least keep the dollar in play when price inflation begins."--------

Almost the same answer for that one. Except the reference to the fact that for the past many years, old gold, in private portfolios has been in the process of being sold as the owners brought paper gold. The remaining old gold stocks would be traded for Euros if the Street price is frozen Mr.
CMAX also considers the old gold question.

----I don't see how a low "street price" could cause a run on the dollar. In fact, I thought a low paper or street price for gold would help prevent a depreciation of the dollar.----

Again, don't hold still, time is running past you. The IMF story is part of this transition I wrote of earlier this year. The IMF / Dollar block is out of time. Europe has blocked the "low gold" deal of the past and it only continues from inertia. The US is caught in a quandary as they need the price of gold to rise NOW so as to find liquidity for it's foreign reserve debts. However, if the traditional paper gold

exchanges allow gold to rise they will implode themselves. Hence, the US is abandoning
the LBMA and England for a high physical gold price. Read that: "street gold" like the kind in the IMF vaults!

---And finally, a question about your last two words. What is an '"official"failure run'?----

Slang for, official paper gold price is going much lower!

Tom, just read this and watch the world turn. Another would say, "time will prove all things"

Thanks, FOA

FOA (09/10/99; 19:23:19MDT - Msg ID:13267)

Comment

TownCrier (09/10/99; 14:52:02MDT - Msg ID:13229)
Summers endorses IMF gold revaluation plan
http://biz.yahoo.com/rf/990910/1s.html
SecTreas Summers said, "The IMF has laid out an approach that will make it possible to mobilize the IMF gold reserves without gold sales."
Now wait a minute...isn't he being a bit wreckless in his use of the word "mobilize"? The IMF won't be mobilizing gold, but instead will be recognizing and relying upon it as a previously under-utilized asset.

TownCrier,
If your closing market reports get any better, CNBC will start getting nervous!

Also, Summers said: ``I believe that is a constructive approach,'' he said of using the gold revaluation to fund debt relief. "

I'll bet he was saying debt relief and thinking "dollar relief"????

FOA

FOA (09/10/99; 19:24:21MDT - Msg ID:13268)

Comment

Cavan Man (09/10/99; 15:27:17MDT - Msg ID:13237)
FT: "Now a dual currency world for bonds"
From Euro-Zone Economy insert in today's FT

To FOA: When can we expect a bonafide "dual reserve currency world" and any thoughts on a complete transition; 2 plus years? Thanks.

Cavan Man, I'll talk about this through my ORO replys. Thanks

FOA (09/10/99; 19:26:44MDT - Msg ID:13269)

Much Later

Hope to return with some discussion tomorrow. I think?

FOA (09/13/99; 09:09:03MDT - Msg ID:13518)

Reply

ORO, Some things I know.

This work started back in 1988, not long after the 87 crash. Important people were asking some very serious questions about the timeline of the world monetary system. They expected a longterm evolving report that would expand ongoing events into a format of true life context. A
context to be understood at all levels of economic exposure. In other words, it had to do a better job of explaining the (then) recent illogical swings of world economic affairs and the effects of those swings on various national economic groups. Were we progressing into a new, better age, or was
our system responding in a death like downtrend?

Because the questions grew from a fear that the world economy would indeed contract in the future, leaders wanted to know how one could retain the most wealth during such an event. It was thought that if the basic extended family blocks of a nation could survive such a collapse, savings
intact, those nations and their children would be a benefit to economic affairs of the future. In effect, negate a possible return to the Dark Ages of European history. Our time frame was outward some 20+ years. I cannot offer the full report or it's complete ongoing analysis. But, the effort you have seen to date is one of sharing somewhat for the common good of all.

In a search for reasoning, they looked first, not only at the most broad perspectives, but ones that had the effects of history for confirmation. Often the record of historical human reactions are the only precedent that can refute the use of modern day financial theory. Especially if that Theory is in a "practice for proof" stage that might last for a generation or more.

1. They found one absolute repeating event that shaped the lives of countless individuals. It's effects upon the destiny and life directions of recent society had no equal. That one most striking and frightening observations was of the failure of paper money. With irony, we stood here in the
middle of 1988, a time of advanced thinking using higher education for guidance and could easily document that no paper money ever put into use had ever survived. Weather backed by precious metals or in stand alone form, not one lasted! Yet, we were hip deep in an entire economic world
that based and denominated it's wealth upon the further extensions of "fiat paper money".

2. The second major observation was in the evolution of what debt is. From the very beginning of time humans have borrowed and owed, from and to each other. During most of history, the period of time between a debt owed and a debt paid was looked upon as "a period of risk". The accepted longline historical concept was that the item borrowed may not be returned to the owner. In addition to this view it was ingrained that the primary real loss came from not being able to replace the "item" lent, not the secondary loss of not receiving the medium of exchange. Yet in today's world (1999), the "thing" that is usually at risk in a debt is the currency. Modern common perception stands that no one should have to accept these loses. In concept, governments nurture
these perceptions only because they "can" replace the currency with ease. Yet the actual physical structure of the debt (the economic good that the loan was based

upon) is never regained. This engine alone is a major force in the destruction of currency systems. It's effect is to shrink the platform that creates real wealth and expands the financial instruments who's value depends upon that platforms continued function. Indeed, it is a complete conflict to historical, natural human interactions.

From these two grand perspectives we view the unstable trend lines of our modern economic structure. It is from this present structure, that many entities, both large and small now attempt to retreat. But, in order to transport wealth with assets intact, they had to understand these money dynamics as an ongoing breakdown of our economic system. A breakdown that ebbs and flows with a political posturing that makes this journey very uncomfortable without a stable, longterm grasp of the process. As the river Nile floods and withdraws in it's endless rush for the sea so to will the energies of paper currencies be eventually absorbed into the ocean of history.

Onward:
Michael Kosares of USAGOLD knows well the very early coins of gold. Money coins that by their very existence today prove victory over the past creations of mankind's fraudulent commerce. The value of these coins now reflect an even higher value as art. Another minor means of wealth
transportation that has historically outperformed money gold.

But, in distant times past these same coins performed a far more noble roll. They remained the only existing money stock after "major economic societies failed". This particular function of gold is not important for 99% of time that economies function. One small evidence of this is present in the old Gold standard. With ragged inefficiency, paper currency circulated as gold deposit receipts along with gold coins during the course of normal financial dealings. However, after we endure that once in a "several centuries failure", the gold money stock becomes the vital building block of the next generation. History has shown that during that brief time, the owners of every ounce of gold provide the only efficient medium of exchange that rebuilds the marketplace. In transition, these latter day gold owners never rule the financial world. Rather they perform the act of energizing a dead economy by transporting buying power into the next expansion. The history of past human interaction was never one of hoarding money so much, as it was that of trading to gain life's things. Life goes on.

Viewpoint:
It was pointed out that one need not invest in gold to negate the effects of an inflation. All we have to do is buy real things that increase in currency value faster than the loss of buying power. True, in that light gold is but one of many things that should keep us at least even. However, we are in the process of experiencing a "breakdown" or at the very least a major change in the entire financial system. Not just an ongoing inflation during a phase of a longline expansion. Our goal for certain individuals, is to show this dynamic at work as the real life events unfold and document it's progress. For private individuals that read these pages, historical purpose and present day logic will build further support for the holding of physical gold as these events reveal the true season. In this light I offer Anothers direction given some many years ago, "in this special season, let others buy things to hedge their present worth, let us buy gold in support of our future generations".

Onward:

After reading ORO (9/8/99; 8:24:51MDT - Msg ID:13029), I wanted to at least be more direct in offering this ongoing discussion of events. You do a wonderful job of writing and I often find my information is just a reword what is said:

---- "In order to gain action from people, one needs to provide a timetable for the events (within my nephew's lifetime, mine, my parents' or my grandparents', or before the year turns, any time now...). This is the kind of support that I myself required before I was willing to accept the need for putting resources into "gilded insurance". The same need for support with numbers and charts that I am working on filling is needed to induce the financial pros to give their clients direction. The issue
is a patriotic one. Small business America will not survive without small capital hoards. The same problem they had in the depression. The reason for the length of the depression, was the confiscation of gold. The inability of small businesses to find capital pools in an atmosphere of credit
unwinding, and the simple death of the money supply in lew of the indestructible gold that was confiscated was the cause for an extra decade of suffering. The only way I see to avoid it is to convince people to build these pools now or end up working for a foreigner for the rest of their
lives, since only foreign pools of gold capital will be available (India, perhaps Europe, Arab countries, Asians from countries that managed to pick up the pieces most quickly)."--------

ORO, on these points I completely agree. However, all that is left to drive the last remnants of this world engine is the "American Dream". The leverage to attain that "Dream" is presently stretched so far that any withdrawal back into reality will implode the dollar with amazing speed. The time may be already past for any large scale building of gold stocks based upon reality. But,
still the effort is not lost.

Also:

---- "The key to the numbers is that set of numbers that quantifies the issues. Particularly important is the understanding of how the international dollar system works, how leveraged it is, how that makes it susceptible even to small shocks, how a dollar collapse in international markets would play out in the US. Once the arguments and the numbers are shown and it is possible to convince a professional of the dangers facing the dollar both as reserve currency and the currency of the US, only then is it possible to make the argument for gold as anything other than another paper airplane to ride in the markets. Perhaps you will start a presentation of the qualitative issues regarding the
dollar (rather than gold), interspersed with the data you may want to quote. I am currently working on the data to show the details of the situation."----------

Onward:
The best indicator one could find to advance the warning of a reserve currency breakdown is the fall away of price inflation after decades of local currency and debt expansion. To observe the history of paper money is to view it's constant loss of value as expressed in the price of daily things. Weather backed by gold or nothing but "a dream", no world economic power has ever let it's currency increase in value for the long term.

The only way any currency can, in the short haul become price inflation neutral is

through the demise of it's competing moneys. This effect is seen as an increase in the holdings of one major currency and the corresponding sale (increase in trading velocity) of the displaced foreign money. In the case of the modern world reserve currency, the dollar, we look to the net increase of foreign holdings of US treasury debt. The proxy for holding US cash.

(Note: A table of this recently appeared on the Investech web site. I cannot reproduce it. Perhaps someone else can.)
From 1979 through 1994, the increase was always positive, but never in fully manageable amounts. From 1995 till mid 1998, the accumulation exploded off the chart as money competitors became the spending currency and the dollar the holding currency. It's well documented how this
effect has kept price inflation in terms of the local US markets from rising. However, this long trend also had the effects of denominating almost all world debt in dollar terms. This was seen through out the 90s and is considered the end time event that will break the dollar. Because the local American economic structure has always been finite, it cannot defend it's currency with the exchange of real goods nor represent the value of the debts of the entire world. The downside, not discussed result of this will be the complete destruction of the dollar as a reserve currency. This begins as an attempt is made to reverse the dollar holding process. The same chart above also presents a massive decline in net foreign US debt purchases beginning in 1999+/-. The trigger of this action was the successful establishment of a larger competing reserve currency, the Euro.

Because a world reserve fiat currency can only represent the tradable value of it's local economic structure, the world markets will now devalue most all debt based upon the dollar. This effort will begin a real "catch up" phase on the US price inflation front, even as dollar debt is burned
with a vengeance world-wide. This loss of the dollar vehicle will also bring the destruction of many contemporary derivative markets that priced commodities for their value as trading items, rather than their traditional good use.

More in a later time. Thank You FOA

FOA (09/13/99; 09:21:00MDT - Msg ID:13519)

Perception correction of last post.

------You do a wonderful job of writing and I often find my
information is just a reword what is said:------

Should be:
You do a wonderful job of writing and I often find my written information is just a reword of what you have said:

Just in case you received that on a wrong note (smile).

FOA (09/13/99; 18:52:08MDT - Msg ID:13574)

Comments!

Cavan Man (09/13/99; 09:43:46MDT - Msg ID:13521)
FOA
I do not read "important people" wanting to know as being academics of any stripe. Am I correct?

Cavan Man,
To the best of my knowledge, the ones that initiated this were major oil producers. Strange as it may seem, the very first questions came from a US natural gas producer in 1985+/-. Later the initiative came from outside the US. Again, all of this was some time ago.

Leigh (09/13/99; 10:10:48MDT - Msg ID:13526)

----- if our policy makers were heeding any of this, we wouldn't be in the fix we're in. The Europeans and perhaps others, it seems, are doing a better job of protecting their economies and citizens. Our leaders are fiddling while the dollar begins to burn.----------

Leigh, I think that every economic block lives out it's own timeline. These things have occurred through out the human existence. Even when gold was in use as money, I might add. Who is to say that Europe will not be in the same situation 50 years from now? Each generation has to find it's place in the life cycle of currency events. Ours (if I live long enough) finds us in the beginnings of a transition. Those before us were perhaps in the middle and found the turmoil of nations as the striving to save what gold standard existed.

Obviously, gold plays a major roll in transporting ones savings across the stormy seas. That's easy to say for those that possessed gold even 60 years ago, much more so centuries ago. The more recent owners did not lose money in banks during the liquidity crunch of the 30s. Yes their gold was taken by law, but their wealth was largely intact if it was held as gold "in hand" (or gold certificates "in hand", as the dollar was). The function of physical, saved the day.

Today, savers face a unique circumstance. Never before in history has a generation grown up essentially using a world fiat reserve currency. Many of our present elected officials are but a decade or two more in age than the mass of humanity they govern. I wonder how many of them are a good study of economic currency history?

----When you said, "Our goal for certain individuals--------

As above to Cavan Man.

---This last post of yours was so sad for us Americans.---

Perhaps yes, or no? People in many countries have managed through currency turmoil. I think many Americans will be a quick study in this area. Many still retain the "spirit that won the west" (Farfel?)!

TownCrier (09/13/99; 12:49:24MDT - Msg ID:13540)
Russian govt signs ruling on 7.5 euros/tonne oil export duty

TownCrier, I don't think we are far from the usage of Euros to price oil. Later the settlement in Euros will be seen as a "natural progression". It's interesting to note how the oil prices have firmed only months after the Euro has found it's base line. Most will write this off to luck. However, this Horseman is riding well in the saddle. Michael, if this rise continues, can a dollar problem be avoided? We shall see.

thanks FOA

FOA (09/13/99; 20:46:56MDT - Msg ID:13591)

Comment!

ORO (9/8/99; 8:24:51MDT - Msg ID:13029)

--------Note that since the US has a higher interest rate than the rest of the G7, excepting the UK, there is a disadvantage in US non dollar denominated obligations that has accumulated via the carry trades. The profitability of the trades was based on the fact that they produce more $ than they consume SF, Yen or Euro, by a hefty margin, thus producing another supply of dollars. The meaning of all this is that the US has to export $ as debt payments even if the US were to stop its trade deficit in its tracks. ------

ORO,
This process has/can feed on itself. If it was not for the foreign Central Banks buying up much of the excess dollars created by our trade deficit, the "past" US interest rates would have been even higher. Today, the ECB has largely withdrawn from this supporting function. See the chart of total foreign net US debt purchases I offered earlier(if you have one?). It has now fallen back to 1980
levels. Without the private foreign citizen purchases, it could be considered that a run on the dollar has started.

This is leaving mostly the hedge fund community to use their 100 to 1 leverage to further accumulating US debt in the carry trade. Yet, these private international funds are not CBs and their trading can benefit the dollar debt only so much. If the market reacts against them they (unlike
CBs) must close out or seek support. From this viewpoint we understand why the Fed is now buying so much debt in open market operations. Truly, they would feel better about it if it was done for Y2K concerns.

You are right in that the exporting of US debt (using carry trades?) adds to our payments deficit. However, I suspect that the US Fed knows that most of this debt will return quickly as these trades are unwound. The negative effects of "outbound dollars as interest payments" is a minor concern when faced with the eventual aspect of buying in all of this "leveraged debt" that has no other home.

With the BOJ now backing away also, any sudden rush of additional dollar export needs to fund foreign purchaces could initiate a crash in the fund sector. I believe the present rising oil prices are just such a play against the dollar. Even though the rise in oil prices still increases the need for more worldwide dollars to settle sales, the rise in local US inflation will force the dollar down at the same time that the fed must buy massive debt. Therefore, rates will be forced lower or held in place until inflation is completely out of hand.

As for the Hedge funds: One day, falling exchange rates for the dollar against the Euro, will force the Forex markets to spread this drop everywhere equally. That fails their leverage from existing carry more so than a rise in rates. At some strategic point in the middle of all of this a voice will be heard that asks for the settlement of oil in a basket of items (dollars, Euros, gold?). This trigger will
unleash a dynamic more far reaching than the first series of OPEC oil repricing.

--------My current quest is to determine the speed of the action and its timing, without regard to non-US financial or political events that may cause renewed flight into the dollar (China devaluation, War in Europe or Asia, tc.). ---------

I believe a worldwide dollar retreat has started. Hedge funds are trapped into liquidating Yen carry positions at a loss. With the FED already buying this returned debt with both hands, there is little they can now do to slow the rise of the YEN. This rise in the YEN will bring further turmoil to the Asian block and start them moving towards the Euro and gold. Eventually, the imports of physical gold into Asia will create the premium in "street gold" that also breaks the paper markets. We shall see.

More later. Thank You FOA

FOA (09/13/99; 21:16:22MDT - Msg ID:13595)

Be back later.

Cavan Man (09/13/99; 20:20:48MDT - Msg ID:13585)

------is mauled and rucked through the scrum coming out betwixt the legs of Aristotle and back into the possession of FOA ----------

C Man,
I received a few cuts and bruses fighting for that one! At first I thought you were using "runic" characters on your keyboard. Bad eyes, you know. Thanks for the run.

Not long from now, I hope to explain things using real events. We will see. FOA

FOA (09/14/99; 07:52:20MDT - Msg ID:13612)

Comment

SteveH (09/14/99; 05:29:06MDT - Msg ID:13600)

----------This is from Ted Butler's Sept.5, 1999 analysis on the above web site. What I am miffed over is the contention that Central Banks have leased up to half there gold. I thought and believed that the Bullion Banks were the lenders to the markets and that the CB's were lender's of last resort or Guarantor's of these loans and therefore still had there gold. ----------

Hello Steve,
I don't believe Mr. Butler is right about this. His viewpoint is not uncommon, as many gold analysts also think the Cbs have actually moved their gold. I will not fully repeat my thoughts about this, but will make a few comments.

Yes, some gold has left the CB vaults as it was sold into the marketplace. Weather it was as outright sales or outsourced as leases, that gold was used to supply "real demand". If we look clearly, most of the "outright sales" were done by countries instituting policies that more closely aligned their currencies within new and old economic blocks. Belgium into the EMU or Canada into the dollar sector. Even in these cases, the "real demand" for gold could have been other CBs buying.

Gold sold as "leases" was also real, but in a very small amount. The industrial demand for gold is not that large that the deficit could not be supplied with the draw down of private world stocks. That is investors selling gold and buying paper gold

IOUs. Also note that any investor demand for physical gold sold in the leasing process would find that gold left in the CB vaults with only the title transferred. World players, buying on that scale do not move gold around. Never the less, CB gold held as "storage" would definitely not be counted as Treasury stock.

The WGC has said several times that the "NET" draw down of world CB gold holdings amounts to only 300+/- tonnes over ten years. That 30 ton per year looks about right when one considers the flow of large bank bullion bars into the melting pots.

The CBs would never hold that many "gold receivable" notes as a percentage of actual holdings. Some, yes. Thousands of tonne, never! In some countries, people disappear and are never seen again for doing less of a deception. Ask Cmax?

The CBs still hold and own their gold. They have given their "good name" to guarantee delivery if needed, but until that bridge must be crossed, the gold stays put. This will all come to a head soon. In that time the paper holders of "uncommitted gold" will find that "unsettled market conditions" will allow BBs and CBs to settle most of the ownership problems in cash. This is why a true short covering rally will mostly fail. However, the resulting blow to the markets will destroy the present gold system as we know it.

There will be bitter feelings by many "thought to be gold investors" when some people have real gold that is soaring in price on the street as the world financial system turns over.

Also: Stagflation? It was never a word in the English language until the dollar went off the gold exchange standard. Prior, there was currency inflation (with price increases) or currency deflation (with prices falling). Explanation: Economist of the 70s would not admit that a currency could not be controlled if operating outside it's connection with gold. Yet, the early stages of a currency inflation produce the exact same effect we were having. Could not be inflation, so it must be a derivative! Call it stagflation. Much better for the ego! (Smile)

Thanks for posting so much good reading. Now onward to ORO. FOA

FOA (09/14/99; 09:37:13MDT - Msg ID:13619)

Comment

ORO (09/14/99; 06:05:14MDT - Msg ID:13603)
FOA $ Death spiral
--- Note that the increase in interest rates from 4.75 to 6% increases $ outflow by 25%. -----

ORO, this is the real glue that holds the FED in place. One of the reasons the DOW "was" allowed to run so long. The old treasury chief, Mr. RR was big on moving US maturities into the short side. Much money was saved here and made things look better without exposing the risk that rising rates would produce. Now the game must go into uncharted territories as any rise in rates spikes not only the foreign payments flow, but blows a hole in our "new national budget surplus"! The long bond at 6% is bad, but it's the short side that moves the effects so quickly down the pipe. Foreign players know this and will run before the act!

Persons that really know Mr. Greenspan think he now must allow the dollar to fall in order to lower the DOW. Some say it's the lesser of two evils. I think it's the least of

three dozen evils.

----------The next issue is the "eurodollar" the non-US $ denominated debt.
1. Emerging Market $ demand to settle $ debt. This has been one of the major sources of support for $ value. (c) Currently, there is a movement of some countries to replace $ debt with Euro debt, reducing it further. This will no longer provide support for $ value against real goods and the currencies of the EMs.----------

Absolutely! I used your (c) because it has, for myself, the most effective dynamic upon the dollar value. It leaves the Eurodollar base with no purpose. Foreign CBs must take it in exchange for their local currencies because the open market would quickly discount this arena. Yet, the CBs in the EMU no longer have any need for US reserves? I think Another had it on mark when he said they would eventually dump dollars on the market and buy gold. At the same time building the Euro structure. The problem is they will not be using the LBMA. Still another reason that the bulk of the
Swiss gold sales (if they happen at all) will eventually be done for Euros, not dollars.

I think, every time the Euro buys another gold ounce, a dollar will be sent back to the US. If trade restrictions block that flow, they will literally burn cash in the streets. The rise in gold and Euros will more than replace the lost reserves. I read this point in your next item:

---------2. 16 odd $trillion more in Eurodollars have accumulated and compounded from the current accounts deficits of the last 30 years. (a) No amount of interest earnings would be attractive enough to keep it from "going back home" to bid for whatever it can buy. (b) much of it is going to "money heaven" as loans are repaid or replaced with Euro and Yen loans. (c) The small remnant is a cash account that will be spilled into the market.--------

Also, you say:

-------I think the oil backing for $ will fade rather than turn overnight, in the interest of not aggravating the country with so many fighters and bombers in the oil area. (a) Some will buy Euro, (b) much oil will eventually trade directly for Euro. ----------

This will all depend upon how serious Iran and Arabia become. Your assessment is right if they remain distant partners. However, world affairs have a way of changing motives. They may join the EMU, directly. Could you imagine the ECB and their central parliament not openly courting such a move? I also doubt the US would stop defending the region, even if they went off the dollar standard. In a future context, with the dollar already down, such a move might be accepted by the US??

--------Reindustrialization:----------

Very interesting!

-----FOA, What do you think is the likelihood of the EU, Japan, and oil producers keeping things in slow motion? How likely do you think they are to succeed?------

One chance in ten! (smile) I think a breakdown will rapidly proceed into perhaps a 20% destruction phase. Then governments will lock up the entire trade finance picture. One of the reasons I believe a Eurozone investment will work better. They

will quickly align with China and Lesser Asia as a closed trading block. One of the reasons Japan does not want to create a currency block in their neighbourhood. Their other players would "cut and run" to Europe at the
first sign of dollar destruction. Japan is with the US until the end and will suffer the same fate.

-----Note on "Secret POG", a $985-1000/oz implied price from balancing the current accounts with US sourced gold debt was steady within a +/- 2% band over 1995-1998 Q3, through all the volatility. The implied price seems to have risen rapidly since then to the $1500 range. Numbers are still preliminary and are a "work in progress" without my full confidence.----------

Another knows much more about this. Hopefully will get into it when he posts again.

ORO, these are extremely interesting times. Especially if your holdings are not at risk. I'm leaving for a day or two and will read / post later. Thanks FOA

FOA (09/14/99; 09:52:15MDT - Msg ID:13623)

last note

Chicken man (09/14/99; 09:13:37MDT - Msg ID:13615)
FOA.....?
----------Your statement: This is why a true short covering rally will mostly fail.

---------This whole event is kind of like sitting in a rocking chair on the porch and watching a grasshopper ....and wondering when the grasshopper will jump.....after a while you get to thinking the critter will never jump! ...at that point you take your eye off him for a second....
then he jumps...!----------

Hello Chicken man,
I completely agree with your view of investor emotions. They will try to enter this area "come what may". However, I see the very people that create this marketplace as standing ready to blow up the whole porch if that damm insect moves.
They have too! They are the marketplace and if they are destroyed with an upmove, the market is gone anyway. Let's watch this progress. Believe me, I would rather see the paper market run to $10,000 over several years. But my wealth and my wishes are in different worlds.

gone for now FOA

FOA (09/14/99; 13:01:37MDT - Msg ID:13634)

My flight cancelled! Be back here later!

Something is going to give soon!

Gold Sep 14 1999

Bid / Change

1-month 4.7800% + 1.0000

2-month 4.6400% + 1.0500

3-month 3.9100% + 0.2500

6-month 4.3410% + 0.3000

1-year- 3.7460% + 0.1980

FOA (09/14/99; 16:46:40MDT - Msg ID:13646)

Comment

TownCrier (09/14/99; 11:35:45MDT - Msg ID:13630)
----DUTCH CENTRAL BANK: NO IMMINENT PLANS TO SELL, LEND MORE GOLD
London--Sep 14--The Dutch central bank has no imminent plans to sell gold or to lend more than the 150 tonnes it has already committed in the market, ----------

TownCrier,
Here is a good example of wording in a statement that says exactly what they mean. Of course, the media may be writing this out of context. Just as Michael pointed out, they may not have asked the right questions??
Unless someone actually saw a truck leaving the Dutch central bank with 150 tonnes of 400 ounce gold bars in it, I expect this bank is "committed" to supply gold the market ("if needed" to support a lease).
Also, if MA is short 200 to 400 tonnes of gold, was it only a paper short with another group of "bet takers" on the other side of the fence?? Would CBs actually play with these people, or did this fund work only through BBs? With thousands of these private hedge deals out there, this could
become some mess!

FOA (9/15/99; 9:04:23MDT - Msg ID:13672)

Comment

PH in LA (09/14/99; 17:22:21MDT - Msg ID:13648)
SteveH (09/14/99; 19:25:41MDT - Msg ID:13652)

PH and Steve,
Not long ago I wrote a post to PH about "the final convulsion starting". I thing this PRINCETON deal could kick it off. The repost by SEQUIN from Kitco is a good explanation of how entangled these things can get. Someone here (or somewhere) mentioned that because this is a
criminal involvement, it will not be handled as quietly as the LTCM affair. Indeed, the first of many affairs to be revealed!

Part of SEQUIN:
------Princeton has sold the GOLD borrowed from bullion dealers (JP MORGAN is the mostprominent of PRINCETON's counterparts) to invest in leveraged transactions.-----

Steve, In my FOA (09/14/99; 07:52:20MDT - Msg ID:13612) I made a point about how important it was weather the CB vault gold was actually moved in these deals. Again, some of gold is actually moved from the vaults and sold into the open. But it's only a small part of the total structure in the paper gold markets. Sequin's post also makes a point that this hedge fund does deals with a BB, not the CBs. In most of these deals, the BBs are sourcing the gold from world private stocks and using the CBs as the backup. The private investors (who supplied the gold) can then hold a bank certificate, committing the institutions word that gold is credited to the owners account. Both understand that gold isn't in the account but the banks reputation stands behind it. In return, the owner can divert 95% of their old gold capital into

other more productive markets. This is how the game is played and it is compelling for holders of old-line gold stocks.

The CBs name is on the deal to ship gold in the event of default. Hence, the low interest rates they (the CBs) receive are nothing more than a very high fee for the use of their name. I put this in the open now and it should tell a new story for everyone. This latest event allows another chess player to be moved on the board. We see better down the trail.

The real problem is not the return of gold to the CB, rather that the CB may actually have to tell it's citizens (using public bookeeping) that they now must write real "ownership certificates" to the BBs. I'm telling everyone "it is not going to happen"! As the owners of the gold certificates, written by the BBs, begin to get nervous, they will liquidate their invested moneys and send it to the BBs
asking for "clear title accounts", replacing the "gold credit accounts". This is where "it" hits the fan!
After years of building these accounts, the BBs now must buy "real street gold" (Thank You Mr.H.) because the CBs will force them to. The Euroland banks (like the dutch item below) will no longer expand their commitments. Weather the BBs borrow it (creating a huge liability for themselves in the process), or buy it from a physical dealer, it must be in "block form". Spot, paper, IOUs will not do.

The impact on the established gold paper markets will be as such: They will try to cover their liability by selling as much "long" "in the distant delivery" gold paper as possible before the market fails. This is why the paper gold markets cannot reflect a spiking, "demand driven" physical gold price in this circumstance. Yes, Mr. "Chicken Man" (USAGOLD poster), the public investors may try to run into the various gold futures markets, gunning up the OI and creating a maybe short-term spike. However, they will be meat with an ocean of selling that ironically, is based upon the demand for real gold???? The lease rate spike is the only paper present indication that physical is in an outright corrnered situation!

Having said all of that, I point out that the Dutch central bank (yesterday) further clarified their 150 tonne commitments to gold leasing. This is in addition to my comments from FOA (09/14/99;16:46:40MDT - Msg ID:13646). (here is part of the later article):

--Dutch netted $100/oz in interest from 1992 gold sale---
Updated 10:10 AM ET September 14, 1999
By Marius Bosch
LONDON, Sept 14 (Reuters) -

The Netherlands currently allowed up to 150 tonnes of its gold reserves to be lend into the gold market, Lamers said.
"An important consideration in planning an expansion was that our share in the size of the gold lease market should not become too large.
"We increased it to 150 tonnes in the course of 1997 and it is likely to remain there for the time being," he said.
Lamers said criticism from producers over the activities of
central banks in lending gold is difficult to fathom.------
So, what do we gather from this statement? Yes, they could have shipped the gold. OR: They could have shipped part of it. OR: They could have it "committed" to the lease market as part of a leasing deal?

As these deals begin to fail from major currency fluctuations, the fallout will become to big to cover up. We shall see.

Also: Leigh (09/14/99; 14:02:03MDT - Msg ID:13636), Leigh, flight to LA overbooked?

More later FOA

FOA (9/15/99; 9:55:12MDT - Msg ID:13675)

Comment

ORO,
If you saw my post FOA (9/15/99; 9:04:23MDT - Msg ID:13672).To continue our discussion:

Using the BBs as pipelines, we can see how gold was sourced from many private western accounts and sold to entities wanting physical holdings. Because no account or trail was ever produced to indicated the flow of this gold it created the perfect avenue for accumulation while
moving the world price lower.

Attention was never focused on who or where this gold was going, because everyone only wanted to know the whys and whatfors the price is going down. Yet, here we are, in the last part of 99, the Euro is firmly established, ECB gold commitments have fallen away and what is the result? Oil is rising in dollars, against all odds! The gold for oil deals are over, leaving the LBMA in a pickle and the new Euros for oil is in the works!

I expect the dollar / yen market to wipe out the currency carry trade for hedge funds and in the process lock up the gold carry trade. Small buyers can still get physical gold, but large players will be competing with the BBs for the big bars.

Look at how the Yen perception is blowing up in a media item yesterday:

---Fears of capital flight
The fall in the dollar is being driven by fears that foreign investors will withdraw money from the over-valued US stock market and put it into foreign securities, especially in Japan, where the Nikkei index enjoyed strong growth this year.

Japanese investors, who have funded much of the US trade deficit by buying US government bonds, are believed to be repatriating substantial amounts of capital.

"Foreign investors are asking themselves why they should keep funding the US to consume itself silly," said Tony Northfield of ABN Amro Bank.

The falling dollar could itself precipitate a sharp drop in the US stock market, which has been boosted in the past year by a massive influx of foreign funds and the strong dollar.-----

Michael's report today is "on point" USAGOLD (9/15/99; 9:35:08MDT - Msg ID:13674).
Did anyone see the film "Rollover" with Jane Fonda? As incredible as it may seem, it's almost exactly what is happening? Someone mentioned it to me and I found it

ironic.

More about your GDP and other figures later. Thank You FOA

FOA (9/15/99; 10:23:07MDT - Msg ID:13678)

Comment

Cavan Man (9/15/99; 10:05:19MDT - Msg ID:13676)
FOA
And then gold will be re-priced, "just once (one time)"?
And
Oil moving into Euro denominations for contract settlement.
Russia's recent announcement a harbinger and confirmation right?

Hello Cavan Man,
I remember Another's old analogy. Don't take it completely in one context. It's a broad based
statement. In other words, our recent perception of gold value is in the $35 to $800 range. Later,
that will change to the $3,000 to $5,000 +/- range as either governments, black markets, or
commerce in general revalues gold into it's stand alone money function. Not is recent past
involvement with currency paper.
We'll see much more oil /Euro stuff coming out later. The Russian note is but one minor opening
salvo.

FOA (9/15/99; 13:33:18MDT - Msg ID:13692)

Reply

RossL (9/15/99; 10:39:50MDT - Msg ID:13679)
FOA clarification please
FOA in 13672 wrote:

-------I would like some clarification on this, since it seems you are predicting much mayhem in the paper
marketplace. I assume the word "they" in the above quote refers to bullion banks caught short in a squeeze. By selling into the distant paper markets, they (BB's) would just be postponing the day of reckoning while they were confident the manipulation game could be resumed after a spike in the POG. Or is it your implication that they (BB's) wish to commit fraud by intending to default on these paper obligations when the paper market collapses? Settling the obligations with paper money while sitting on physical gold?----------

Hello RossL,
I think your term "Mayhem" will fit just right. How long will it take for us to evolve into that condition? Could be "right now" or "over many months". My view is that we are progressing into a convoluted state. Are the BBs doing anything wrong? No way. They are operating in the confines
of the system as it is set up. I think, Another was, all along, trying to imply that this perception of
manipulation as seen by the industry and investors was really the reflection of a "false perception of what our modern gold markets had become". People thought

they were working an investment angle based upon the usual "supply and demand" concepts with a little "gold is money / inflation
hedge" thrown in. The whole market has changed. The problem was that every time some $50 million asset investor walked in the door with, say one million to place in gold, he had to wade through something like a used car lot of derivative sales people. Never mind the guy has 49 mill still in his pocket, he was labled insane to put the whole 1 mill into physical gold. Use our products to hold this much in .....and then we can.....and don't forget the gold shares....and!!! You get the picture. The exact same happened to guy that had an old storehouse of physical.

Anyway,,, the selling we are seeing that's blocking the price on the established exchanges is the effects of the industry adjusting to a change in the marketplace. People win, people lose and life goes on. You and I would do just the same financially, as soldiers in a trench do when it's all falling apart. When out of bullets, heave your helmet at the enemy.

Any financial entity that is involved in the paper gold game will be buying, selling, hedging everything in sight, in any possible combination to raise liquidity if they are under siege. "Boys, forget how this will play out tomorrow, we must save today"! ORO knows how it works.

Ross, this will not play out exactly as I see it. Football games are fought all over the field, never won or lost where one referee threw the flag. Another only tells me where to look. It's up to us to make sure we see the whole field.

Thanks FOA

FOA (9/15/99; 13:37:30MDT - Msg ID:13693)

Reply

PH in LA (9/15/99; 11:16:33MDT - Msg ID:13681)

Question for FOA: When you posit "buying in the outer paper contracts" to cover the problem here in the present aren't you suggesting a spike in those contracts? Wouldn't that blow up the whole game just as well?

PH,
We are not dealing with just the Comex futures. There is a whole world of paper trading that goes on off markets. You never can tell if someone is neutralizing their trades in another arena? Unfortunately, it is true that the human reaction to a death in the family, is to grab control of as much of the family business money (or gold) as possible before the courts (or sec) lock everything up. We were not born saints. You and I have been there and seen that. No?

Again, anyone that holds rare coins or physical will stand outside the risk and view all of this as an interesting motion picture. Probably the best run of a screen play any of us will see! Anyone that starts a relationship with the USAGOLD will be dealing with a solid group for an enjoyable financial lifetime. Believe it.

Thanks FOA

FOA (9/15/99; 20:01:19MDT - Msg ID:13709)

Comment

ORO Msg ID:13683)

ORO,
Excellent write-up! I have a few other observations that may be considered.

Your post:----------Morgan is probably borrowing either to sell to Armstrong's account or to have the gold in hand when Armstrong's loan comes due and it can't be payed off.--

This is the same thing that happened when several other small funds (no media news for them) went down. Their gold carry trade was covered by borrowing gold and paying short rates. Usually these deals eventually get signed off for year term at the then high monthly rate. The problem is that
the borrowed gold position has to be carried indefinitely by the bank. Someone (gold lender) keeps a "loaned gold" account open with them and the bank keeps paying interest. Recently, these sort of things are becoming more common and the banks positions of borrowed gold to cover lost gold is
growing. The LTCM deal is still out there, draining someone that has borrowed gold to cover that lost item. This is where a rising lending rate can become very damaging as these "rollover loans" get repriced. Now the Armstrong deal may develop another "long term" gold loan (200++ tonne??) to
cover more un-returned collateral.

Your post:----Remember that these are banks, and they will not own gold outright, ever.

True, they don't own gold because it's not part of their job description. Also, balancing risk is common business as they trade off income against outgo. But, they cannot hedge the risk of them having to "calling physical" from a paper market if the paper market can't deliver! Yes they hedge
the price as long as the futures function, but these "loan loss" accounts are for real gold that someone will want back some day. And this is now a growing bank loss position, not some deal with a fund.

Here is the area of real risk to the market creating power of the BBs. The gold loan accounts not backed by the CBs can blow up if major currency swings destroy the hedge funds. At some point, thousands of tonnes of "real street" gold would have to be borrowed by these banks in order to
return it to the private owners. Funny how a private owner of wealth will lend it to an institution for a business deal (no matter how risky it is) as long as the bank stands behind it. Yet, people "cut and run" if they think they are lending to a bank to cover it's loses.

Like I said in my #13672: -------'Weather the BBs borrow it (creating a huge liability for themselves in the process), or buy it from a physical dealer, it must be in "block form". Spot, paper, IOUs will not do. -----

The high lease rates may be attracting enough interested parties to roll over loans, or they may not. If rates keep rising as the YEN gets stronger (as they appear to be doing), it will signal a changed situation in the Gold carry trade. The simple Arab gold positions that work a trade for
interest are way to small. (I never acknowledge these because it confuses the oil/gold issue). To support a growing default in the BB trade will require the heavy depth of the government (oil) positions to save them. These (the real oil/ gold

positions) will do nothing without ECB / BIS
backing.

Let's let this cook for a few weeks. If the fallout grows large enough, no amount of paper hedging will cover the calls for real delivery. I bet GS hits the OCT contract for more material (if any is left by then).

Thanks for discussing. FOA

FOA (9/16/99; 9:42:28MDT - Msg ID:13774)

Comment

http://home.att.net/~gmoritz/public/Deficit.jpg

Aggie (9/15/99; 14:19:11MDT - Msg ID:13696)

FOA

FOA where does y2k fit into this mayhem? Was it supposed to be the scapegoat for the dollar collapse or was it not supposed to happen?

Hello Aggie,

I can't spread myself over too many subjects, but lately I've had more time. Your Y2K note is of concern, but I don't think it will be the disaster many think it will become. Some oil supply and end product problems, yes. Some banking functions lost, yes. Lots of government downtime, yes. Third
world, developing nation and trading partner upsets, yes.

Still, all in all, a big aggravation but no total loss of economic function. BUT, our place in the timeline of economic change could magnify these problems into a larger scale. Mathematically, we are ending the ability of the dollar to function as a reserve currency. It's debt load (offshore) simply will not expand any further. Someone's dollar holdings must be destroyed if another is to be
created. Hence, the major currency destruction in other countries.

Look at this chart (found it somewhere?) of the US trade deficit over the years. It's exploding now and should be performing it's past function of expanding world liquidity in proportion to it's yearly increases. It's not! We are sending dollars overseas in an ever larger pipeline and economies are still contracting. Japan is going down and the YEN jump is the effect of that continuing downturn. I don't care what anyone says, a falling YEN has always been a precursor of a rising GDP in Japan. Their currency only rose in 1985 because the G-7 forced it up. Otherwise it would
have fell in a normal context of their trade. Their whole structure is unique in that it is a sub function of the US economy. Their downturn from the early 90s is an example of the forces in effect that are taking the dollar out of reserve status. Again, people talk about the Yen being the foundation of a new currency block. Not if the major components of their GDP is a function of selling products into the US markets. If the US sinks, taking the dollar function with it, Japan will be mired in a 30s style depression.

All of these cross currents are "out of norm" so the computer models keep turning out losing trades. The YEN carry is caught, big time in this. If the loses keep building right into the Y2K problems, public perception is going to be hurt as the media hurls this "new economic news" at them. Will K2 be the scapegoat, you ask? If this downturn gets a big as I think, the K2 news will be washed into the background as "not that important". And you understand that is saying a lot about how bad this

may become.

Thanks and welcome FOA:

FOA (9/16/99; 10:40:45MDT - Msg ID:13775)

Reply!

PH in LA (9/15/99; 20:48:44MDT - Msg ID:13711)
Unfounded rumour? Question for FOA (and others)
FOA:
is no one going to even bring up, much less comment on the idea making the rounds (heard at a large, well known gold retail brokerage) linking the 200-700 ton (possible) shortfall about to be defaulted on by Princeton International with a rumoured Swiss offer to cover the deficit with leased metal?

Hello PH,
Sure, that will work! While waiting for the time to sell our gold, we can make some return on it by lending it to several BBs that are already paying loan interest on over 1,600 ton of previous loss covers. And yet if the YEN just stays where it is, some 2,200 tonne more would also be at risk. Don't mention what will happen if the YEN goes to 60?????? UH-OH, did I say all that? Must be another of those silly rumours going around.

It all just goes to show you how small these gold sale announcements really are. Not only that, why these real gold sales are happening at all. The BOE sales are only a stopgap measure to keep the system operating. They knew they didn't have anything close to enough gold to reverse the trend. Hence their banging on everyone's doors for more sales. I tell you the IMF "new deal" was a "MAJOR" reversal for them. The members of their gold association are going to be paying on mountains of reclaimed gold debt if someone doesn't hurry up and sell some physical before the paper gold market fully crashes.

Does anyone here see what I'm talking about? Is it no wonder GATA is barking up the wrong tree, thinking that the hedge funds are going to start a big short covering rally. The CBs and the BBs would take them out and shoot them before allowing these funds to cover outright. Oh, a run could get started, but it will quickly die. Yes, the gold was sold and is owed to someone (mostly not CBs). But, if the funds lose the money created from those sales, the BBs and FED banks have no choice but to cover the bad gold debt. Still, at some point even they are way over their head! The whole gold price making system will have to fail and shut down completely before they would allow those loans to be market to a real "street gold market"! They will Mark those loan losses and carry them at $250 or lower to retain bookkeeping assets. Then keep paying interest to customers that won't have a dream of getting their gold back. Then shut the market down and the street price will zoom! Just wait and watch, it will all play out.

With all of this in the background, gold option investors really think their broker will be able to match sales and credit their accounts with profits???

"Hello, Mr. Broker, now that the world gold market has collapsed, I have decided I want to take delivery. Here is my money, please deliver the two Jan $360 Comex future contracts that my option says I can call. After that I want to exercise one $360 future for physical and close out the

other for cash.
What did you say? It's all shut down? But my coin dealer says gold is at $3,247.17 an ounce. I've got good profits on this trade. What, call the SEC and the CBT? I don't want to talk to them, hello,,,, hello,,,,hello???

PH, how's that for a silly rumour? (smile) Have a good weekend, all. I'm gone for a while. FOA

FOA (9/19/99; 20:23:17MDT - Msg ID:13947)

Comment!

To ALL:

A few more parts to the puzzle may be falling into place. We might even say that the next act in the play is starting.
It's a foregone conclusion that the IMF has been forced to revalue their gold. Most everyone gives the US congress credit for this action. True, they did make it clear how the voting would go if a "sell gold" proposal came before them. But, the selling of gold was only one part of a larger
proposal to further fund the IMF. Given the terrible record of "good money down the hole", not only was the single debt relief provision for poor nations at the center of the funding debate, so too was the question of the existence and need for the IMF in the background.

The current problem facing the IMF is in justifying more member commitments that allow the continuation of their operations. It can be looked at two ways: 1. They either are in a squeeze for funds because the extraordinary failure of their policies now require much more money. OR 2. They have been put in a squeeze, more so because major member contributors will no longer support a policy of maintaining foreign dollar debt at the expense of nations outside the IMF/Dollar block.

Indeed, politically one must wonder; why support a system that is built upon a "strong dollar" policy for the benefit of only one country? This rift was opened wider during the last two years as the very "strong dollar policy" that flowed from the US, is the very catalyst that has helped destroy the assets in nations now absorbing most of the IMF flow.

A major item that has been part of this US support structure for the dollar was the G-10 policy on gold. The falling gold price, as seen in the world reserve currency has contributed immensely to the ongoing settlement of all trade in dollars. Indeed, the very continuation of the world trade system. Leading the dollar support component of trade was the use of crude oil settlement in dollars. That one item required practically every nation on earth to buy dollars (or at the least run a positive dollar trade balance with other dollar holding countries) to pay for oil. (NOTE: this post assumes the reader has retained the knowledge presented in the USAGOLD Hall of Fame posts)

If a low gold price (indicating a strong dollar) could induce an overflow production of oil, then oil prices in dollars would fall. A steady, neutral or falling price of oil was always an indication that the settlement of oil in dollars would continue side by side with the purchase of BB leveraged gold securities. In addition, the continued physical function of the established world gold markets was
paramount in holding this oil support for the dollar. When the day comes that the paper contract gold markets are seen as "in question", the flow of oil will slow and

it's price in dollars will rise. From early this year, this process has begun.

The beginnings of this change was born in the success of the EMU. With that Euro creation, the ECB/BIS has slowed, stopped and now reversed it's support to lower the price of gold in dollars. In effect, for them, the worlds reserve currency position is now slowly changing towards the Euro.
Every day, new evidence emerges that shows Euro liquidity becoming as deep as the dollar with little threat of "dirty float" interventions in exchange rates. The fact that Euro interest rates have remained below the dollar rates indicate this currency's long term perception of strength.

The ECB can now slowly phase out dollar reserves as the Euro assumes more of the world trade settlement function. A function in and of itself, that will further lower the dollars world need, use and therefore value. Because the US still runs a trade deficit, it still ships a surplus of dollars to most countries. In today's new Euro world, the dollar exchange rate will eventually be forced to fall
enough to balance this flow. Further, a falling dollar will release ECB dollar reserves as fair game to buy physical gold from any and all entities. However, this buying will most likely be through the BIS and member CBs, not the over leveraged LBMA or world gold paper.

In addition; Because the Euroland external debt is very low compared to the US and they posses a positive trade balance, a rising price of gold reserves (in Euros or dollars) will support their currency with extra reserve value. Their policy of marking gold reserves to market (on a
quarterly basis) and eventually establishing a "true physical" marketplace offers every enticement to get the dollar (and Euro) price of gold higher. Because this process creates a unique reserve benefit, not used in the old gold standard. they will never officially back the Euro with gold. Rather allow a new "free market" in physical gold (not paper) to supplement their currency operations. The
efficiency of modern trade require a digital currency. That need alone will always support the use of a currency. If gold can trade beside paper money, neither will drive the other out of circulation (as old money gold coins did to paper gold money) as long as they can each seek their own
values. (a very interesting concept??)

During the last several years, the dollar established gold exchanges created more paper gold than existing gold could ever cover. All done in an effort to create additional world support for a strong dollar. The middle of last year, it became apparent that the successful Euro launch would,in time remove most of the major physical (sales and lending and lending guarantees) support from this marketplace. The result was an IMF/dollar move to sell the physical gold of others into the paper gold arena. In as much as this supply would help, the continued further building of "fractional gold paper" has completely overwhelmed any ability for large physical stocks to cover it. I believe, the BOE sales have been part of a last ditch effort to salvage their London gold operations. Truly, the last round fired in this final battle.

Today, all roads point to a break-up of the world established gold pricing system, as settled in dollars. The IMF gold hoard is constrained to stay in place from lack of further world support for the debt of the dollar block community. The US has changed it's view of gold and views this IMF holding as the only asset that can still be used to support their floating dollar debt overseas. They did this because when a chain reaction of defaulting on foreign dollar reserve debt begins, the dollar would

quickly crash!
In choice, the IMF must either release/sell their gold back to the original countries that committed said gold into the IMF, or revalue and use it as money. I think the USA congress knew they needed that gold to remain in the IMF system. They used the "gold fire sale hurting debtors"
story as a political ploy to block the gold returns. Let's face it, IMF members would have been glad to return unusable dollar reserves into the IMF for gold. Especially with the ECB thinking of buying other CB gold through the BIS using Euros! In any event all now know, the IMF gold path has
been chosen. This will become the trail of no return for the dollar.

Each new revaluation and money usage of gold will bring further reductions of member dollar support for IMF operations. Perceptions will slowly change, especially when oil is seen priced better in a gold "friendly" currency. In a reverse of policy, higher gold will bring cheaper oil. With each further IMF budget reduction, gold will be revalued again higher to create more reserves. One has but to grasp that this is no longer subject to SDR (also a dollar/IMF creation) paper calculations. This is the absolute revaluation of physical gold for official world debt settlement. The SDR articles will slowly die in this atmosphere. As will the Arabian currency link to SDRs. Perhaps a link to the Euro or complete EMU will occur?

Today, gold has just become set free as "money". In time, officials will review their need to "lend" gold for a return, where as they may "revalue" gold to create a increasing reserve source. As gold rises, there will be "no contest" in this conflict of thought.

With physical gold being quickly withdrawn from a position of support for the established world paper exchanges, the imbalance will become very visible in "lending rates". As these rates rise, the gold pricing market as we all know it will grind to a halt. I am sure it will be closed for "renovation", use your best imagination. In 1968, on 15 of March, the US asked for the closure of the London gold markets. On 1 of April it reopened, fixing in dollars for the first time. This time I expect the official dollar gold markets will not reopen for a long time.

It was pointed out to me that our great world gold market is the most liquid it has ever been. The members have many reserves and even insurance companies to back them. I completely agree! They will not fail one investor with the lack of cash settlement for all remaining, unsettled claims.
The dollar/IMF block of countries will print whatever money is needed to clear out this arena. Just as the US, once before called in gold and settled up in "local gold backed cash" because the foreign dollar gold loans had failed , this time will they call in "real gold paper" and settle in "absolute fiat cash".

Some say gold will be confiscated! I reply as in the "Bear Joke" about two hikers confronting a bear. I don't have to out run the bear, says one to the other, I only have to out run you. My friend, in that day of gold turmoil, I will hold my gold and have but to only outrun you! For people with goods to sell will SEEK MY GOLD FOR ECONOMIC TRADE, not the government collection man.

Buy physical gold to hold. In the time to come, this money in the hand will out perform any investment you have every known. Few today accept just how high physical gold will rise. Be a part of the "physical gold advocates" and tell a story your grandchildren will grow tired from

hearing!
(large smile)

Thank You for reading FOA

FOA (9/20/99; 17:03:25MDT - Msg ID:13998)
(No Subject)
ALL:
A quick note to say "thank you" everyone for the response to my post. I will be back a little later with several replies and further discussion. FOA

FOA (9/21/99; 8:45:42MDT - Msg ID:14031)
The Road to $30,000
Peter Asher (9/19/99; 22:10:12MDT - Msg ID:13951)

Peter,
Thanks for offering your comments and reasoning. We are entering a period unlike any of recent experience. Using the Western view, we rely on our own extended family lifetimes as a history reserve to build a perspective for upcoming events. After all, America "the new country" has been a
financial power for only half it's lifetime. The recent hundred years or so does not present an honest picture of true human financial dealings. The world has been recently dominated and fixated with the use of one currency system to express all world trade dealings. Yet that system has repeatedly failed the test of measuring it's function in gold.

This time period holds no tested precident and only shows an onrush of changes in a kind of high speed evolution. As such, all of our present acceptance of holding each others debts, as "evidence of real wealth" has never been tried in fire. Each controversy was meet with more promises of a better tomorrow, only if we accept just a little more debt as savings. Again, to date that debt has
never been measured in the real purchasing power environment of a "great" world economic downturn. Rather, it has always been held and measured within the realm of "good times". It's only during a "real downturn" that your wealth "quality" is measured in a comparative true historical
backdrop. Not the brokerage reports that hold that the early 70s was rough!

This generation will experience what happens when a competing medium is allowed to function beside our accepted measuring stick (the dollar). The resulting contraction into a "normal" world trade environment that destroys bad "economic functions" will leave the current dollar system in
flames.

Many seem to express a sense of loss with this view point. I submit that you can't lose what you never owned? When an entire society upvalues their savings (stocks, bonds, savings accounts) because the world supplies them with real wealth in exchange of their IOUs; those savings are always open for revaluation in the event the IOUs are no longer accepted at par. Shifts in world financial structures render uncertain times. Those times require the valuation of assets upon what they will buy "now", not what they purchase in the future.

Events proceed, with or without our understanding of them. In the past, those

without understanding held physical gold and slept well without knowing why. Such will be the case for many during this "Time of Transition".

Thanks again, and keep poking a contrary opinion through every hole. The football game is won on the entire field, not just where the water boy like myself stands. FOA

FOA (9/21/99; 9:04:24MDT - Msg ID:14033)

Comment

el St.One (09/20/99; 02:22:29MDT - Msg ID:13958)
I think you and I must have gone to the same school, and travelled some common roads. Wish I had stayed awake more, so I could express my thoughts half as well as you do.

Thanks El,
I'm glad you make something of it. This English language is tough to master when discussing a difficult subject. The "common road" we will most certainly share will be the one to $30,000. No sleeping in the front seat on this trip!

Gold, Yesterday, Today and Tomorrow

FOA (9/21/99; 9:06:53MDT - Msg ID:14034)

Comment

Aragorn III (09/20/99; 04:02:26MDT - Msg ID:13959)
A simple view...

Hello AIII,
My good man, a simple view? And expressed for everyone to see? Yet it required such a talented mind to create. Thank you for taking the time.

On the road less travelled..... FOA

Aragorn III (09/20/99; 04:02:26MDT - Msg ID:13959)

A simple view...

Your hard work finds its reward according to what effort you choose. You may stack, then unstack stones, or carry them randomly, gaining nothing to show for your labour other than a salty brow. But if you stack stones with a PURPOSE, you will gain a wall. Or, you may break the ground and plant seeds, battling weeds and nature's many competing hungry mouths. There is no reward during the growing season, but the bounty gained from the final work of harvest compensates for all.

As demonstrated with the stones, if there is no meaningful purpose to guide the effort, there follows no meaningful reward. But each carefully placed stone brings you incrementally and irreversibly closer toward the real wealth of a wall and lasting shelter. As seen with the garden, each nurturing effort is made with good faith and much hope held for a successful future harvest. While many uncertainties of nature offer calamities beyond the gardener's ability to defend, it too often happens that a sudden event (hail storm or untimely frost) renders for nought a long series of otherwise purposeful efforts.

Money allows for the division of labour such that specialists may participate incrementally in a purposeful
process of efforts, and yet be able to share (in due measure) in the wealth created

through the combined efforts. A stonecutter and bricklayer may each participate in the building of many walls intended for the use and benefit of others. It is the meaningful payment of money that allows them to willingly walk away from the real wealth of these walls finished for others; receiving as substitute the equivalent wealth in traveling form. Similarly, a planter and an irrigator may walk away from a maturing field after accepting a meaningful equivalent payment of money for their appropriate earned share of the total real wealth to be reaped by the harvester alone.

Money is seen here as the portable proxy for real wealth. Payments received may be viewed as equivalent to the incremental efforts made toward the finished shelter or the mature crop. As you take care to provide a meaningful effort within a civilization of divided labour to merit some payment, so too should you take care to ensure the money you hold is a reflection of effort of a kind that is meaningful, certain, and IRREVERSIBLE.

Accepting Monopoly money when working for others is as moving stones randomly without purpose...you have the sweat on your brow to show, and no more.

Choosing instead one of the many national fiat currencies is better than Monopoly money, but it is a money akin to the efforts at gardening during the growing season. The culmination of a long series of meaningful efforts may too easily result in "no harvest" from events beyond your control. With actual gardening, the lost efforts of one growing season may be a blow you might painfully absorb. However, with this "garden of currency", a failed harvest negates not only one season, but indeed may destroy a lifetime of efforts.

Best of all choices is that for gold. Each payment held as gold is akin to building a wall for a shelter--an irreversible placement of stone, ever progressing toward successful and certain completion. Or put in terms of the garden, gold most nearly represents the successful harvest, completely avoiding the risks of the uncertain growing season.

Do not make the mistake of trying to compare the "performance" of money with the performance of stocks. To have a stock is to have spent your money on rights to a share of a corporation's profit, if any. You are buying partial ownership of other construction firms or agri-businesses. If no dividends are paid on earnings, then you must question the merits of holding a share of such a corporation. Perhaps you are relying upon the "greater fool" theory, hoping to sell at a higher price to someone else. Or perhaps you hold with hopes of future dividends to be paid on future earnings. In turn, consider the wisdom shown in their own choice of monetary earnings. Do they transact in Monopoly money, or pesos, or roubles, or dollars...and what happens to the fortunes of that corporate entity when an unstoppable hail storm damages their cultivated garden of currency? Any corporation may either prosper or fail, and perhaps your stock with perform accordingly. But it must be recognized that it is money that facilitates efficient markets, division of labor and specialization. Sound money held simply as the ample reward for your labours should not bring you a feeling of shame for from further investment risk on other Builders and Growers Incorporated. Invest a little according to your desire? Sure, but not all.

You should know by know that interest on money is not an inherent parameter of the money itself, but is instead a product of business arrangements, most often found as a share of profits made by banks that risk your money on investments of their choice

(typically writing loans). You may keep paper cash in a shoe box, or gold in a shoe box, or invest cash in a bank for interest, or invest gold in a bullion bank for interest. This is how you must evaluate the merits of gold; against other moneys (fiat currencies). There is no fiat currency to be found that bears now a greater value against gold than it did upon its birth. Simply observe the face value printed on any old gold coin to see how far that same stand-alone unit as a fiat currency has fallen. Twenty U.S. dollars, and also twenty Argentine pesos, were once equivalent to nearly one ounce of gold. Eighty German marks was once equivalent to nearly one ounce of gold (the same mark that a short time later intermediately fell to approximately one-trillionth of its former value!). One British pound sterling was once the equivalent to one gold sovereign. One-hundred French francs was once the equivalent of nearly one ounce of gold. Any check of modern gold "prices" will show that these many currencies have fallen significantly in real purchasing value after separation from their original gold definition. Some currencies, notably the dollar, has recently gained back some of its steeper losses only because a current inflated supply of "paper gold" is being priced into the market. (This has been thoroughly discussed at this venerable round table. And further, history reveals that such developments are resolved by a "run" of the competing owners for the limited asset.)

Here is an important "hint" to help your view. Gold need not bear the mark of any national currency to "gain validation" as money. As seen in the preceding paragraph, at one point in time gold held concurrently the many names of dollar, peso, mark, franc, etc. Many names or none, gold remains the same as it ever was...money par excellence. Examine the economic climate of the day and choose your allocation of monetary wealth among currencies and investments accordingly. You will find one question to be more pertinent than others...

got gold?

FOA (9/21/99; 9:55:21MDT - Msg ID:14040)

Reply

SteveH (9/20/99; 5:55:11MDT - Msg ID:13961)

The comment I saw was prompted me to comment: I got the
impression that Another is now reflected in your words, indicating a passing through of ideas. In other words, he seems to be corresponding privately with you and we see some of this in your recent words.

Hello Steve,
Yes. When time allows, he will be in here. Or when I say something wrong (read that stupid). He has never been interested in overstating where we are going. Time to rest until events evolve to the next stage. The politics of world money is like chess, one player makes a move and they wait
for the counter move. Will the BIS make their move to buy gold from CBs in conjunction with the ECB? Did they not buy at $280 ($25 higher from here) because the Euro was still unsteady? Or will they wait as the current paper gold markets burn themselves into oblivion? Will the oil
producers utilize gold in a basket of currencies (perhaps the Euro is a basket compared to the dollar?) as they reprice crude? Or will they wait until the SDR is a complete fiction and useless from IMF workings?

Many things are still on the horizon. Exciting times if your wealth is not at risk.

Thanks for your
efforts, FOA

FOA (9/21/99; 10:01:04MDT - Msg ID:14042)

The Road to $30,000

PH in LA (9/20/99; 12:33:17MDT - Msg ID:13984)
India's Gold Plan: More Reckless Abandon by the IMF
Where will it all end?

PH,
Everyone is holding up the new India plan in the light of BB gold loans. Don't be so sure it's headed in that direction. Banks in India can lend currency against gold holdings. It's not entirely viewed as a currency asset, but it is seen as a worthy collateral to be held as reserves. As such they don't have to lend gold to make a return.

Watch the physical gold import figures and we should see that no major bullion is leaving that country to satisfy world BB paper. The IMF and LBMA would love to paint a picture showing India gold flowing out to balance loans. Especially now that they are trapped. No. The India
operation is going to fit well because the new Dinar offers a different context for that part of the world.

I look for China to flow in the same direction. Absolutely huge amounts of gold were brought into China over the last several years. Yet, these physical flows were not reflected in official Hong Kong bookings, nor were they placed into the Central bank of China accounts. They were holding there cards back from US / IMF eyes just in case they needed to dash for the Euroland economic arena. These people are sharp and can play us for fools in the financial chess game. Just like the India scheme, that gold will not be lent out for IMF / dollar paper. Believe it!
Several large traders brought this gold some time ago through the LBMA when paper was still exercised. Most likely they used the BIS to move that gold. Hence their (BIS) new offices in HK.

It's going to end, PH. But some gold assets will not work during most of this change.
We are,
"On the Road Now"..... FOA

FOA (9/21/99; 11:03:13MDT - Msg ID:14050)

The Road!

Aristotle (9/20/99; 15:51:33MDT - Msg ID:13995)
"I hope he has no similar qualms about allowing this particular one to hang on the walls of the HoF."

Hello Aristotle,
No qualms! We can now watch how the oil price rises in fits and starts as the paper gold markets slowly unwind. I would dearly love to see gold run on the established exchanges. Even a $20 or $30 move would really make them sweat as the public guns money into leveraged gold, trying to ride the price increase. Even so, the banking system will most likely sell the public all the gold securities they can buy. They can sell them derivatives to the limit of fiat money creation, in an effort to satisfy paper gold demand. But they can't deliver gold. Watch the OI on Comex and their

Options exchange. Just as ORO presented, the BBs and most paper traders are only interested in laying off risk, not owing gold. As the "modern goldgugs" pile in, so too will the players. All in an effort to balance accounting risk without delivering gold.

With Western thought so ingrained in equating the owning of a "gold price" as the same as owning gold, "this new gold market" will supply them until it fails from it's own weight. All part of "The Road To $30,000". I once expected a huge short rally to break the back of the "gold bear".
So too have most other gold investors. Over many years, now, it never happened as the need to preserve the dollar system was more important than the gold industry itself.

We are clearly on track as the oil producers revalue crude by forcing the dollar prices up, way up! Eventually, the resulting bad debts denominated in dollars will overwhelm not only the IMF but the entire US financial structure. With the Yen killing Japan and leading that region into a further economic contraction, that portion of the currency derivatives trade will become a "black hole" for the US dollar and it's equity markets. Oil will have no choice but to eventually be much more favourably priced in Euros as the process evolves. All of this happening during a backdrop of a crashing paper gold market and a soaring physical price.

How long, oh lord? Obviously, it will not happen within a "gold traders time span". Most will be crushed in their short view operations, if not actually consumed as their asset holdings are revalued. Anyone, (GT?) that can buy physical and hold through out the devastation will financially outlive an army of their trading contemporaries. But, therein is the failure of Western thought as it cannot
contain both the loss of the dollar markets and the skyrocket of physical gold in one mind. Aristotle, we can see the concept as;

"if the price of bread is $50.00, what would the price of gold be?". Not the other way around.

We are "On The Road"..... My friend. Believe it!

FOA

FOA (9/21/99; 11:04:21MDT - Msg ID:14051)

Comment

elevator guy (9/21/99; 0:10:38MDT - Msg ID:14006)

Hello,
Buy gold in time, you ask? I think the average person, buying less than, say 10 ounces will be able to get delivery at least until the end of the year? After that, the price and availability may create a premium of hundreds over the accepted world price. We shall see. FOA

FOA (9/21/99; 11:26:23MDT - Msg ID:14054)

Comment

FOA (9/21/99; 10:01:04MDT - Msg ID:14042)

PH,
One more point to clarify my post. When I said: "Banks in India can lend currency against gold holdings". I meant that they can use gold somewhat as reserves to

make new loans. Just in the same light as dollars deposited in US banks pay interest, but also create loan reserves to earn that interest. Of course, the gold deposits in India will carry a local "gold price" risk, but it's all a function of the internal market. We'll see. FOA

FOA (9/22/99; 7:01:21MDT - Msg ID:14114)

Reply

PH in LA (09/21/99; 20:26:07MDT - Msg ID:14091)
To: FOA Re: The Indian Gold Plan
FOA: Your remarks on the Indian government's interest-bearing gold plan are well-taken. If I understand
them properly, you are suggesting that the intention is to open a sort of government pawn shop where private gold holders can take out collateralized loans by offering their gold as security for currency loans.----------

PH,
No. I'll try to do a better job. Let's say:
I take Rupee money to a bank, deposit it and get interest on that account. The bank then uses that cash as a fractional reserve and creates loans to others to make said interest.
In another light:
I take gold to the bank, deposit it and receive interest on that account. In one of several options, the bank then "mostly" uses the gold just as it uses "rupee" reserves and creates further rupee loans.

The only difference is that they have some market risk in the price of gold. But, India is very different from the rest of the Western world. Over there, gold is already like money and often used in commerce dealings. This new policy initiative is aimed at expanding the use of gold as money, or at the very least viewing it like stocks or bonds. Watch their import/export numbers. With this new policy in place, I bet even more gold flows into the country. If they are loaning out the gold internationally (I doubt it), in the usual way, gold exports will rise. I think they are paving the way for a simi gold currency in the middle east region. We shall see.

Also: The $30,000 number was always nuts to me. Now I see where it came from. I know, it hurts the credibility to even talk about it. But I'll do it anyway because the odds are for it now, it may work out?? Besides, if we get only a third of the way there I can cover my side of the London/Euro bet with Michael! (smile)

FOA

FOA (9/22/99; 7:02:53MDT - Msg ID:14115)

Comment

Leigh, What a post!! You must be a big time hollywood writer!

TownCrier (09/21/99; 21:02:42MDT - Msg ID:14096)
Town,
I visit a friend and what is printed out on his office desk? Several TownCrier closing reports! Pointed out that there are many other, very good items that should be printed. Yes, he says, but I disk save those and circulate the TC Closing.

This is getting out of hand! Michael, can't you do something?

ORO, good write-up. Will discuss as time permits.
Be here later, FOA

FOA (09/23/99; 07:18:25MDT - Msg ID:14178)

Few miners can stand this tall!

To ALL:
Once again, my posting time is being taken up by these market wanderings. As always, I'll reply / comment as able.

USAGOLD: Your note about Goldfields buying physical was a welcome news item. I think you were the very first dealer to publicize this Reuters item. I have decided to purchase a thousand shares of their stock (internationally) and take delivery of it. In a small act of moral and financial
support of their actions, I will publicly burn that certificate so as to permanently remove it from the
marketplace. Never to be sold again, at any price! My contribution to a management that must have agonized over their actions in that it was a first of a kind public display in complete contrast to most modern miners.
I will do this and encourage any others to put their money behind this company that has so openly moved as a "physical gold advocate"! Some may downplay their actions as unimportant. I applaud them for their bold dynamic leadership during these uncertain times. While other miners
quietly settle hedges by buying in paper commitments, this "GOLDFIELDs" (GOLD) purchase points the investor public towards what is real and what is not.
Thank You, Mr. Thompson!

FOA

FOA (09/23/99; 16:20:54MDT - Msg ID:14216)

Comment

Chicken man (09/23/99; 08:08:23MDT - Msg ID:14182)

Hello Chicken Man,
I think you took my statement the wrong way. My purpose is to endorse the actions of Goldfields. The few people I will do this in front of will easily grasp the symbolic meaning of burning the stock. You should also. They have the ear of many influential / political players and I consider
the money well spent to further a cause. My friend, please understand that the ownership of a stock is not lost just because the certificate is gone. I view this as a political endorsement of their "right minded" management. No different than a donation to a good cause. The world gold market would
not be in this fix if investors had allocated the majority of their funds to physical gold first and foremost. After that a small placement of funds into only "right minded mining companies" would have starved the "promoters" into funding "clean gold" companies. I know the hour is late and the end is near, yet, never is there a time not to pursue a just purpose. Others are not asked to follow my exact action. The object of this exercise is to encourage investment in companies that support your thinking. As for "A guy who has more money than brains"? C Man, all of us have a proportion of wealth that can be used outside our own wants. No? For some it is large, for some it is small. In my position I ask for myself: "if not I who, if not now when? Perhaps this was not appropriate for this
venue, my apologies. I will not comment on this again.

FOA

FOA (09/23/99; 16:22:28MDT - Msg ID:14217)

Comment

ORO (09/23/99; 14:18:53MDT - Msg ID:14205)

---The first is an indication of paper coverage which may cover them from small moves but will beinsufficient if the "big one" happens and swipes the equity of their hedge counterparties.----------

ORO,
Considering the location of our "currency transition timeline", I think the G-7 meeting is going to make or break most of the world markets. If the Yen is allowed to run it will clean out most of the carry trade players that work our currency / debt markets. In addition, because most of them are also part of the "speculative" gold carry crowd, all of them can't possibly be fully hedged with quality counterparties support. This casino has run for so long that good paper is considered as "on par" with any Mexican bank!!

I bet as little as a $30 run in gold will "LTCM" the whole London market. When you consider the derivatives LBMA trades every month, there isn't enough "real equity" out there to cover them. Even if it wasn't already "somewhat" encumbered" by other derivatives.

The figures of what a Yen and gold move would do to the market are truly staggering. I'm afraid you are right in that the equity markets will decimate the gold mine stocks. Long before my function ever kicks in, most every perceived form of wealth will be attached or sold before this is over. With this bear hot on our trail, surely someone must be slower than me? I hope!

FOA

FOA (09/24/99; 07:41:18MDT - Msg ID:14257)

Time goes by

USAGOLD, Michael Kosares, thank you so much for sharing your energy and resources to make this happen. I hope your commitment to this platform provides you and the participants the rich return of knowledge and direction that is so often lacking in our modern world.
From the birth of this venue we have witnessed but the format of the coming gold bull market. Indeed, our discussion has only begun to touch the events to come. I welcome everyone to participate and educate as we enter an era that I consider: "The Road To $30,000".
Direction on any trail is difficult to know without a map. Yet, for us, footsteps in the night have marked this aged path. For many, this first year was like the beginning: "the first step is taken and now defines the trail, a second step brings others and upon this journey we now make sail".

Within this shelter of stone walls so high, we gather our thoughts and lie low from the storms that rage. Here, O Mighty Oaken Table of Yore, share our dreams and fears in the warmth of a common goal. The quest for light in the unending darkness that so hides out destined way.

Thank you, one and all. FOA

FOA (9/25/99; 12:15:48MDT - Msg ID:14354)
HOF
TownCrier,
I see where I.V. Holtzman has reworked his "Street Gold" post so as to make it more on point and in context. It is a remarkably clear description of how the dynamics of a market can distort "real price reality". I think it will be a major reference item as our gold markets evolve. Therefore,(I
don't often do this) I FOA nominate it for HOF. Also consider that Another seconds that nomination (I'll ask him to make that official when here). Can someone else also second this, please? Thanks FOA

Note: for the Holtzman article see: USAGOLD (09/24/99; 13:03:31MDT - Msg ID:14297)

USAGOLD (09/24/99; 13:03:31MDT - Msg ID:14297)
Latest from Holtzman...
Holtzman here,

More than one POG

There are many different prices for gold. Or, more accurately, there are many different ways in which gold is formed and stored, and those differences cause prices to differ between the resulting products.

A one-ounce gold JM bar, a Krugerrand, a 1999 U.S. gold Eagle, a slabbed 1908 MS-65 St. Gaudens (ignoring for the moment that it's not precisely one ounce of fine gold), a one-ounce portion of a London Good Delivery bar, a one-ounce portion of a vault claim ticket for same, a one-ounce portion of a futures contract, a one-ounce portion of a derivative contract for same, and one ounce of fine gold formed into a piece of jewellery, all have prices which are somewhat independent of one another.

True, at their core, they all centre around what the market currently feels an ounce of gold is worth, but each has its own additional factors (premiums, risks and quantities) which cause its price to differ, often substantially, from the others.

The U.S. gold Eagle differs in price from both the JM bar and the Krugerrand because of a Patriotism premium. The St. Gaudens differs in price from similarly sized bullion coins because of a Numismatic Rarity premium.

The officially quoted Spot POG differs from the price of one JM bar bought at a coin shop because Spot POG is the price per-ounce at which very large quantities of physical gold trade. By large quantities I mean hundreds-to-thousands of ounces and upwards. Some of these sales are between mining companies and refiners or mints or jewellery manufacturers, where the buyer intends to reshape the metal into some new form, be it ingots, coins, or next month's necklace special at Marks & Spencer.

But in many cases, the purchaser has no plans to remanufacture the gold. Rather, he simply wants to own it. In such cases, the gold itself typically remains in a third-

party repository in forms such as London Good Delivery bars (400 ounces), with only the Right to Claim those bars being transferred from buyer to seller.

Since these rights can be transferred electronically, this allows Spot market participants to make brief forays into the market, then retreat, with minimal overhead expense. Money centre banks are better known for their similar operations between paper currencies (buy Swiss Franc sell Yen this morning, then reverse that this afternoon, etc.), but no doubt a great deal of daily Spot POG setting is the result of trading rather than buying to own. Regrettably, I do not have detailed information on the various global Spot markets, so I have no way to discern the proportion of speculators to commercial traders.

In any event, this speculative access to Spot POG makes it susceptible to the same sorts of "professional" day trading which is usually associated with paper markets.

In addition, most of the gold sold at Spot POG has yet another factor influencing it, one which can easily place it more in alignment with the various paper forms of gold when market conditions become abnormal: the risk that the gold is not entirely under the supposed owner's control.

If you have a few gold coins buried in your back yard, and if you bought those coins anonymously with cash, you control that gold. If you have a claim ticket for a few hundred kilograms of gold held at the Federal Reserve Bank of New York, or a few hundred tonnes of proven reserves in a mine whose location is known to tax assessors, or even a few dozen U.S. gold Eagles in a unit trust, don't be so sure you're the one in control of that gold.

If or when a breakdown in the paper gold market occurs, it's quite possible we may see the officially quoted Spot POG remain in lockstep with paper prices, very possibly plummeting even in the face of blatant shortages of physical metal. But all this would mean is that a make-believe price is being impressed on market participants who are large enough to be easily identified and coerced.

If a private citizen holds the claim ticket to a London Good Delivery bar stored at the Fed, guess who has the power to insist on knowing details of any sale of said bar. Even if a private citizen takes possession of the bar and buries it in his back yard, Uncle Sam will be very keen to periodically bother him about its whereabouts. Although Spot POG is a measure of physical gold, it adheres to the paper world more so than to the physical world because of this one point: the risk of governmental intervention.

This ties in with points about gold mining shares made by Another and FOA: mining companies theoretically are at liberty to sell to the highest bidder, but governments have a way of convincing their subjects to accept less and be happy with it. If during an emergency the U.S. government were to declare Spot POG to be $50, and if Homestake Mining were to begin selling gold privately at a higher Street POG, the U.S. government could very easily make life unpleasant for Homestake.

By contrast, the government would have a much more difficult time coming after you and the handful of gold coins you've anonymously buried in your back yard. Most likely, they simply wouldn't attempt it. A wise politician never frightens his citizens too much, most particularly during emergencies. A government can achieve its goals by oppressing the majority owners (few in number) of a desired commodity while

graciously allowing the minority owners (vast in number) to retain their property.

The confiscation in the U.S. in 1933 was along such lines: the government's intent was to take direct possession of the vast majority of gold within U.S. borders (common gold coins) by pulling them out of circulation, yet not overtly injure citizens who had sentimental or numismatic attachments to specific coins. There weren't any jack-booted thugs banging on Americans' doors after midnight in search of every last gold coin, and I can't imagine any present or future administration doing so either. It's far too expensive to be worthwhile... not to mention that it's far too likely to start a revolution (or in your case, re-start one :-).

And yet, despite the very convincing scenario of complete meltdown painted by FOA and Another, I still find myself clinging to the hope that the supply/demand cycle will re-assert itself as has happened in other industries (the recent history of the airline industry being my beacon in the darkness).

I would never touch futures or their derivatives even under normal market conditions, but a small stock investment in the most efficient, best established global mining companies seems to me still to be worth the risk (note again my use of the word "small"). Whether those shares are ultimately sold for Euros instead of dollars, I still am optimistic enough to wager that they will indeed trade on some market for some price in some currency. In any event, though, I plan to keep an eye on potential warning signs that such optimism may be about to be dashed.

So where will we find a "real" price of gold amidst the make-believe? Clearly neither Spot POG nor futures POG will be realistic during a full-blown emergency, nor will the share prices of gold mining stocks. Of course, if I find myself still in possession of such papers during an emergency, their official resale value will be all too real to me.

Even under normal market conditions, the paper price of gold is not the perfect guide because it is determined by constant repetitions of FOA's analogy of the two neighbours betting over the fence. Perhaps one in a thousand participants in the daily setting of the official prices of gold plans to acquire or deliver physical gold. The other 999 participants are merely there to bet on it and claim their winnings in some other currency.

Put another way, how many people at a racetrack are attempting to buy a horse? If you want to know the going price of a physical horse, don't look to a racetrack for answers. And don't assume that being a partial owner in a horse farm (thanks FOA) in any way assures you of being able to own a physical horse at some future date.

Likewise, if you want to know the going price of physical gold, don't look to the paper chase, most especially during any sort of financial emergency when paper-related numbers will become very distorted. Frankly, even though the emergency has yet to be publicly declared, things in that arena are already becoming increasingly distorted.

Most of us here at the USAGOLD Forum do not buy and sell thousands of ounces at once, and most of us take immediate possession of our purchases. From that, it's clear where we should look to find the price of physical gold which is most appropriate for our activities: in fact, our very conversations here are being hosted by someone who spends most of his waking hours discovering that price.

Street POG

The Cash or Street price of gold is the number of dollars (or pounds, or euros) you take out of your wallet and hand to your friendly, neighbourhood coin dealer in return for a one-ounce Krugerrand.

Why a Krugerrand? Because it's the least numismatic, most commonly encountered, least lovely form of gold. It has no numismatic premium and no jewellery premium and no patriotic premium. It's even less attractive than a one-ounce JM bar.

That makes the Krugerrand the perfect unit of measure for Street POG. Its only special quality is that it contains exactly one ounce of gold (mixed with much too much copper).

The only circumstance which would disqualify the Krugerrand would be if suddenly coin dealers were willing to sell Maple Leaves or Eagles for less than Krugerrands. But to deal with that case, let us define Street POG as the price of the cheapest one-ounce coin or wafer available for sale at that moment.

You will know that the governmentally influenced markets are becoming highly distorted when you see a Krugerrand selling on the street for significantly more dollars than the Spot POG quoted by the paper markets that day.

A Krugerrand will always have a little premium built into its price (hi, I just bought these coins and I'd like to sell them to you without making any profit at all on the sale... my, that would be daft).

At some point in August 1999 when Spot POG was quoted at $260, I bought a single Krugerrand for $268. That's within the range of normality. We're not in uncharted waters yet.

But let's say that Spot POG drops to $200 (sadly still not out of the question even with the September 1999 rise in POG towards $270). What will a Krugerrand cost on the street then? If Spot POG drops no more abruptly than has been its wont in recent months, there's a decent chance Michael and his fellow coin dealers might then be able to profitably sell Krugerrands for $205 each. In that case, the shorts and the financial ministers are still in control.

But if you see Spot POG drop below $200 while a Krugerrand selling on the street never falls below $230-$240 ... or if you see Spot POG remain at $256 yet Krugerrands leap to $300 and Eagles to $310 ... hello new gold market. That would be a clarion call that things are starting to become seriously distorted.

The American Civil War

I think maybe the hardest mental hurdle for people to clear in understanding Another and FOA is this notion of two gold markets occurring simultaneously. There's an historical example (and it's Western :-) in which very much the same thing transpired...

In 1864, the USA and the CSA were reaching something of a stalemate in their war. Contrary to what most Americans learn today in (the winner's) school system, had but a very few decisions been made differently, the Confederacy would have won.

This, by the way, is why we see so many Americans (descended from both sides) re-enact Civil War battles over and over. How often (except on Monty Python) have you seen re-enactments of Pearl Harbour? The only battles worth replaying are the ones that could have gone either way.

In any event, to the average person living in Either the USA or CSA in 1864, the near term future was incredibly unclear and terrifying.

In the pre-war USA, national government funding was handled by the levying of import/export duties. The IRS was not yet a glimmer in politicians' eyes. For a nation at peace, duties provided sufficient income to run a minimalist national government.

In time of war, however, expenses magnify dramatically. Both the remnant USA and the new CSA needed to acquire vast funding very rapidly to raise an effective military. The both of them did so in the time honoured way: they borrowed the money. Have a peek at Lincoln greenbacks and Confederate paper money sometime. They are promises to pay the bearer with gold and/or silver at some significant time following the cessation of hostilities.

These documents were by no means the equivalent of today's Federal Reserve Notes (try redeeming a $20 FRN for a St. Gaudens sometime). No, Civil War paper banknotes were the equivalent of today's Gold Futures Contracts.

Oh, Lincoln greenbacks and Confederate dollars passed from wallet to wallet during the Civil War years as if they were currency, and in the first year or so they were regarded as 1-for-1 equivalents of coin. But as 1864 drew nearer, something odd began to happen.

"Howdy, I'd like to hand you this crisp $1 greenback in return for ten silver dimes change."

"I'll give you 8 silver dimes for a paper dollar, not a penny more."

Realise that this happened in the North, in the remnant USA. It happened too in the Confederacy, but modern people remember it there only in association with the final default on paper which happened when the CSA government was extinguished.

But the sole difference between a Confederate dollar and a Lincoln greenback was that one paper issuer was still in existence in 1866 and one was not. In 1864, no one could confidently say that either government would still be there a mere two years hence.

Notice that, in this regard, not much has changed since then. In 1933 for US citizens, then in 1971 for the rest of us, the USA government voided its obligation to pay gold for paper dollars.

If you hand me silver or gold, I won't care whether the symbols impressed on it are from a reliable government, an unreliable one, or a defunct one. But if you hand me

paper, I'd better be firmly assured the issuer will live long enough (and be inclined) to pay off this debt to me. Even if you hand me a paper claim ticket to silver or gold stored in a vault somewhere, I'd better be firmly assured the vault keeper is of a mind to let me take possession of that metal without the slightest hesitation.

Another and FOA, by saying wise people should avoid paper and only hold physical, are indicating that they expect the LBMA and Comex Gold Contract documents will go the way of the Confederate Dollar (or maybe more appropriately, the way of the pre-1933 paper dollar: "Yes, a dollar is still a dollar, we just won't live up to it in quite the way we used.").

At the very least, they're saying the risk of such a systemic change is so substantial that one should not be standing too near the fault line should the quake come sooner than predicted.

What the both of them are describing is an official Spot POG (and its kindred future months' POGs) which may well plummet to $200 or even, as Another allowed some time ago, perhaps $10. Realise, though, that Another is by no means predicting that Michael will be able to profitably sell Krugerrands at $10 each. Far from it.

What Another and FOA are anticipating is a situation much like the paper money situation in both the USA and the CSA in 1864: how likely is it that the paper contract you're handing me today will be redeemable for any amount of gold by this time next year?

Tell you what, I've got a spare ten bob I feel no desperate attachment to. I'll buy your one-ounce IOU just for kicks. If LBMA completely expires, I'm out only a small amount. If LBMA unaccountably fails to expire, I've struck it rich. Of course, I may still not receive a physical ounce of gold on settlement day. I may find I've become the proud owner of a 1/400th part of a London Good Delivery bar, which I'm then told may not be removed from the vault. If I'm lucky, I might be able to sell my claim ticket for some amount of whatever paper currency is still worth accepting.

Meanwhile, those of us with less of a gambling inclination will sleep more soundly holding physical. After all, a silver or gold coin firmly in your possession remains silver or gold even after its issuer expires.

Yours,
I.V. Holtzman

FOA (9/25/99; 12:28:42MDT - Msg ID:14356)

Question?

Goldspoon (9/25/99; 12:08:04MDT - Msg ID:14353)
One reason $ilver may do better than gold in the late stages is because $ilver is also known a Poor Man's Gold... There is alot more poor people than ritch ones...Poor people generally come late to the party and buy what they can afford ($ilver) so $ilver will be a late bloomer but Oh what a flower....

Hello Goldspoon,
Could you please elaborate. Your above comment that "silver is more affordable than gold", brings my question.
Which is more affordable $100 of gold or $100 of silver? Even if gold was $1,000 an ounce, why then, at that time would $1,000 in silver be more desirable as a "poor

man's gold"?

I'll be back with more. thanks FOA

FOA (9/25/99; 12:31:19MDT - Msg ID:14357)

(No Subject)

Goldspoon,
Thanks for the second! Watch out for my question below. It's a tough one! (smile)

FOA (9/25/99; 14:29:40MDT - Msg ID:14367)

Comment

To ALL:
When a person tries to protect their assets against the effects of fiat money, what are they really fighting against? The first inclination is to say "rising prices". Yet, it's much more than that! Most everyone agrees that interest in the bank never covers the loss of buying power brought on by price inflation. Especially the "after tax" return. It's the same old story, played out decade after decade. We must "invest our savings" (or become a day trader?) because the money will erode in value! Even at 3%, price inflation can eat away at any cash equivalents.

But, price inflation isn't the only story that impacts us. Rising prices come and go, but money inflation continues to effect us without fail. So why do people feel better when price increases slow or stop, even as money inflation runs ever upward? The good feelings usually evolve from the
effects that money inflation (increases in the money supply) has on financial instruments. These assets take on the very same characteristic that the rising prices of goods once exhibited. They run up in currency price.

During these periods of "less goods inflation" another sinister form of mind set lurks in the shadows. Credibility inflation! Yes, it has been here many times before as every fiat currency alternates it's effects upon the feelings of the populous.

Fiat currencies must, by definition always expand in quantity. Their continued usage and acceptance is always obtained with the bribe of "more wealth to come"! Without that bribe, humans would never fall for holding a debt to receive the same goods in the future if they could get
the real thing today. Human nature has always dictated that we buy what we need now instead of holding someone's IOU to receive it later. That nature is only changed through the "greed to obtain more". Like this: "I'll hold my wealth in dollars currency if my assets are going up. Later those
increased assets will buy me a better lifestyle as I purchase more goods and services than I could buy before".

This is the hidden dynamic we see today and the exact antithesis of the past price inflation's. Just as destructive as "goods price increases", "credibility inflation" impacts our emotions to "hold on for the future", more is coming! In every way, "credibility inflation" is just as much a product of an increase in the money stock as "regular price inflation is. As cash money streams out to cover any and all financial failures, we begin to attach an ever high credibility to the continued function of the fiat system. In effect, the more money that is printed, the higher we price the credibility factor.

Onward:

ORO, the GDP is one of the great deceivers in the Fiat money world. During the last century (??) or so, some form of GDP has always been used to measure the great mass of human endeavours. Yet, through out this time, some form of fiat currency has always been in effect. Even during the Gold standard, fractional reserve banking expanded "gold note money" more so than the "gold money in existence. Prior to 1929 this effect, if not creating outright "price inflation" during a time of Gold standard policy, was creating "credibility inflation" in the minds of investors. Using the backdrop of a growing GDP, people brought into inflating financial assets and ignored these signals as evidence that the fractional currency system was failing. Even though the dollar contained a policy statement to supply gold, back then a gold loan was still only good until everyone asked for gold.

The same thing is happening today. People destroy the currency structure by thinking it can deliver more than reality will allow. Instead of all debt failing slowly with each upward march of price inflation, prolonged "credibility inflation" snaps all at once as investors try to suddenly revert to a "buy now mentality". The inability of government authorities to contain the fiction of "good debt" is usually the feature behind the investor mood change. A currency run induced by an IMF stalemate would qualify as just such a function change. The "snap back" into a sudden "real price inflation situation" caused during this stage by a currency failure always breaks the whole structure. We approach this end today!
Further:
The GDP has been the relative gauge to mark all other measurements against. Even so it's numbers reflect little more that the result of an "expanding fiat money supply". Yes, there have been recorded downturns in GDP, but these contractions would have been worse if measured in real
(gold) money. In opposite fashion, expansions paint a much brighter picture as all financial liabilities seem less a threat if held against a rising GDP. I submit that the GDP figures offer little more than a way to entice investors to increase their "credibility image" of our monetary system. Fiat moneys are always on a long term upward expansion, and they can hardly do less than bloat the picture.
Someone I know said; "your wealth is not what your money say it is"!

What should we be looking at to see the real picture? Be back a few hours from now.

Thanks FOA

FOA (9/25/99; 19:11:59MDT - Msg ID:14375)

Comment

ALL:
When it comes to silver, I agree with all of you. But then "along comes reality"! Many of the current analysts persist with their analogy that "silver is used to make change and small transactions". A concept I completely agree with, only if we sink to that point? The valuations placed on silver will mostly be established by the kind of "currency turmoil" we experience.

Look at today's US paper currency. It's all dollars and yet $100 bills are used readily right along side $1.00 bills. It seems that we found a way to create ever smaller denominations of dollars to satisfy the demand for making change. I don't see anyone carrying around Canadian currency for the small purchases a US $100 would not work for.

My point is that gold has in the past and will again in the future be broken down, "if needed", into alloyed coins for the very smallest of transactions. One can easily carry a one gram gold coin that is made the size of a quarter. Even a 1/10 gram will do the trick. As Mr. Gresham points out, someone will always be around to create money change. Be it in silver or gold, the most efficient money will rule the day. In the worst of war like conditions, paper money is traded. German marks were spent as the booms fell!

My question of which is more affordable $100 in gold or $100 in silver? A poor man will accept and use either that is offered, no contest.

Again, the future demand for "Metal money" will be established by "how the currency markets evolve". I believe (and have written on this before) that through out all that is to come, US dollars will continue to circulate as will most all the established currencies today. "Come what may", we will use them for whatever value and efficiency they will offer. Just as the much lesser moneys of the world presently circulate, while their citizens hold dollars, gold and silver, so too will we act in a similar fashion.

The question for our immediate future is in what form will you hold metal money to represent the "bulk" of your tradable wealth? As all the currency and economic turmoil swirl around us, the pressure will be to not only hold reserves that will not be at risk, but hold them in the largest "tradable form". Gold and it's high future price will certainly fit that bill. Again, contrary to what
many think, when the dollar falls off the reserve currency tower, most everyone will still be getting paid in dollars. Yes, they will be greatly devalued from price inflation, but buying your gas with dollars will still be a weekly chore.

The future will see the Euro currency as the value reserve all other currencies will trade off of. Beside it will trade a "free gold" market denominated in Euros. The implications of this will be for US nationals to continue using dollars while holding gold (or Euros?) for a bulk, risk free tradable reserve. One can see that in this picture, the purpose for silver is greatly diminished, no?

Got silver? Don't need it, cause I got gold!

We shall see, back in an hour or so. FOA

FOA (9/25/99; 20:31:48MDT - Msg ID:14388)

Comment

Gold Dancer (9/25/99; 18:36:32MDT - Msg ID:14373)
Silver/Gold/

Hello Gold Dancer,
I think I paralleled some parts of your thinking. Thanks for offering your reasoning.

Goldspoon (9/25/99; 15:37:33MDT - Msg ID:14370)
Some have suggested confiscation....possibly. --

Goldspoon,
I think the confiscation item has always been blown completely out of proportion.

Some even go as far as saying that there is no use in holding gold if it gains a lot because it will be taken away from you. Then in the same context, it's offered to buy gold stocks to gain from a more reasonable increase in the gold price! In addition, for the same reasons they see silver as an item that will not be touched. One has but to review "Holtzman's "More Than One POG" #14297" to get what is his beautiful rational and reasonable retake on what confiscation would really mean:

--------If during an emergency the U.S. government were to declare Spot POG to be $50, and if Homestake Mining were to begin selling gold privately at a higher Street POG, the U.S. government could very easily make life unpleasant for Homestake.

By contrast, the government would have a much more difficult time coming after you and the handful of gold coins you've anonymously buried in your back yard. Most likely, they simply wouldn't attempt it. A wise politician never frightens his citizens too much, most particularly during
emergencies. A government can achieve its goals by oppressing the majority owners (few in number) of a desired commodity while graciously allowing the minority owners (vast in number) to retain their property.

The confiscation in the U.S. in 1933 was along such lines: the government's intent was to take direct possession of the vast majority of gold within U.S. borders (common gold coins) by pulling them out of circulation, yet not overtly injure citizens who had sentimental or numismatic
attachments to specific coins. There weren't any jack-booted thugs banging on Americans' doors after midnight in search of every last gold coin, and I can't imagine any present or future administration doing so either. It's far too expensive to be worthwhile... not to mention that it's far
too likely to start a revolution (or in your case, re-start one :-).----------

Thanks Holtzman, incredible job!

Again, if you think silver is going up because of currency turmoil, is it reasonable to believe it will
increase as it did during the 70s style Hunt fiasco? I'm not sure that event wasn't but a one of a kind move. Everyone considers that performance (the only one we have had) as an example of how silver moves when gold goes up. However, it's entirely possible that that gold move was but a minor side show and in the future gold will dwarf any percentage rise in silver. We didn't know silver could move like that until it happened and we may find that few will understand how gold can outperform everything in the future. As I offered earlier, the coming currency transition may render the "many present reasons" for holding more silver than gold useless. Especially if currency stays in circulation as the demand for industrial silver falls from a economic contraction. If such is the case, the percentage move will fail to match gold.

I know many own silver. I offer this as a balance observation. Good luck to all of us, may we all win! FOA

FOA (9/25/99; 21:11:01MDT - Msg ID:14392)

Reply

Leigh (9/25/99; 19:36:56MDT - Msg ID:14378)
Do you think silver is worth holding as a commodity, the way you would hold platinum? Don't you think the prices will go very high as silver reserves as depleted?

Or do you think gold will rise the highest?

Hello Leigh,
All of the investment attributes for these metals are conflicting. On a commodity basis, silver would be the best. Warren B. brought it in his company name expressly for it's industrial prospects. He views it in the same light as a stock investment. I doubt he took it for any of it's monetary reasons.
Again, invest to make a return. Take your best shot. But for today buy gold to preserve what you have during a global dislocation of currency systems. Because the future may play out as I have outlined, gold will out perform (on a real basis) most any past investment made during the last 30
years. Not because it's a good investment with great prospect demand, but because it will again perform it's ages old function as the worlds money. Something it hasn't done in stand alone fashion for perhaps 60 years?????? That return to money use in this modern world is the attraction that drew in the Giants, in whose footsteps physical gold owners now walk. The rise will make most people feel very foolish not to have purchased at $1,000 while it was cheap (smile)! We shall see.

Thank you and good day FOA

FOA (9/25/99; 21:12:34MDT - Msg ID:14393)

Reply

Twice Discipled (9/25/99; 20:40:54MDT - Msg ID:14390)

Point 1)
If my above interpretation of your suggestions is correct and the events play out as you see them then with further thought I may comes to agree with your remarks regarding silver.

Hello Twice D,
There is actually quite a large group of people that see things this way. Nothing is written because they are very private.

--Point 2) If we move to an environment where bartering becomes the standard, then I would still think silver would be appropriate in some degree because of the smaller value associated with it. I would also ask who I would trust to take my .1867 oz Napolean III and melt it down into a 1 gram
gold coin – definitely not the government, I would never see it again. I would also be skeptical of any other organization given that history shows us examples of "shaving" whereby the gold content of coins was reduced.------

-------Of course, when the time arrives we will no longer speculate, but participate in what
transpires.--------

Twice,
I agree! Indeed, if history is any guide, we are walking a well worn trail. After this weekend, Another may have to update his view of current events. Things are moving now!

Sorry for the short reply as I must go now.....thanks FOA

FOA (9/26/99; 9:54:32MDT - Msg ID:14425)

Comment

Aragorn III (9/26/99; 2:53:37MDT - Msg ID:14408)

Hello Aragorn,
Nice application of clear logic! Let me see it I have this right for a future context:

"Get your scrap iron now because gold and silver have already run up in price. Iron is the only affordable metal for late buyers. You get many more ounces per purchase because the gold / silver / iron ratio is so far in the favour of iron. When the teaming masses can no longer afford "real money" they will most certainly buy iron in 1/10 ounce form to use for small purchases"

I expanded your post with my slanted view to drive home a point to others. From the time that silver ran in the 70s, on one ever had any historical precedent that it could move so much. Yet, from 1980 on, every silver promoter has used the Hunt squeeze as the basis that it will rise again in just such a fashion. It has been the ideal "leveraged sell" for every boiler room to sucker in paper traders. I bet there are many who have lost the most money by taking on silver as a leveraged play.

I say all of this as the proud owner of some silver! Just as Aristotle (and yourself at other times) pointed out, in a complete "currency: breakdown, silver will be needed and used. Yet, in this modern day and age, ironically, inflated fiat currencies will most likely continue to be used for most purchases. I bet CMAX could add some light on this as he is in an "inflating country"!

Further: During the runup in gold during the late 70s, the governments were selling gold all the way up. In the same light as we look at the YEN today, gold buyers were always afraid of the "next" intervention. Yet, even with the official gold sales, gold soared. During that time silver was never the application of any widespread major sales. Today, we must consider the effects on gold that a major 'Official" policy change would do. While everyone is waiting for the next big sale, others are anticipating the total withdrawal of government selling/ leasing from the markets. Indeed, if the ECB or oil or china start buying official stocks through the BIS, the results will be the reverse of the 70s markets. "Street gold" will be the percentage out performer!

We must bear in mind that there will be a big difference between Official BIS buying through the CBs as opposed to them buying paper gold on the LBMA. I think Mr. Holtsmans "More Than One POG" #14297 will be a hated factor for many current gold mine owners for years to come. With BIS buying from all CBs, the supply of gold will collapse, forcing the "street price" through the roof. Falling demand (buying) for paper gold will drive those securities to the floor because of their inability to secure and deliver enough physical gold. This dynamic will absolutely force the IMF/ dollar governments to lock the trading price of paper gold at below most production costs until new mine supplies can work off some of the paper commitments. Even though cash settlement (at the locked price) will be used, it will cover but a fraction of the outstanding paper. Counter party default will rule the day. No doubt, the majority of the mines in operation today will close, thereby forcing an extended workout period.

It's a simple choose of what is more important to the majority of people? Save the major portion of the banking system whose menders are the who's who of the LBMA, OR save the worlds gold mines? No contest!!
This is where we will see competitive revaluation's upward of IMF and existing CB gold stocks. These source of new equity will be needed to cover aid to failing countries
(some from shut down gold mines) and back the massive loses a collapse of the dollar reserve currency will bring.

For years everyone looked for the nations to block any large rise in gold, so they invested in assets that would benefit from what would be perceived as a reasonable gold
increase. One that the governments would begrudgingly allow. Of course we think of Gold stocks. Yet few considered the true ramifications if countries suddenly revalue gold not as money, but as a world reserve asset! We approach this dynamic today as world dollar debt has reached it's limit. Exciting times for those that "walk in the footsteps of giants", awful times for those that have invested in the gold industry. It's not to late to change course and sail with the wind. With the direction of someone that understands, I have done just that!

With the wind.....we are on the road now!!! FOA

FOA (9/26/99; 11:22:32MDT - Msg ID:14430)
Reply
Leigh (9/26/99; 9:50:43MDT - Msg ID:14424)
Questions for FOA

----------When you and Mr. Holtzman talk about a black market for gold, do you mean an illegal black market? ----

Hello Leigh,
If I answer for both Mr. H and myself, it may get him riled up enough for him to post more of those great works. So I'm going to do it this one time! (smile) Also, it will be best to stay in close contact with Michael Kosares, as he will know the very first changes in the markets (if they occur).

However, in my view: I bet we end up with a very strong "dealer market" with companies like Centennial Precious Metals in the forefront. The difference will be in that they will price their product based on the real investor supply and demand as these dealers trade among themselves. Yes, an official gold market will be in effect, but "street gold" will will carry a huge premium over the official "trading price". A premium that will not be profit for the dealers, rather a reflection of the true price of gold.
(TownCrier, you had a great explanation of this somewhere, no?)
Over time most dealers will slowly disregard all paper trading. The present major banking houses that trade
bullion and paper will most likely drift far away from the gold business if their loses in that arena build. So; It won't be a black market like in the movies. That will only come about if things "really get out of hand". Something I doubt will happen, even during a Y2K breakdown.

----Do you think it is possible transactions in gold will be outlawed? That wouldn't do our government any good,would it? -----

Outlawed? No possible way! The thing everyone forgets is that during the 1930 gold call in, the governments were trying to place gold in a tight price range. They still had a good dollar system and wanted to keep it for the worlds sake. Today, the problem is different in that they have created so much dollar based debt that it can't be serviced any more without a blowing up the world reserve money supply and hence the system. The US knows it's over and must accept a partial defeat. To accomplish this, in opposite fashion from the 30s they must raise the price of gold, not keep it
down.

It works like this: To keep the gold price stable you have to get your hands on more of it. Then use that physical to balance existing dollar claims (as in the thirties) or sell it into the marketplace (as in the last 20+ years). For today; To make the price rise, you don't need more physical to use as supply, you simply withdraw supply from the marketplace and revalue what you have.

The US treasury has some 8,000 tonnes ++/--. They can't back the same dollar with gold that they removed from the gold standard in 71. Major legal problems there (BIS???). Nor can they create a new dollar with the Euro on their backs. They can follow the ECB and the IMF lead and begin to revalue the existing US gold stock to use as equity against the massive reserve loses that are coming. No it won't cover even half the liability (even if it's over $10,000), but it's the only fallback asset any nation has. It will prevent a total World and US contraction.

The trading and owning of "street gold" by the US public will be encouraged, not outlawed. Any demand that raises the gold price further will be welcomed as a "new concept" to save a contracting economy. This was the real reason the Gold Eagle program was started in the first place! Political bases covered when the time comes.

---Wouldn't they want us to spend our gold so that eventually they could get their paws on it?---

No Leigh, in the future they will ask you to spend "your" gold, but not for their accumulation. They have plenty of gold and will just devalue the dollar further by raising the gold price in stair step fashion. Your spending will be to build the economy again. In reality, you will be selling some gold to a dealer for depreciated dollars. Then spend those dollars internally, within the country.

Gold coin sales will be a hard act to follow as we cross this valley of money transition. Mine owners will be screaming for controls of the street price so they can sell into the defunct LBMA at a higher price. It won't happen. Later, everyone will be glad they brought physical while the going seemed rough. Needless it's going to be interesting as this all unfolds. Eventually, paper gold will be out of the way (covered) and a real "mining boom will ensue". That's when we sell some of our gold to buy gold mine stocks! (big smile)
Get ready for that time.....buy gold now!

Thank You FOA

FOA (9/26/99; 16:16:08MDT - Msg ID:14449)

Comment

Leigh (9/26/99; 11:58:37MDT - Msg ID:14432)

---- One more question: Will the government tax us gold owners to death, since we'll be among the few who have any money?---

Ha, Ha,,,,,,, Leigh, what do you think?

FOA (9/26/99; 16:18:59MDT - Msg ID:14450)

Comment

koan (9/26/99; 12:32:58MDT - Msg ID:14433)
Silver and gold - relative appreciation - a theory

-----If silver goes to $10 per oz you just doubled your money i.e. now you have $10,000 (1,000 oz times $10). That other $5,000 you put into gold for 20 oz will need to go $500 per oz i.e. 20 times $500 = $10,000.) Elementary my dear Watson.----------

Mr. Koan,
Watson wants to know why gold can't double at the same time that silver doubles?

He still want's to know why a poor man will buy $100 worth of silver before he'll buy $100 worth of gold?

Does that also mean he will buy ten pounds of dirt for a $1.00 first, if one pound of sand is also
selling for a $1.00? Hmmmmm!

I have a few dumb friends but they are not stupid. Seems the most "dumb" among them always understand the relative worth theory better than most any PHD scientist. I also know I'm smarter than they are, even if they have more money than me? (smile)

It's going to take a whole world of "special people" buying silver to make this work out. I'll watch here with everyone to see how this works out. Thanks FOA

FOA (9/26/99; 16:59:38MDT - Msg ID:14456)

Comment

Chicken man (9/26/99; 15:30:12MDT - Msg ID:14446)
FOA @ The Tale of the Golden Egg..

C Man,
That was a good one!
One of the reasons I advocated buying Goldfield stock was to support their actions. I Know most didn't understand, but burning a property deed (or stock certificate) in some cultures is synonymous with stating "you will never sell the investment".

Here, this company does an industry supporting move and no one (even GATA) advocates investing in that company for their strong anti gold selling stance. Instead people see what happened and went out and brought ABX (or as much)? This Goldfield action was the major catalyst that sparked new interest in the gold arena. It called into attention the delicate nature of the paper gold position if physical is taken out. If everyone starts charging the auctions, this paper gold market will close in a hurry!

Goldfield buys and everyone comes out of the woodwork to proclaim a new bull market for reasons other than what happened. Then they direct new buyers into more paper gold investments, regardless of weather they are controlled "shorters" for the BBs. The Goldfield action clearly stated
that they alone (along with Anglo) are independent from the paper control. I support management that take "right minded stands" weather my investment will pay off or not!
Chicken Man, watch this market run for another ten or twenty and see what happens to it! With the G7 fiasco concluded, we may get a blow-out this week!
Thanks for your reasoning..... FOA

FOA (9/26/99; 17:11:30MDT - Msg ID:14458)

Reply

Golden Truth (9/26/99; 16:56:35MDT - Msg ID:14455)
TO F.O.A, TIME TO CHANGE SILVER INTO GOLD!!!!!!!!!!!!!!!!!!
Hello F.O.A tomorrow i will be taking all my SILVER Maple Leaf coins and exchanging them for GOLD.

Golden truth,
Don't forget the iron bullion! (SMILE)

-----One question i do have is, could you please explain the comment you made about the "massive reserve loses that are coming" what will cause this? and possibly when? I,am sorry, i know this is a basic question but i have some trouble with figuring this one through Thanks as always G.T ----------

GT,
One of many examples. You are a foreign CB that is holding 100 billion in US treasury debt. The dollar loses half of it's value. Treasuries now worth 50% less! The US declared "foreign exchange controls". Good thing you held gold that has now more than ?????? gone up! Throw the
treasuries in the trash and forget about them. Now the ECB is offering to buy gold with Euro treasuries, if anyone wants a "special relationship" with europe. You know the rest!!!

I have to go now.....This week will be something FOA

FOA (9/26/99; 18:58:01MDT - Msg ID:14480)

It's all over people!

http://www.marketwatch.newsalert.com/bin/story?StoryId=Cn:2Aqb8ZtJi2mZG4ndi0&FQ
See link above:

TEXT-Statement on gold by European central banks

I'm going to be very, very busy for a while. Be back when I can! Good Luck ALLL
FOA

FOA (9/27/99; 6:54:58MDT - Msg ID:14563)

No time for discussion!

http://biz.yahoo.com/rf/990927/f0.html

SYDNEY, Sept 27 (Reuters)

``The Europeans have set gold free,'' the dealer added.

FOA (9/27/99; 20:03:37MDT - Msg ID:14642)

No time, one post only!

USAGOLD (9/27/99; 15:07:02MDT - Msg ID:14618)

Why did they do it? Why do the Europeans want the price of gold to rise? Why didn't the U.S. and Britain stand in their way?

Michael,
That's a good one. I think they are following the rough outline we have talked about. If you have absorbed most of TownC's (Europe) news today, several things come to mind.
1. England is doing what Another thought, moving from the dollar system into the Euro world. Let's face it, they are "lost" in their current position if the US economy contracts and Euroland grows internally. Europe has made it clear on several occasions (including today) that they are a closed
system. Yes, the world can trade with them, but the conditions are better on the inside. England no longer has the same ties to America that their political dogma suggests. Every day Europe more becomes their family through proximity, if nothing else. Hey, the Euro tunnel may have been a bad investment, but it has finally tied the isles physically to the mainland!

Their push for EMU is right in line with their completion of bullion sales. Don't read their sales as
a reserve balancing act, like Belgium. The BOE is indeed trying to clear out some bad paper before their move. Like it or not, when England, Swiss and the middle east all tie to Euroland (through EMU or by trade), the LBMA will become redundant. I bet in five years or less (mostly much less)
the ECB will sanction a major bullion association of it's own. The time frame here is much too short for the LBMA to clear out the paper it took them a decade to build up supporting the dollar.

2. How can the US stand in the way of rising gold? It's only been the (needed) continued use of dollar that constructed the "Low Gold" paper markets for oil. The US mostly used it's currency powers to augment the plan as others carried it out. Now with the successful birth of the Euro, many other nations are scrambling to at least build a backup bridge into that arena. The US is not blind to this and will certainly not commit it's gold reserves to buy in it's own currency debt from it's competitors. If someone is about to kill you, you don't offer to pay back your debt to them before they act!

Neither do I think the Fed (or treasury) has been trading paper gold. If the right entities wanted to expose this (the US is very open in these regards) they would get their hands on those items and exercise them in a very visible way. One that followed the paper trail with the media in tow. Weather the FED brought gold to fill the order or used Fort Knox, it could be seen. Besides, with Congress so obsesses with not letting our gold flow into other hands (or however the IMF deal works out), one whiff of Fed gold commitments would blow the whole story.

3. The ECB announcement was used to close the final door, in public view. They now

have the Swiss and English on their side and it's time for gold to become Euro Money. Let's see if the ECB / BIS don't eventually arrange for the purchase of most of that gold. Goldfield and Anglo may eventually have some big bidding competitors the next time around. No hedge funds allowed next time. This last auction was done with the full knowledge of this ECB announcement in the background. No wonder the bidding was over subscribed just in the last minute.

The US stood quiet to this dollar killing move because they now need gold to rise also. This concept was quietly circulated around Washington this past spring. Now with this new ECB move, you can bet that the IMF is going to lose it's funding (from everyone) on a systematic schedule. IMF gold will be the only equity the US will have to continue supporting the international dollar debt (and therefore the integrity of the dollar) for the time being. Note: Did they lob off of the term "FUND" from the IMF name because funding is being phased out? (don't laugh, Washington is nuts)

I look for the US economy to drag down Japan, Canada, Mexico and all of our major trade partners as foreign dollar debt slowly fails. India, the Middle East and China will all create a new "Orient Express" trade route with their old European partners.

My take on it Michael.....We are on the road FOA

Also:
Goldspoon Msg ID:14620,
Golden Sun is some stud, right? I know you are having fun, good stuff my friend. I bet KOAN could kill me for my luck. Here I grind on silver all day long and Gold supports my words almost as if I knew what was going to happen. (smile) Bet silver goes up a dollar tomorrow in good faith for the Silver Kings!

Looks like everyone made a tonne of money on gold stocks! Good for all!! Even my Goldfield went up! (I hate it when it does that!)(smile). Me and the "Bullion Boys" at USAGOLD FORUM will just have to settle for our little 5%.

Make what you can because the game is all over, people! If you are happy holding after tax profits from the mine shares, that's good. But, physical is going "shortage" big time now. Bet there is major 5 and 10 tonne order flow through the BIS right now and it's looking for 30 day full allocation. If it doesn't hit the CBs desk for filling, the scramble is on. So, during the next many weeks or few months, your profits won't find much "physical street gold" around at a price you're willing pay. Indeed, the paper gold price we all follow may crunch down hard as this unfolds. Buy it if you think it's the same equivalent, I know it isn't. Lot to think about, no?

PH, yes, we are on the road!
I can't wait to see how those 400,000+/- gold options work the Comex price with no gold in the warehouse! I heard they will be serving "Bear Steaks" for lunch on the trading floor!. Later, everyone's beef is going to burn!

Don't know when I'll be back? FOA

FOA (9/28/99; 8:10:36MDT - Msg ID:14695)
ORO-- 1 Month forward is .80%!!!!!
Lease Rates

Bid
1-month 4.5800% +0.8000

2-month 0.0000

3-month 4.5080% +0.6030

6-month 4.8360% +0.2570

1-year 5.0060% +0.3060

ORO, I think one small "counterparty" just "got eaten alive". Should hear of it in a day or so. No supply from that opperation.

ANOTHER (9/28/99; 16:15:40MDT - Msg ID:14770)

Reply

USAGOLD (09/17/99; 21:11:52MDT - Msg ID:13862)
Another, my friend,
I have missed our discussions in recent months as it seems that you and I, both, have been occupied elsewhere. Much has changed since our last exchange(s). I sense that our friends at the central banks have begun to worry about their outstanding gold, as should the private lenders. The Dutch central bank felt it necessary to call off the dogs by saying they are no longer an easy mark. And now Japan tells us that they will buy if the IMF should want to sell -- a gold poor island nation in the East with too many dollars and no longer enough time. So is lending gold at 4% a good deal? Or should we consider anything we lend at that price, "lost assets"?.....Is the golden intention floated by Japan today as important as I think it is, or something to be discounted? I remember your words of wisdom on England...a lost land. I remember your words warning us of the state of the LBMA which is now so apparent. What next? my good friend. Is this "a night to think about gold?" What say you about Japan and Europe and the future of gold?

Mr. Kosares, we speak again. This gold market, it be not as before, yes? For six years and a time, we build the "alliance". Now all join and say "no more" unfair currency. This day I stand with Europe on ground that is stable for the future of our children. Ground made hard with gold that
moves "no more"! Your dollar will now fight the "good battle" on it's own. From early this year it finds no support from "cheap oil". Soon it will find no support from "oil settlement".
Without the "good backing" that comes with others "holding dollars", the world must now settle dollars in a true gold price. It is time, gold again becomes the money our fathers knew. It's dollar price will run now. Fear this as the banker is afraid of his creditors, for it now runs long my friend and stops only for the destruction of its market. From the days of our youth we see not again a
market such as this. All will soon race for the bullion metal and few will walk away with gold. Your mind does consider the "right number" for gold yes? I say, add that ten times and this you will pay if one waits.
Japan? With no trade how will a nation supply its oil? The oil that built them does now break them. Buy gold we say, years ago, hear us they did not. The yen eyes and ears always face across the pacific. Even as their future was thru Hong Kong to Europe. Now this yen will fail a nation that forgot how it's sun still sets at their backs.

Sir, the bullion in the many thousands will change the common landscape of your land to as rocks and bushes. It will also grow the most green lawn for holders of Euros.

May many flowers present your home in the good light of old wealth. The old wealth that we find in the new value of gold!

Thank You Another

FOA (9/28/99; 17:12:39MDT - Msg ID:14775)

Comment

Goldspoon,

What a day it was! The "Bullion Boys" at USAGOLD Forum got to march at the front of the victory parade. How about that Golden sun? It's a triple crown winner again! Up over 8% while the other metal horses had to eat his dust. Even most of the major gold mines went up, but are still out on the track coming in as stragglers (except for Goldfields, up about 17%) (I hate it when my only little mine investment goes up) (very bad for credibility) (smile). Somehow I think this is a bad precedent to start doing this. I'll stop while ahead.

We can be sure that some Bullion houses are now the proud owner of defaulted gold paper. More of it will come pilling in through out this week. This is just the beginning, because this house of cards just collapsed. For a while there (back in the summer), it looked like the ECB was just going to let the dollar / IMF slowly flood itself with gold paper until the market failed. Truly, the only way
to make it more valuable, was to sell more of it and make the paper price fall. Now, they pulled the plug on them and will let the market eat itself. Make no mistake, this is no too way trading market! It's going to run until someone big fails and shuts it down. We don't just work out thousands of
tonnes of short gold positions with a few days and $50 up. I think the gold shares see this and are trying to realistically price in what several locked limit days will do to the infrastructure. Yes, everyone is hedged and covered, but this little move has most likely cleaned out the present counterparties equity already. If the dow, bonds and dollar start selling off big, they (funds) have run out of money and are selling for more. More cash will bring waves of paper selling on comex. Yet, the very equity selling that raises the funds for those waves will bring even more loses to the hedge funds. They used the old gold financing to buy what will be sold now. So look for intraday
waves of more exaggerated form than today's +44 move. Still, all in all, if the banks or the Fed can stand it, this market will run through 500 or 600 on this first kill off.

I'm standing here and watching all this with no risk assets. For me it's all very interesting. As for the bears being cut into bar - B - Q stakes, they can't lose what they never had. Most of the US paper game is all in ones mind anyway. I have a mountain of notes to cover, so I'll step away.

Thanks FOA

FOA (9/29/99; 6:37:28MDT - Msg ID:14853)

comment

All: Very fast note:

Everything is now officially "on fire"! It's exactly as Another said last night, "it's not as before"! ORO, do you see the rates???? Some people are going down, bigtime!!!! For the Bullion Boys, watch your stuff, make sure it's in your hands! Steve, I see the GATA note. At least they now acknowledge that there is a "risk" if gold guns up. We all have know "Another's Thoughts" for some time that gold would run like never seen before. I think this truly is it. Mr. Kaplan may have sold out of his mining shares for the wrong
reasons, yet still made the correct call!!! What a world?? I'll try to post later, big things happening in Euroland. May have to leave? Don't know?

Good Luck "WE ARE ON THE ROAD" FOA

FOA (9/29/99; 8:28:33MDT - Msg ID:14861)

Be back later today, I think!

Swiss Franc, Deutsche Mark, Euro all UP! Crude oil UP .70+/-!!

Dollar, British Pound, Japanese Yen all DOWN! Lease rates indicate total blow out of gold pricing infrastructure!

Is there a picture here? Gold turning into Euro Money!

If you want to be "on the road" risk free, buy physical gold, only gold!

FOA (9/30/99; 5:53:07MDT - Msg ID:14958)

Comment

elevator guy (9/29/99; 21:49:39MDT - Msg ID:14932)

Hello elevator guy,
I'm still alive after all this excitement. No calls to travel, yet? Your post carries the exact same flavour that many other analysts are coming to grasp. Each person must see it in their own way, but I believe you understand it well. As the events unfold they will reinforce your convictions to hold the course.

The wind is at your back,,,, sails full,,,,,,,,, far ahead of the rest. Don't make the mistake of looking right or left, your success is directly ahead. We are on the road now.....FOA

FOA (9/30/99; 7:05:31MDT - Msg ID:14963)

Comment

Why did it stop?

It didn't!

Part of the process of buying "real gold" is in the waiting for allocation. Be it actual delivery of metal, receipt of certificates for "real vault deposit" or just clearing out the cash settlement of trades gone bad. This all takes time, especially when such a large segment of the
market has just been "cleaned out" financially. On the surface, new traders continue to put up their $2,000 or so of margin money and trade the Comex for some paper cash. Underneath it all, a mad scramble is going on to find gold to meet all the failed

commitments. For many of the major trade houses (and BBs), they now must use their own capital to carry the dead positions of others. Most of them will (or already have) covered their financial (read that cash) positions in the paper markets. However, they must still process the real nature of the trade, "find new real gold to replace what was lent". Like this: "We sold the gold and lent the money to a fund to trade with. If that fund cannot put up more capital to back the loan (because the price of gold has gone so far against him), and pay the higher rental rate (now in effect) when his 1 to 6 month loan comes due;
We will attach his assets and sell them off to buy the gold back ourselves."

This whole cat and mouse game can take a while as everyone sweats the outcome. Right now, many of those funds are so far under water on their "financial trades" (example: short Yen at 125), that a sell off of their "book" leaves little. SO, the bank has to borrow gold against it's own capital and pay the new "lease rate" as it "fully allocates" (returns) the gold position to the lender (mostly private entities). The gold owner (and lender) cannot and will not just sit there and watch the collateral (the trading book of the hedge fund) for the loan go up in smoke. Especially if the lease rate is skyrocketing from an "obvious major world shortage of gold"! Even if the bank is successful in borrowing gold, they still must one day buy in the open market to refund the second gold loan. They can go round and round, borrowing gold to replace the "last" deal. All the while driving the lending rate higher and higher as more and more lenders back out at any lease rate offered.

The LBMA statement about high lease rates bring out new gold for leasing is flawed. Often 20% (and higher) currency rates in failing third world counties does not bring in any new private capital. Usually government money is needed. In like view, we see how the ECB has now blocked new official gold to support a market that private lenders are now running from. It's like the US saying:

"we will no longer back the Mexican treasury market and the private sector will have to do it".

All of this takes time as it slowly unwinds (fails). Without major official gold supplies, this gold market is going to grind to a complete halt. The day traders (that currently run in and out) will one day find the entire system "force major" and their margins frozen. Of course, they will be settled in cash, but only after the "street gold" price runs into the many thousands.

With this in view, do we now see why "taking delivery" of each and every ounce (just like GS and ML are doing on Comex) is so important. Your "big" paper gains from settled cash trades (and mining shares), that will look "oh so huge", will be almost nothing to buy gold with after the turn.

In fact, they may unload a paper selling spree on the markets, that crunches the price down, "just before it completely locks up"!!!

Think about it? Then: Think about how your assets will hold up?

Got the view of what is ahead?

On the road to $30,000,,,,Yes? FOA

FOA (9/30/99; 7:18:47MDT - Msg ID:14964)

Further!

All:
I'm doing this in a big rush, so in the last post,

Force Major = Force Majeure = can't honour commitments

Also, Even if the Russian gold is lent, it only creates a liability to Russia and another gold loan in the future will be needed to repay that loan. Through out history, panics are created when people run from lending assets for the purpose of covering someone else's loses. Usually, exposure, is what brings on the run. The ECB has just exposed the system. The run has begun.

Thanks all FOA

FOA (9/30/99; 7:59:42MDT - Msg ID:14965)

(No Subject)

Someone just shot the "horse with no name", Platinum? Leigh?? (smile)

SteveH, Mr, Smith used to think gold was a commodity, just like silver or copper. I bet his clients are about to make him an "unneeded commodity" also?

I'm stepping away for a while, FOA

FOA (09/30/99; 08:17:39MDT - Msg ID:14966)

Had to come back for this!

http://www2.techstocks.com/stocktalk/msg.gsp?msgid=11405275
September 27, 1999. Shades of de Gaulle: The New, New World of Gold

By its stunning announcement Sunday evening, the new European Central Bank served notice that it will not tolerate politically motivated Anglo-American interference in the gold market, and that the Bank of England is now on probation as the central bank with principal responsibility for overseeing this important market. The details of the announcement have received full coverage by the financial press and wire services. Only time will reveal its full significance. But what already seems clear is that not since
Charles de Gaulle and the Banque de France mounted the Franco-American gold war in the 1960's has a European central bank so directly confronted Anglo-American hegemony over the international monetary system. And this time it is not merely a European central bank, but the European Central Bank.

The classical international gold standard became an unintended casualty of the First World War. Ever since, first the British and then the Americans have essentially dictated the basic features of the world monetary system: the gold exchange standard after World
War I, Bretton Woods after World War II, and floating rates after Viet Nam. Each time the new system finally led to an unprecedented credit expansion and an equally unprecedented bull market in stocks. But the process of unwinding the great bull markets of the 1920's and the 1960's brought down the very international monetary systems that spawned them. The final outcome of floating exchange rates and the great bull market of the 1990's is yet to be written. However, the advent of the Euro was intended to make Europe what perhaps no single European country could be: a

necessary player in any future fundamental restructuring of the international monetary system.

For now, the gold market itself may provide sufficient fireworks. One-year lease rates today hit 4.7% as existing shorts scrambled to secure adequate borrowings. Under the circumstances, the odds for one or more high visibility failures or defaults cannot be insignificant. In the longer run, Sunday's announcement by the ECB may be just the first shot in a far larger battle for long overdue and much-needed reform of the world's monetary system. But in any event, it is a reminder that what General de Gaulle termed
"an exorbitant privilege" -- the dollar's key currency status -- cannot be maintained indefinitely by a policy of trashing gold.

FOA (10/01/99; 20:11:14MDT - Msg ID:15148)

Comment

All:
I just finished reading all the posts today and must say that this is a wonderful group. It's not just the information that's presented as it's great to see it all assembled. Rather, it's good to see everyone offering their feelings (not just their projections) as this market evolves. It's becoming impossible to discuss with everyone because so many people are entering here. Each with their
own slant or take on the day's moves. Very, very good! Michael has created a "one of a kind".

Gold always has been an emotional subject. Especially if you buy it for it's future monetary value instead of trying to quickly trade it for cash. I know there are traders here. It's seen in their cool style and council. For them gold is but a quick paper liquidation and "if I ever need to" it's "off to USAGOLD" to purchase. Hmmmm.

Yes phaedrus, in your world "it ain't going to happen". The failure of paper, that is. But please consider that I move in a different world from you. No, not the high speed "connected" "mover" environment. Rather it's a world attached to a timeline of "ages old" events and "reoccurring human nature". This realm exists today in the minds of a people you will mostly never know. Yet, they hold the very destiny of our modern currency system in their hands. Intelligent, sharp, and filed with "the simple Thoughts", they do very well understand the western differences of common sense. Up vs down, rough vs smooth and most especially "I have" vs "they owes"!

Presently, in your world, the concept of holding "paper gold "they owes"" can and does gain the great percentage returns you reference. I expect your ability to trade will move you quickly ahead of all others before you when the time comes. Then again, it strains credibility to suggest that one could "out trade" every other player when "lightning strikes in the night". I think I saw a movie
where it was counselled "a man's just got to know his limitations". I have been given a view of this storm and my feet are not that fast.

My message (as an extension of Another's) is for the ones that are so very slow. That's me, too! We are doomed to trod the slow path as do the giants, because, in the end things go up faster than traders can revalue paper. Funny as it may seem, all of us will most likely again meet the "fast
traders" though our location in the race will somehow change.
Imagine, if you will the logic of Another:

"This world be still round, my friend. And days have changed with modern toys for boys to play. Though they circle the earth with much speed, full circle bring them but one step "behind me""

Some people may not like the connotations that presents, but boy, it sure keeps my brain clear.

ALL: The end of this currency game will see people trading their hearts out only to use all their winnings to buy the same amount of gold (or much less) they could have purchased in the first place. They did the same thing in Rome, still fighting over economic contracts as the war raged just outside the walls.

Trading IOU paper will never create more gold for anyone until they liquidate and buy. Mostly we don't and what we usually truly gain is only more paper with an "attitude" to prove it. It is against human nature to expect anyone to leave a paper crap table while they are ahead. Millions
and millions of gamblers try to convince themselves and others that they can do it. 99.9% of them never have and never will. It's a siren song as old as time itself. It's the same in the modern stock markets. When the game "truly" ends, few walk away with what they thought they had.

We are on the road of returning to the natural, true monetary values of gold. Values that will not be the one ounce for a suit some still proclaim relevant. It value will be magnified 100 times by the modern advances this society has created. Some will lose their jobs, some will lose money, but the world will not end. Babies will be born and employers will employ. Only the yardstick for measuring wealth will have changed. As events unfold this truth, Another will respond to reference this journey we all will travel. Truly, "events will prove all things".

Thanks ALL FOA

FOA (10/01/99; 21:59:26MDT - Msg ID:15158)

Comment

PH, Everybody,
I have more to say than could possibly write now. When I get back we will have an awful lot to cover. We'll all understand later.

Golden Truth,
The "Bullion Boys" did OK today. Golden Sun just about outran (percentage wise) everything. Easy to do when one horse (Silver Moon) hits the rail and flips his rider, "backwards", no less! (smile)

Goldspoon, my vote is "horse with no name" for Platinum. I now remember the song by America.

ALL:
The Russian announcement was in some ways like the English sale. They were asked to publicly say it to drive others to lease before they did (and lower the rate). A ploy only, as some bank shorts withdrew their bid to cover now, waiting to see what would happen (this also lowered
demand (and rates)). The USSR was always the very best at gold trading. Cut your shirt clean off and you never knew you lost it! Dumb, stupid Russian dealers??? No more so than us. Russians good at poker, oh yes. Russians announce deal before the

fact to bid themselves a lower rate?? Did anyone buy that one?

I bet Michael still has gold for sale. Still at a good price for a while at least. All you paper traders better take the advise of this old Western Scout, "watch your top knot out there"!

Be back when I can.....FOA

FOA (10/06/99; 20:19:41MDT - Msg ID:15713)

Comment

Where gold is now going, no other investment can follow!

We have been on the gold trail for a number of days now and it's time to stop and talk. Everyone has read the USAGOLD HOF site and understands the tie in of gold and oil. Now lets look at how these factors are beginning to close in on our gold markets.

Earlier this year, when gold was just falling into the $280 range we discussed how then was the time to buy large blocks of bullion. Many large entities were taking delivery to avoid the approaching storm. It seemed that $280 had been the magic number. If gold fell below that value there was a risk that the number of paper creations, known as gold derivatives could explode in a final frenzy. Indeed, in the march to $250, the fractional nature of paper gold trading has created a massive glut of "paper gold commitments" that have no gold behind them. Prior to this $250 fall, the gold market was already bursting with derivatives. Enough so to destroy the credibility of any form of real "gold delivery". Today, those numbers are off the charts. Had the ECB and it's consortium of major Euro supporting Central Banks not stepped in to stop the madness, the gold market would have been crushed to the price floor. Long before that floor was reached, the valuations of paper gold would have begun a discount phase. Where their traded price reflected the inability of the bullion markets to supply even a tenth of the real gold that these contracts stood for. Yes, for big investors the time to take delivery was before the lions begun to fight over an ever smaller supply of gold. I thank Mr. PHinLA for posting Another's analogy about the coming "Gold Lions".

One way or another, the modern gold market of today is going to fail. Weather the trading price goes to $1,000 or falls to $10, the massive overhang of gold derivatives cannot be honoured. What physical gold that remains in private hands will be cut free by this failure and trade for a while in "street form". (see Mr. Holtzman in the HOF for a better understanding of this)

I have discussed before how the modern "fractional gold system" was used to multiply the outstanding ownership of gold while the actual physical gold stocks remained static. This allowed the price of gold to fall as this new paper covered the massive demand. Physical gold could then be
used to support fabrication and, more importantly flow in a direction that increased oil supplies. Mr. ORO has searched for a formal agreement or even numbers that account for this process. The numbers are evident as presented, yet the agreement was political in nature.

A few years ago, continued good oil flow required gold below $360. But, below that number, the asian Trader would emerge with tremendous accounts. It wasn't long after the fall below $360 that the LBMA had to make public the enormous buying of

their paper commitments. Even as the
Main Central bank committed to keep gold above $280 to preserve value, it was obvious that the paper market would one day implode itself from "fractional gold" creation. The end of our markets was written the day we fell below $360. We embarked on a trail of no return.

Over the last few years the gold market developed with a two tier nature. Entities that had massive oil to supply a needing world would most certainly receive their gold in "allocated" form if they asked for it. Weather it be from private investor who exchanged their physical for holding
paper derivatives or from the vaults of Major CBs, this gold would come from somewhere, "come hell or high water". Truly, with the explosion of gold commitments outstanding today, we can now clearly see how this will unfold.

The modern financing tool we call the "gold carry trade" is now becoming the poison that will kill this market. The demands of gold lenders to return their "at risk" positions are creating an atmosphere where no amount of physical gold exists that can supply the outstanding paper claims. Great blocks of gold are now lent into the markets at 4% or greater, where once 1% was considered a good return. As each new group of lenders enter the market they are followed close behind by former lenders demanding their gold return. Fear begins to grip those who were once bullion owners as they now became paper pawns. Each new demand for "full allocation" creates yet further demands to borrow. The supply of new lenders grows smaller and smaller as the
possibility of default increases.

The ECB moved to block any further erosion of the Euroland position. Most certainly, all world gold contracts denominated in dollars would have gravitated towards Euro conversion to best advantage the EMCB gold stocks. Indeed, in a brilliant move they have blocked that escape and
doomed the dollar gold market to collapse from non delivery. The ECB can now effectively support it's gold commitments thru either bullion allocation or Euro settlement. By marking to the market their gold reserves they will contrast the advantage of a dollar gold market collapse no matter what form it takes. Weather discounting of paper gold from non delivery as derivatives are sold in mass (plunging dollar gold price) or a complete run for delivery (what we are seeing now) that leaves 95% of the market shut down and still holding paper demands (paper gold priced in the many thousands. prior to lock up), the Euro will gain reserve backing.

Onward:

The mine defaults seen today are just the beginning. For every mine that fails it's stockholders during a $70 gold price increase, fifty will fail from a $2,000 run! Weather the bullion price reflects the "street price" or the "run for delivery paper price", the turmoil will devastate most contract strategies. Why is this happening? Modern people, be them investors, mine managers or "carry trade" operators alike have never seen a true gold market. Their perception of a gold run is where jewellery demand and 6% inflation gun the price to their historical "natural level", $500! Truly, in this world, $500 is where gold starts it's great move.

Our dollar/IMF currency operates on contract liquidity by creating paper IOU that are never called. Be they cash, bonds, CDs or stocks, they represent elevated wealth only because they are never liquidated into real things. If humanity ever decides to

sell them (something they will do only if forced from fear), the value of real things quickly increases to a level much higher than the total value of such paper. It does this because, in a panic, things are held back, thereby lowering supply.

The recent (last 10+/- years) gold market has reflected it's transition into a similar paper "contract liquidity" system. This was done to enhance the credibility of the dollar in the eyes of it's trading partners. Today, the Euro system has offered a reason to test the credibility of this gold system. This "new gold market" is not as before and will run in dollar terms unlike anything anyone has ever seen. Gold is now in the process of becoming money and that pricing process will destroy most any contract ever written against gold.

In the future, no investment on earth will keep up with the real value of gold, nothing! It will run until the dollar system is destroyed and a new system takes it's place. The effects and beginning events are starting now. In the background the gold market is under stress, even as small traders make quick paper gains. When the stress breaks into full view, all traders will be "eaten alive" by the next biggest trader. And so on up the food chain. So, why trade. Already, gold bullion has done very well against shares and other metals. What ever small percentage gain one has made above this is for how much risk? I would like to see the owners of Ashanti Goldfields Co trade their paper
gains for bullion tomorrow? We have discussed this often and this is only the first good example. Yet gold has only just begun to move! No option, futures, silver, platinum or gold stock will match gold when it runs $100 a day for days on end (perhaps in a Euro marketplace).

Our road has just begun and I will walk it also. Hold a tight line as we proceed down this dangerous path. It will be a wonderful hike for everyone that can stay on the trail and understand the sights along the way.

On the road to $30,000.....thank you FOA

Nice joke PH! My wife almost killed me! (smile)

FOA (10/07/99; 07:40:11MDT - Msg ID:15741)

Comment

Central Bank Cheating!

Central bank policy is never offered to the public in it's true context. They can't afford to! Open directives that involve "historic" changes are usually never interpreted successfully until their "real life" effect is truly seen.

When the ECB, Swiss and BOE all made their announcement, it was publicly taken in the current context of falling gold prices. When I posted "it's all over people", my response was in reply to the future. A future that evolves an escalating gold price environment, the very conditions that the ECB statement would create and was aimed at controlling.

This agreement was more of a commitment to "continue" a certain amount of gold supply "even as the prices rise". Understand that; When an important body states that they are ready to slow an approaching forest fire, every else immediately starts preparing for a fire. Even if it's not in view yet. It should have been obvious that

during a surging price period, most (if not all) CBs would stop selling gold and call in lease guarantees! Such a move would lock "all" the markets instead of creating a "controlled burn" of the dollar.

Watch these events as they unfold. True, there will be cheating! However, that cheating will take the form of "CBs buying gold" (and hiding the transaction as well as able) to balance their sales. If the Swiss do sell, we can bet their selling will be delta neutral. Their most likely move will be to commit their gold into the EMCBs in exchange for Euro type derivatives (even if sold for dollars). If anything, the effect on the markets will be to cut physical supplies, in complete contradiction to the ECB / BIS directives.

Mosel, our problem today is not so much a rising price, rather the lack of physical to close outstanding contracts! You are right, dollar liquidity can and will be expanded to cover "bookkeeping defaults", but it will only "extreme" the physical defaults as private lenders demand their gold back! Your deep mind will burn in overdrive as this plays out. I'll keep the fire extinguisher ready to cool off the grey cells (smile).

FOA

FOA (10/07/99; 08:13:47MDT - Msg ID:15745)

Reply

ORO,
Like this: "The time has come to support our own currency system. Let any other CB that wants to work with us, also announce this agreement. (I think Japan did also?? Were they hoping against hope??) We are going to stop this thing before it infects our economic system. Tell everyone we will now limit our lending and allow it to shrink through payment liquidation. In addition, we must offer this supply to keep it from burning out of control."

I would have added: "it all over people"! Somehow that would have been seen as gasoline on the fire. No?

FOA (10/07/99; 08:28:36MDT - Msg ID:15747)

(No Subject)

If that "horse with no name" passes me, I'll lose all credibility! I can see it now, my head in a chock in town square with the villagers throwing stones and melons (especially Koan). Don't worry for old FOA, he will just smile through it all. A little later others will spend time on display and I have kept some eggs on the back porch for the occasion. (big smile).

FOA (10/07/99; 08:38:17MDT - Msg ID:15749)

Comment

Hello Hipplebeck,
Each of us will follow our spirit as this unfolds. If you hold gold in your hand, count it as one ounce they will not posses. Come what may, their contracts are only good if someone delivers gold against them. In like view, Libya never delivered oil to the Hunts. Even though the Texas boys had a contract for it. We shall see! FOA

FOA (10/07/99; 08:47:31MDT - Msg ID:15751)

(No Subject)

Goldspoon (10/07/99; 08:33:19MDT - Msg ID:15748)

****FOA.....Hippleback...******.
FOA is very close to this thing...Another is on the inside..

Goldspoon,
I'm just a dog on an Alaska sled team. Look closely and you'll see me close to the back. I'm so small that my barking is all most people notice. The "big huskies" are up front, in the lead. As such I am Truly "on the road",,,,"in the footsteps of giants"!

Can say no more.....FOA

FOA (10/07/99; 08:53:37MDT - Msg ID:15754)
(No Subject)
Hipplebeck (10/07/99; 08:42:20MDT - Msg ID:15750)
FOA,
What if they offer you $30,000 for an ounce? Will they then get your gold? They will get mine.

Hipplebeck,
You will do this because of your great wealth. Myself? As a poor man, I can afford either gold or currency. A dollar will always be as affordable as one dollar's worth of gold! Yes?

Thank you all,,,,,,,,,,,,,,must go now FOA

FOA (10/07/99; 17:11:21MDT - Msg ID:15796)
comment
Orca (10/07/99; 09:59:09MDT - Msg ID:15763)
(No Subject)
The Economist .. Peter Drucker says it all

Hello Orca,
Just wanted to say thank you for that article. Every investor needs a base perspective when listening to all this modern input. All of us should hear things spoken in different ways as no one person can ever make the best point for our individual ears. FOA

FOA (10/07/99; 17:13:01MDT - Msg ID:15797)
Comment
SteveH (10/06/99; 22:20:05MDT - Msg ID:15718)
To a friend Leroy,

SteveH,
Leroy is in for some show if he only follows this trail with us. With this crowd getting much larger it increases the chance we won't miss anything. Even if one does not invest, it's worth walking from a historical view point. "we watch this new gold market together, yes?",,,,,, Yes! Thanks for writing FOA

FOA (10/07/99; 17:15:32MDT - Msg ID:15798)
Comment
ORO (10/06/99; 23:44:47MDT - Msg ID:15721)

SteveH - Your letter - a mechanism

Oro,
With that fine post! You have opened up the "essential concept" for viewing. This is indeed where we are going on an "official basis". It will be one great chess game to watch. Thanks FOA

Also:

Simply Me (10/06/99; 23:59:12MDT - Msg ID:15722)
Thank yoo, Sir FOA.
Your words of encouragement are needed now more than ever.
Many of us are "in" gold to the hilt...according to our means

Hello SM,
If you are "to the hilt" in gold bullion, "according to your means": Then you stand square in the middle of the preferred "real security" holding through out our history. Come what may, if the price rockets or plunges, all paper moneys have failed as society returns to gold. Believe it! FOA

ORO (10/06/99; 23:44:47MDT - Msg ID:15721)
SteveH - Your letter - a mechanism
FOA has, once again, portrayed the basic concept of the future he sees from his position, which you assume is a Saudi point of view. For myself, I do not know and will not venture a guess. The form of expression is appropriate to a Saudi official.
The thing most of us miss most of the time, is that the simple fact that everybody's interests, save the governing class in the US, are stacked up towards this new format for floating currencies and reserves. It puts everybody on an equal footing and opens the possibility of a level playing field for both banking and trade. It also eliminates the segnorage of the US in printing the world's medium of trade and debt settlement and has a chance of revaluing the debt of the EMs into insignificance - freeing them from the trap the US bankers sprung on them. (see Mozel post) One more issue is that the gold accumulated in Europe, Asia, and Arabia through trade, and in the US through payments for services in war is given its original weight as the representation of a whole nations' past financial achievements. (again a good Mozel point)
The US elite is very much like the elite of Johnstown before the flood, enjoying the night in a cocktail party as the engineer tells them of the near certainty of the collapse of the dam if the storm outside continues, and even if it stops. As the custodians of the dam run for their lives, having seen water coming through the cracks, the elite continue talking of the new library they will have built, the wives talking of the benefits to the poor, the husbands organizing their conspiracy to rig the bidding. Notice that even the engineer, convinced of the impending disaster and its ramifications - including the high probability of his own death - still comes to the party. (This account is partly fictional - so take no offense)
The working mechanism of the new currency system ANOTHER foresees and is involved in implementing is very straightforward, though only somewhat less fictional than what we have today. It just happens to artificially favor gold.
The manner of strengthening a currency is the main difference from the current system. Each country, and the IMF as well, strengthens its currency by bidding for gold within its borders. As the price of gold increases locally, the backing of the currency has both increased in quantity and in price - and therefore in percentage of backing. Other countries respond according to their need for a stronger or weaker

currency for domestic or international political or economic purposes. Through the importation of gold, there is something gained for a net exporter. Through the import of goods, one's currency is necessarilly weakened as it is eventually used to buy gold by the exporter, strengthening their currency relative to the importer. It restores the best aspects of the gold standard in trade and in the settlement of debt, but it will enslave the countries that do not have their own gold and are net debtors. Countries that are US creditors but have no gold will be left with whatever the gold value of the $ would be relative to the Euro, SF and other major currencies.
The gold price in this system has no cap. All have a vested interest in keeping the gold price high. In the meantime, the gold miners will be taxed at incredible rates and gold holders will be picked at as the capital gains taxes on their gold sales are raised over and over. Initially, there would be a strong push to have the gold holders spend the money unhindered, to jump start a shocked economy. After the initial spring time for the gold owners, there would be the atmosphere of growing taxation of gold profits (inducing people not to spend their gold).
Monetary policy would ammount to the throwing of unbacked paper into the market, which would cause the decline of the currency and a surge of exports. The exports will garner a large chunk of gold coming in, and would either displace the currency (if gold is not bought to increase its backing) or will be used by the governmnet to support the currency.
Contrast this with the current system, where one needs to devalue the $ in order to strengthen one's currency, by throwing $ into the market and buying one's own. Thus the $ gained in trade are lost in defense of a currency in what is a sure defeat if you are a debtor nation - the US Fed/banks can invent as many $ as are necessary to borrow your own currency from your banks and dump it on the market. As you raise your interest rates, your economy grinds to a halt and as you supply more of your currency to your creditors as a result of higher interest rates, you are either more in debt, or the funds fall into the market where they eventually lower the value of your currency. If this attack on your currency was accompanied by a rush of hot money out of your financial markets, your economy would be destroyed. Your $ denominated paper would be defaulted, and your debts remain hanging arround your neck like an albatros. These will force you to sell your products and real assets at a discount to their cost and real value, in order to settle $ debt.
The US has been trapped in this way too. It is by far the largest debtor the world has ever seen, in relative size to the world economy, or in relation to its own. The list of creditors is growing as each country resolves it $ debt. Japan made it in the 70s, Germany and France in the 60s, China in 97, Korea Thailand and the Phillipines (almost) in 98 and 99. Russia, Malaysia, and Ecuador are just saying "go #$^& yourself".

I will say this. This new international monetary system too will fail in one way or another, and produce unpredictable results. It is such a new concept that I can't say with certainty how it would work in reality. I have a vague thought that gold would displace the currencies in this system, since it would be the most reliable store of value, less subject to the whims of government.

FOA (10/07/99; 17:17:32MDT - Msg ID:15799)

Comment

Cavan Man (10/07/99; 09:24:38MDT - Msg ID:15758)
FOA
Darn. I missed you. Cavan Man here. I am not interested in "timing" but, time frame or range of time would be helpful. Thanks.

Hello C Man,
For anyone that wishes to hedge their other wealth with a portion in gold bullion: We are on the road NOW! FOA

Also:

AEL (10/07/99; 15:09:55MDT - Msg ID:15786)
Hathaway

AEL, very good link, sir!

FOA (10/07/99; 19:12:16MDT - Msg ID:15803)
Reply
USAGOLD (10/07/99; 15:18:27MDT - Msg ID:15788)
The Monetary Triangle

----------From reading your most recent thinking as summarized in Msg#15713, I get the distinct impression that you believe that the Europeans have mandated their version of closing the gold window, thus making gold dear for any purpose, the settlement of gold carry trades being the most
severely affected. Some have said that this event of September 26th by the European central banks ranks in the annals of monetary economics with Nixon's closing of the gold window in 1973 and letting yellow metal seek a free market price. Following the Nixon decision, we had ten years of dollar devaluation. On the other hand, the European closing of the gold window could lead to ten years of euro appreciation against the dollar -- the exact opposite of the 1970s U.S. experience.--

Hello USAGOLD,
To the above---- "Absolutely"!!
I don't know if the timeline will be that long (ten years). The dollar will most likely fully collapse into some form of controlled inflation with exchange controls and all. ORO (#15721) wrote a good outline using Another's, trying to conceive the form of a new currency structure without the current dollar system. Today, in the middle of all of this, the pressure is indeed on to increase the value of gold "in all currencies". Make no mistake, no one wants this, but the majority has accepted that this is the only way out from under the dollar.

You write:

----At the same time, if you superimpose a chart of gold in euros over a chart of gold in dollars, a startling observation can be made -- one that graphically shows how much the world of international money has changed. The movement of gold in both currencies is nearly exactly the
same! Having watched the Asian contagion unfold and run the graphs on several sick currencies, there was one relationship that always held true -- as the currency depreciated against in gold, so it depreciated against the dollar. This led me to believe that once the euro was established as an international reserve competitor to the dollar that when the euro went up against the dollar, it would be able to buy more gold. I waited to see if this would be the case and am somewhat surprised to see a new phenomena -- as the dollar has depreciated against the euro, both have depreciated against gold.

Michael,
Continuing from my above: It's going to be a two phase operation. For the Euro to continue gaining credibility against the dollar, it needs a rising gold price in both currencies to build the Euro perception. In this stage they don't want the dollar exchange rate to collapse, but rather draw trade flow settlement into the Euro. It's expected that a steady interest rate policy and the lack of aggressive intervention will place them in a better light. But, most importantly, a rising gold price will detract from the dollar on a world basis more so than it will the Euro on a Euroland basis. Using points we have covered many times, the ECB will have more than enough resources (read that dollars on hand) to keep a firm bid under gold. This act of bring in gold as Euro reserves (not currency backing) and cannot help but undercut the dollar's world position. Especially now that the world dollar gold market is "on the ropes" and about to drive the dollar gold price to the sky.
Their item about commiting gold supply to 2,000 tonnes was a farse. Yes, the supply is needed to controll the burn, but a gold rush will cause much greed to retain the bullion. The BOE may continue, but all of them will cut and run when the gold price starts to rise. I bet they still sell for show but hold a backdoor deal to retain the metal.

Your words,

----How do you interpret this new phenomena -- this new and to my knowledge unique triangular relationship? Does it not give Europe the opportunity, to issue bonds to finance whatever Europe would like to finance including the military, public works projects etc without damaging the euro's credibility or injuring its market? And by this, do not the Europeans solve a sore problem -- getting their new currency into circulation (something you and I have discussed before). If so, this could be a clever political/economic move indeed and might answer the questions why Europe made the September 26th Gold Sunday announcement as they did when they didn't have to. In other words, at the beginning of 1999 EU launched the currency. Now EU is going to get it into circulation internationally in the form of bonds held in national treasuries. The next step will be make it stick. At that point, I would agree with you -- Europe could become a gold buyer unloading unwanted dollars perhaps through the unwinding of the gold carry trade.
Wouldn't it be a total irony, if the gold carry trade turned out to be little more than a detour that brought us the back way to the same place....gold being used in international settlements as the currency of last resort?-----

Yes sir to all of it!
This will process over one to two years. Or does it work out into the new 5 year plan of the ECB? We shall see. The dollar crisis should be worked over by then. Perhaps our much needed time frame to work gold into the thousands?
Once the Euro begins to see a run for it's currency (next year or so?) the gold price in Euros will stop rising as fast as the dollar gold price. Simply stated, the dollar/Euro exchange rate will halt most of the depreciation of Euros against gold. This is the second phase that Another spoke of long before the Euro was even born. Here we see gold at perhaps several thousand Euros, yet in the many many thousands of dollars. This is why it was so important for them to hold ECB committed gold paper. Euroland could later lock a low oil price using high gold as partial settlement. It will be a spectacular boom for their economy.

Michael, it's world class history in the making, Yes? Thanks FOA

FOA (10/08/99; 07:55:38MDT - Msg ID:15841)

Comment

http://www.fiendbear.com/guestpg1.htm

PH,
Have waited for the day when I could lean back and read these events in the words of others. We are all riding a new "bullish investment trend line" called "understanding"! It's great to see so many at this forum (and others) cutting through the fog and seeing a new world of "gold bullion".
Not just the trader world of paper profits.

Look at this new item: "The Debacle in the Gold Market" and it's link above. Here are a few pieces of it:

-----History has shown us that this type of activity always ends in a disaster of sorts for theplayers and indeed for most market participants. ---------

---We have stated before that in some ways there were two markets, one running on the back of the other. ------

----What was being created here was the mother of all debacles, simply because the paper market was deemed to be real, when, in fact it was as illusory ----------

---------All the players in this paper market are at risk, and in fact were at risk the moment the made their first foray into it. The extent and ramifications of that risk will become clear over the next several months but it carries far greater implications than most commentators are awareof. ----------

-----Currently most aspects of the gold market (one notable exception being ownership to physical metal purchased prior to this latest rise in price) including gold stocks are at best a pool of very muddied waters and will remain so until this artificial paper gold market ceases to exist and we are some time away from that event. ----------

PH, ORO, ALL:

This along with all the other "finds" here tell us we are well into a "changing of the tide".

FOA

FOA (10/08/99; 08:32:54MDT - Msg ID:15846)

Comments

TownCrier (10/07/99; 19:15:20MDT - Msg ID:15804)
After the Close: the GOLDEN VIEW from The Tower
"ECB's Duisenberg rules out EU gold-selling agency."

Town,
You can bet they are well into creating a Euroland based gold market expressley denominated in Euros. The day will come that even MK will check the price of gold in Euros first before a sale is made. Believe it!

ALSO:

Leigh,
Good point about helping others learn. Most Americans have grown up with a Western viewpoint. They have little background of the true reasons for gold. Their knowledge comes from stock broker reasoning that sees the entire gold market as the 70s thru today. It will be a costly
mistake. You are right, MKs book would help many, if only they knew it was "out there". I thing the changing gold market (bullion way up as ALL gold paper falls behind) will make people curious. Even flierdude (10/07/99; 19:31:37MDT - Msg ID:15806) would benifit from a call to
MK.

Thanks FOA

FOA (10/08/99; 08:37:15MDT - Msg ID:15847)

Reply

Al Fulchino (10/07/99; 20:11:46MDT - Msg ID:15811)
FOA? What does this ounce in my hand buy if....? Forgive my intrusion, but just what does this $30,000/oz. of gold purchase?-------

AL,
Intrusion is the reason this forum exists. (smile)
The old concepts of "one ounce buys a suit" was never honest. It just so happened that during that timeline of "relatively" free markets the value worked that way. Today, gold's value in no way comes even close to reflecting all the technological advancements that have impacted our buying power. Yes, in currency terms a suit is priced well, but our buying power was robbed from currency inflation. Here is where the years of money "overproduction" have taken their toll. Because of manufacturing advances the cost of goods
should have been far less than today. In reverse terms, if the true dollar inflation was evident, a suit would cost several thousand. This is how we can see gold in the many thousands even before dollar price inflation impacts it's price. We will live to see gold gain value in "very real terms" against every form of wealth. Gains that will become evident well in advance of the dollar price inflation that is to come. Holding physical gold today is a "real value" asset, far in excess of what the current trading proclaims it to be. You have but to walk this trail a little further to witness "nature in full bloom".

Thanks FOA

FOA (10/08/99; 08:47:06MDT - Msg ID:15848)

Reply

ORO (10/07/99; 22:31:54MDT - Msg ID:15823)
FOA the new Monetary order
Has there been any thinking in this regard?

ORO,
It's not as cut and dry as your post displays it. Yourself and Michael have just recently embarked us into the complicated world of "money management politics". I can take us very deep with this but fear we will all come up dry with "understanding". With so much happening now with the changing perceptions of the

gold markets, I want to stay current in this area. Post your excellent works as you will, I read every thing sent to me. Yet, I hold back for now. Thank you so much for all you offer as your writings are the best wine before and after dinner. FOA

FOA (10/08/99; 08:56:14MDT - Msg ID:15850)
(No Subject)
PH in LA (10/08/99; 04:41:43MDT - Msg ID:15834)
Earthquake

PH,
HA!! Very good, I love it:
"far-out thinking in the fringes of sanity..."

I'll be back a little later. FOA

FOA (10/09/99; 19:21:08MDT - Msg ID:15945)
Where gold is now going, no other investment can follow!
http://www.decisionpoint.com/DailyCharts/00goldDXY.html
Tomorrow, this trail will begin an incline that few of us will make. After we make camp, consider this before the sun rises on our worst expectations:

Leigh and ALL,
I just had a glass of wine to quiet my apprehension of what is to come. It is my belief that the "Gold wars" are about to begin. Please consider this "a very open viewpoint".

I think it's now to late for the dollar to "initially" surge with gold during this crisis. As an old, indebted currency, the dollar will have to share any flight to quality with the Euro. I say this in the same light that Michael stated in his: USAGOLD (10/07/99; 15:18:27MDT - Msg ID:15788) The Monetary Triangle.

----------From reading your most recent thinking as summarized in Msg#15713, I get the distinct impression that you believe that the Europeans have mandated their version of closing the gold window, thus making gold dear for any purpose, the settlement of gold carry trades being the most
severely affected. Some have said that this event of September 26th by the European central banks ranks in the annals of monetary economics with Nixon's closing of the gold window in 1973 and letting yellow metal seek a free market price. Following the Nixon decision, we had ten years of dollar devaluation. On the other hand, the European closing of the gold window could lead to ten years of euro appreciation against the dollar -- the exact opposite of the 1970s U.S. experience.----------

The ECB/BIS declaration was little less than an announcement that the dollar will now have to stand on it's own. The implications of this are awesome for all of us! Look at the link above and look slowly at the charts. I expect a type of currency war to now begin. No, not one of competitive devaluation's or tit for tat interest rate changes, rather a war about "long term viability " and "ability to weather the coming storm". The rules of engagement have changed and now include "real reserve values" in the battle. Truly the race to increase the value of gold has started. Review the words of Mr. Greenspan as given in PH in LA's 15926: (Note: There was rumour in Washington in the spring that the major powers were rethinking gold. I think PH's

quote was made in that time!)

----------Greenspan told Congress then: "We should hold our gold. Gold still represents the ultimate form of payment in the world. Germany in 1944 could buy materials during the war only with gold. Fiat money in extremis is accepted by nobody. Gold is always accepted..."--------

If one stands high upon a hill and views the future battle scene, we wonder how in the world the hapless gold shorts could have wondered into the middle of this. Couldn't the entire gold industry see that this could not end without an asset war? They will be cut to shreds in the early attacks. Not unlike this first shot fired. Mines, the finance houses that support them, dealers that must cover their risk,,,, all of them must feel the rumble of heavy CB armour as it approaches. Make no mistake, the valves that control the flow of lent gold "guarantees" are being closed. In addition, from what I have just understood, I now fully well expect we will not see the 2,000 tonnes of gold sold into this coming crisis. In an earlier post I felt they would at least stay with the spirit of the agreement and
sell some of it. The hard line I hear now is "damn the implications"!

The thousands and thousands of contract derivatives that now are outstanding today, cannot possibly be covered now with delivered gold at any price. This situation is going to "seriously" escalate.

When people say that they will gladly sell gold at $5,000, I counter that they must have never experienced war, "up front and personal". Remember, battles don't become "HOT" because everyone is "gladly" selling their "now in demand weapons" to the highest bidder! Gold will cross
$1,000 because everyone is buying it at $1,000 and asking for more. Trust me, when your neighbours are buying 1/32 ounce wafers with whatever money is in the house, you won't be unloading bars to buy a new house. Nor will any strong spirit trader be selling short a ten lot on comex !
Believe it!

This same dynamic is not lost on the human controllers at the CBs. Yes, they breath and feel the same media vibrations you take in. During the events directly before us, any and all contracts will be swept along on this raging river of economic turmoil. Be they contracts for, gold, currencies, bonds, stocks or commerce, all of them will lose credibility as the worlds massive trade settlements shifts from one medium to the next. Just as in Greenspan's line of thinking, when the armies invade the grab the rare coins, art work and gold. Forget the currency!

As these events progress real assets don't devalue. No, just your ability to profit from their ownership comes into question. Like this: If a forest fire suggests that all forest owners may be at risk, then any gold miner will share the risk of his "rooted gold" being burned also. The currency that is at risk of change today is the dollar. Therefore we can be assured that any company that owns what has become a "currency war weapon" (gold) will own "questionable assets", especially US assets. With England now running into Euroland, the Anglo/Euro mines in South Africa may be less in play? The risk of a plunging American stock market is enough for US mines without the influence of the "gold money" issues that now impacts the dollar. Outside of the "Gold Fields" play for bullion being in the best interest of all bullion owners, I feel all world mines are at risk. However, for ones that must hold a portion in these asset areas, consider what I have said. Choose your

holdings well!

All of this sounds a bit extreme, yet what I see directly ahead is extreme. Look again at the above chart and follow the gold lines. Unless the Dollar/IMF forces place several billion dollars of margin at risk to sell tens of thousands of contracts, gold just may run off that chart in the next week or two. Or less! Truly, the world has changed and I believe most of the gold industry is now caught
up in this financial change. A realignment of epic proportions. As of today, I see the money for rescue is not coming. This market is about to be fed to the lions because this battle involves something much larger and important than the industry. The new gold valuations alone will negate
the need for fresh supply and therefore lower the strategic need to maintain the owners value in these assets.

In addition, the two engines of wealth that were so long the saving force in the American economy are about to react to this major change of world value perceptions. Watch the chart above as the US stock markets parallels a failing currency. The next month or so may indeed make history. We shall see.

PH, you are right, in time perceptions of real events overcome a persons fear to react.

In time,
"""all true journeys eventually converge onto the same curve as they approach their destination"".

Rest well my friends, soon we will run like the wind blows! FOA

FOA (10/09/99; 20:04:37MDT - Msg ID:15946)

Comment

Hello Cassius,
The Comex margins increase will hurt the shorts as bad as the longs. It is different this time. Most of the big trade houses are going to be carrying a ton of defaulted gold paper. In this new environment they can't cover their commitments with real bullion either. Because there isn't enough around at "any" price or lease rate, period! So, they need the Comex speculators now more than ever as these BBs will also be buying long to at least "paper hedge" the bookkeeping side of their position. This is why the option OI and the futures OI are about to go ballistic (at least until they shut down the market). Some people hear me say this and they think a $100 or $200 move won't close anything. I agree, but that is far from what is coming. Like this:

"HK opens up $35. London AM fix +$97. Comex opens lock/limit +$75 on far out months and trades only front month. London PM +168. Comex front month trades "one contract" +$223 then no floor person will move. The exchange closes for the day. HK opens +354, on about 1,000 ounces and closes. Next day, London doesn't open at all, no fix possible. Indications +1,500.""

Now, my friend, do you really think anyone will be settled? This is the type of market that is coming. After a few months to a year or so, somewhere a gold market will reopen. All the while, "street gold" will work at (use your best imagination)?

Can't happen you say? It already has. The markets just don't reflect the corner in place. They will!

thanks for writing FOA

FOA (10/10/99; 9:54:23MDT - Msg ID:15971)

Reply

Neo (10/10/99; 7:34:08MDT - Msg ID:15966)
A question for FOA
On your proposal for Gold to reach $30000, could you please give me a value in Euros, which you feel Gold could reach.

Hello Neo,
I use this big gold figure because that's the best reference to understand just what the dollar is going to do. Another's group understood this some time ago and projected a trend line into this area. Basically the concept stated, in gold terms, just how far the world trading/economic system would withdraw from using dollar reserves. Obviously, it will take some time and a grinding realignment to reach anything in that level. Never the less, it has now started and will initially run into the thousands before anyone knows what happened. All currencies (the Euro included) will fall against gold at first. The turmoil will be too great to suggest otherwise.

The big difference in the Euros favour is that they are a closed economic system. Their economy can work running a trade surplus or a neutral position. Initially, any increase in gold reserve values will balance their new "financial" exports as the the crisis creates a run to hold Euros. They will not be exporting inflation, as the US does, rather external foreign holdings should balance increased gold reserves. Especially as they cover some of their portion of gold commitments by paying out currency or issuing treasury debt. This is the real reason gold will initially rise so quickly, this massive reserve build-up is exactly what will make the Euro work as the world's reserve. Instead of
selling debt based upon the taxing power of the state as the US has done for so long. Instead of trying to hold the dollar price of gold, the ECB will let the Euro price run. There is no need to worry that gold will drive out the currency from use as we have become too advanced to operate without a digital settlement. That function alone creates a new "value" function for paper currencies that never existed in days gone by.

Today, one can hold a Euro account at any Euro bank. It's there now for the taking. True, gold will outrun this currency, but even major bullion holders still must hold a digital currency for trade. And by the very nature of the present market, not everyone can own bullion to the full extent of their holdings. Physically, it can't happen for years (or until gold hit's the high numbers above). Most
big hedgers will own "allocated" gold and Euros, waiting for whatever mix their remaining " Euro paper gold" will be paid in (in a year or so?). We can all expect gold to be broken into very small trading vehicles as it's price rises. I doubt we will ever use it in actual trade outside the Middle East Dinar arena. Yet, even there paper money will still be used for international settlement.

I think few investors truly realize the "knife's edge" this dollar based gold market is on. Most of them cannot see that it cannot be "played" using paper. We must look past the "currency war scene in the valley" to grasp where gold will be valued after this transition works out.

Currently people talk about the US selling gold in some form of options or physical.

Clearly they did not hear Greenspan's words (see PH's post) about the need for our gold to be totally "uncommitted" at this time. The only thing the present banking structure can do is throw more
money at the paper gold markets. In as much, they use cash margin bookkeeping to create more "gold-less" contracts to drive the price down. That's all, nothing more. For the paper player (most mine stock owner included) such a move would crush them. Yet, it can only end with a defaulted
gold delivery and a closed marketplace. Investors say the officials will never do that, but how will they continue to function this market? Presently, virtually all lenders are calling for their gold back or at the very least converting to a self liquidating schedule. As this first round of defaults roll in the managers are frozen to borrow gold so they stay off the bid side of the lending rates. Yes, they are using options, futures and the world OTC arena to cover their "bookkeeping", but it has the effect of building the eventual amount of physical cover needed.

England has done all they can do to help and now even they have signed on to the Euroland arena. Truly, this gold market is being sacrificed in the face of a major transition of world financial dealings. Perhaps the ECB will reconsider and cover some important people? No, I doubt it as gold has just been placed squarely in the middle of this realignment and the LBMA is in trouble, big time.

Besides, even the dollar/IMF faction are clearly behind a big rise in the gold price. They don't have to choose between making the industry whole or not. That decision has already been made, right there in Washington. They know the dollar price of gold is going way up because the oil/gold
connection disappeared with the Euro. You know they took the crude oil rise seriously now, because they are buying time by selling off the strategic reserve. If they do, we will look back on that move and see that the reduction of this "emergency" holding plays right into the hands of the oil
producers. We shall see.

On the Road.....
thanks FOA

FOA (10/10/99; 10:19:23MDT - Msg ID:15974)

Comment

ALL,
One last thing then I'll be away for a while.
I often hear about ABX having hedged with "spot deferred contracts" that allow them to defer the delivery of gold to cover. Perhaps for ten years! During this time they mine and sell gold at whatever high price comes along.

One thing they never offer is how they are going to cover their additional margin (do they need margin??) as these contracts are deferred. Are we to believe that the gold lenders are just going to sit back and allow the company to sell off gold in the thousands, making tons of money as they deplete their reserves? I don't think so! I would think that all the money ABX could make would be needed needed to cover margin in a big gold rise?? In addition, in the event of market disruptions (read that long term market shutdown) real gold would be "forced diverted" by the lenders to cover contracts. And let's not even think of the massive "inflationary" price pressures a dollar decline would bring to the operating cost of their US based assets. Just something to consider while we are "On the
road...."?

Good luck this week,,,,,,,,,,,,,,,,,,,,FOA

FOA (10/10/99; 10:40:41MDT - Msg ID:15977)

Comment

Chris Powell (10/10/99; 10:16:02MDT - Msg ID:15973)

Hello Chris,
What a great read from Mr. Murphy! Ph is right, all trails lead to the same end!
Thanks

FOA (10/10/99; 10:44:17MDT - Msg ID:15983)

I'm sorry, I'm trying to run out the door!

ALL,
If you want to learn something about ABX, just read Bill Murphy's below. What an eye opener!!!

Gone now FOA

FOA (10/11/99; 18:13:17MDT - Msg ID:16080)

Events

http://www.newaus.com.au/econ137gold.html
USAGOLD and ALL:
I just read this link as presented above. Do my eyes deceive me or is "this new gold market" now being understood!! YES! My friends, events are progressing and change is in the air! I find it all so incredible that only a few years ago most people invested in the gold industry as a clean "supply and demand" product that also offered a little "gold money" / "inflation protection built in.
Manipulation was only for those "on the fringe of reality"! Yet, a small group choose to look at it as the true "Political" metal it has always been. Michael Kosares, Bill Buckler (privateer) and a host of others understood the real realm of "gold money" and "gold power".

Strangely, it wasn't until "this new gold market" started killing the paper investments that other people really stood up and asked questions. So I ask, if the political gold manipulation had driven gold paper higher, would anyone have bothered to search for truth for the average investor? Hmmm!
Don't get me wrong, today is a good day for "understanding". Because, as "we watch this new gold market together" this "now exposed manipulation" isn't going away. Truly, what makes this such a good day is the fact that the "ECB/BIS is now going to "manipulate" the dollar market in the goldbugs favour. Nothing more, nothing less. Indeed, anyone that has read Mr. Kosares's books and seen the posts on this forum (especially the Hall of Fame site) has seen this coming for some time. Truly, we know there are several more acts in this play. It's not just about the gold industry being vindicated or a group of major gold bears losing face (and money). It's about a changing way of "Western" life and most of us are going to experience it.

Still, I must openly congratulate Mr. Bill Murphy and thank him for all his great efforts. He alone has placed himself in harms way in order to "get the word out". It's working.

I know that only a few more moves on the world economic chess board will bring

Another out writing again. If what I understand is true, the most interesting part of this game lies "dead ahead".

We are on the road..... FOA

FOA (10/11/99; 18:29:33MDT - Msg ID:16084)

Comment

SteveH,
Tell Leroy to watch oil. We are going to know that the political game has shifted to Europe if the producers cut production again in response to opening the "strategic reserve". If that happens, from whatever level gold is trading at that time, it will explode. After that, this whole story will come out.
We watch. FOA

FOA (10/11/99; 18:31:20MDT - Msg ID:16086)

PH, in a min.

Be back

FOA (10/11/99; 19:24:47MDT - Msg ID:16092)

Reply

PH in LA (10/11/99; 18:25:20MDT - Msg ID:16083)
Platinum Lease Rates
While you are here, can you say anything about the exorbitant lease rates currently being published for platinum? Three-month rates are up over 9% to 68%(?) today. Sounds like time to start leasing out my platinum Visa card. Any takers? Yet through all this, the price has not really reacted.

PH,
Goldspoon's Platinum horse is something else. I drugged it when he wasn't looking and it still ran?

We all have to look at the metals rental rates with a questioning eye. During normal conditions, such high platinum rates (and even gold rates a week back) would indicate severe "risk" in loaning out metals. Today, all of these rates are way out of any "operational contract usage". I speaking of major volume usage here, not the small dealer fabricator level. Let's call it the "money gold" arena!
Anyway, the entire metal funding market is practically frozen in low volume. The rates could just as well say 200% and wouldn't mean anything.

Right at this minute, rates aren't moving the markets because all the "workouts" to cover the exposure are concentrating on the "bookkeeping" side of the equation, paper gold and to a much smaller extent paper platinum. If the firms cash capital isn't enough to cover the "workouts', then someone must go to the physical markets and outright "buy physical" or "borrow physical". Here is where the "big sweat" is happening "right now"! For many months there hasn't been enough excess physical supply for buying to cover any "non rollovers", so they borrowed it against the firms capital base. Now, no one wants to lend "new" and everyone wants to at least convert to a "self liquidating" term. So, if you read my post (yesterday?), if "official" money doesn't come in and cover the loses or sell down the paper price, the workouts are going to fail, big time! In that event the rush will be to buy physical because even at huge rates, big risk is keeping supply small for lending.

Now to answer your question, the Platinum lending market is small and physical owners are watching gold (sorry for that Goldspoon). If gold breaks to the upside, now, it will cascade into an avalanche of wiped out lenders (the actual physical lenders and the naked short kind) and kill all
credibility of the lending market. For the next two weeks or so if gold doesn't fall , forget the rates, we have escalated far beyond any point of significance for them.

Spot buying and selling of physical is still happening. Even though some bottle necks are there. However, once we move a little further over the edge of the cliff, physical may freeze up too! Note: I saw where some mine management's are now "actively" working with the BBs to try and work out a process to get the price of gold down! I wrote that this "mindset was coming soon" in one of my posts not long ago and someone over here thought it was "out of order". In other words such private discussions would never make mainstream! It did!

On the road FOA

FOA (10/11/99; 19:54:41MDT - Msg ID:16095)

Reply

elevator guy (10/11/99; 19:02:16MDT - Msg ID:16091)
am I to understand that Gold Fields is uniquely positioned to weather the onslaught of dollar devaluation, due to some bullion holdings? Or am I delusional, thinking that any paper investment could outperform gold, as the rug is ripped
out from under our world of financial instruments?

Hello Elevator Guy,
Gold Fields LTD. (GOLD) bid for physical at the last BOE auction. They even got some 12% of it. To my knowledge they were the first mining company to openly support the "bullion advocate" community by buying gold instead of just optioning more of it. Yes, they do have a tiny hedge. It is nothing for them. Their actions were openly out of line in the BB sector.

I purchased their stock and presented then as an example of a gold mine for "bullion advocates" to purchase. Symbolically, I burned the stock to indicate I would never sell it at any price. In some cultures, burning a property deed means you will never sell the land. I believe a good number of physical gold owning entities are and will follow this concept in support of Gold Fields. In addition, any other mining company that buys in it's hedge by purchasing gold will see the same activity. Perhaps a bit late now.

EG, sometimes we do things not to make money. Better to support what is right, no? I walk in large foot prints, come what may!

FOA

FOA (10/11/99; 20:06:08MDT - Msg ID:16097)

(No Subject)

USAGOLD (10/11/99; 18:39:21MDT - Msg ID:16088)
FOA! From the World Gold Council: "We have now entered a new era..."

Michael,
Thanks. If only a few more parts of the puzzle come into view this will be all over the media. Anyway, I say Congratulations to the USAGOLD FORUM and all who post and

read there. This is truly a one of a kind.

Have to leave now. Thanks all FOA

FOA (10/12/99; 20:32:26MDT - Msg ID:16195)

My turn to Comment!

canamami (10/12/99; 16:18:35MDT - Msg ID:16174)
Bad Day for POG Anyone care to speculate as to why?

Hello Canamami,
Yes, I'll have a word. But first to all.
I found an old Another post(see below)written for him in Dec. 1997. In it he described what may be about to happen today or perhaps during tomorrow's tomorrow. Surely it is a council given to high profile people of means. Entities that can't turn on a dime what it took a lifetime to build. Yet, even us regular people must walk the same road of reason.

My purpose for showing it was to point out the longevity of gold and how it transports wealth better than paper. Anyone that purchased bullion around the $360 or $370 range at the time that post was written, is only down some $30 to $40 and is currently in an atmosphere that may even erase those loses. Yet during this past time span, gold options, futures and leveraged contracts savaged an investor's account. In addition, most all mine shares were crushed and some disappeared all together. Ironically, some mine shares may now suffer if gold does rise. Insult heaped upon misery?

All the while, a bullion holder was in total control, never waiting for the annual report or the unsettling news. Truly, they were holding an asset that could "run like the wind blows" when the storm clouds gather. With a full understanding of gold money dynamics, they were all the while expecting a greater real return with less risk. You see, for most conservative investors and portfolio hedgers, gold only needs to make one real run in a lifetime. Indeed, in some crisis circumstances, even running in place will win the race and be more than one could ask for! Gold works, because the history of paper money has shown that the timeline of every "extended family" suffers through at
least one such world crisis. During these times wealth holdings of most every other asset is lost or impacted beyond one's years to repair!

Today, I believe we stand right at the edge of one of those moves. A gold move that will more than justify ten, twenty or thirty years of bullion accumulation. Unfortunately, most Western minds will not or cannot imagine gold ever running so far, so fast. So they grasp for leverage in every form of gold paper, even extending that reach into Platinum and Silver. I, and a few others of "Western mind" now fully see this storm and anticipate it's unruly effects on all asset classes.

Canamami
If we look at the last few days, Dec. gold trading during comex hours has bottomed right at $318:
Low
10/12 $318.00
10/11 $318.20

10/08 $318.00

It has done this as oil has crashed from liquidation of paper traders. Yet, gold does not fall as it should. It doesn't fall because the supply of crude is being cut further and the oil futures are about to reverse this drop. This is a public statement that goes far beyond OPEC considerations. It points to a transition of economic structure such as we have never seen. The risks to world wealth that this change will bring will now drive major portfolio adjustments.

I think massive physical gold buying has arrived in the form of "full allocation" demands from all gold depositors and lenders. Those demands will now fracture our modern gold markets. Be they from Hong Kong, The Middle East or Europe, these present bullion holders are buying more gold by recalling their paper derivatives. Truly, a gold run of world class proportions laid upon the steps of a failing price fixing arena. These demands constitute the "exercise of a corner" on gold that has long been in place.

This demand will now not only make an end run around the carry trade, it will gun the price so fast that most all "working gold contracts" without "official guarantees", will fall into negotiations and litigation. This corner will crack the markets because the ECU/BIS has said "make it so". These effects will now be seen in our entire financial structure.

Is this a good viewpoint to hold? We shall see!

So today was a good day for gold, if you are a bullion holder, that is. A good day, indeed!

thank you FOA

Date: Sun Dec 07 1997 18:45
ANOTHER (THOUGHTS!) ID#60253:
Will we have "Deja-vu" again?

Some people have followed the gold market from 1970. Some have followed it all their lives, depending on when you were born. Some say they were right, as the market has fallen and they held "no gold". They council from experience and a short life.
But, some have traded gold from times before. Those who trade with the sun know we will never have "Deja-Vu" again. This market is unlike anything from the past. And those with a "short life" of investing will learn from this coming future as gold will show their knowledge was limited to where they stood on the mountain!
Unlike the past, this market has an end. And this end will not be for those who have waited to buy! They see this bottom at $100 or $200 or $250, and they will buy at the turn as no fool should have held from $360! But, I say they will buy only paper if lucky!
All should make ready and be holding metal only, as the turn will move $100+ the first day and $200 the second day as comex is closed! It will trade no more from the 3rd day on! The gold market of your youth will be no more! For those who were smart from experience not to buy at

$400, will look at $600 as "the deal of a lifetime".

To close,
Try to live in this outcome and see how different the world will be. It will not be the end of all things, only the changing of most things in "western thought". The "Digital Currencies" will still trade, but we will value them as not before. Anyone who has sold gold they do not have will not be allowed to cover that position. Anyone who has brought gold they do not have will not be allowed to cover that position. Many will lose all they have in a world without honor! Looking back , one will ask, "how could I have thought that noone wanted gold, when more of it was being brought than existed"?
Indeed, more gold than exists or will be produced in the next ten years! And some say, "only a fool would say the market was cornered". During that time, a gold stock in the hand will not trade on an open market! And the government of the country, of the land, of the mine, will no doubt speak with you of new taxes on GOLD!
A year has passed as the winds of change have started to blow. Waste no more time on paper gold, you have suffered enough. Play paper games no more, as the future of your family waits a decision.

FOA (10/12/99; 20:58:20MDT - Msg ID:16196)

OIL

NEW YORK (CBS.MW) -- Oil futures on Wednesday are poised to rally for a second straight day after the latest inventory data revealed a drop in crude oil supplies more than three times market expectations, restoring market watchers' faith in OPEC's promises to control supplies.

"This is going to be a shocker!" exclaimed Phil Flynn, vice president and senior market analyst at Alaron.com.

The data on crude oil will "catch everybody off guard" and make investors think the recent selloff was probably overdone," Flynn said. The market appears to have hit its low and could test the highs. On Sept. 29, the November contract hit an intraday high of $25.12 a barrel, only to plunge to a low of $20.55 only nine days later.

After the markets closed on Tuesday, the American Petroleum Institute reported a 7.14 million barrel decline in crude oil inventories. Analysts had expected supplies to fall less than a third of that figure, with estimates averaging around a drop between 1.5 million to 2 million barrels for the week ended Oct. 8. Supplies now total 298.9 million.

"So where's all this cheating by OPEC?" asked Flynn. The enormous drop in crude oil supplies could renew the market's confidence in OPEC's attempts to keep a cap on global oil production levels, after weaker-than-expected compliance last month,

shook investors' faith.

Ahead of the news on the New York Mercantile Exchange, November crude gained $1.03 cents to $23.30 a barrel by the close. As soon as the API data was released, however, November crude exploded, jumping 50 cents in overnight trading.

FOA (10/13/99; 20:05:55MDT - Msg ID:16279)

Comment

Strad Master, welcome and glad to see you here!

ALL,
Today was a good day for gold, again. It looks as if the beginning realignment of the dollar against the Euro is beginning to affect the financial markets.

I have seen several write-ups by our well paid "bold bears" Mr. Smith and Mr. Arnold. They certainly do have a good understanding about how Euroland values gold. An understanding that, in their reference of experience must span all of twenty years+/-?? Truly, their full life comprehension of assets must have never seen total loss due to war, economic failure or political injustice. Why else would they so boldly speak for an entire continent of people and the official monetary stance of their leaders.

These "paper boys" would have the EMCBs sell off gold because holding more interest earning dollars will back the Euro more effectively, right? Conversely, even a fool would see that the US should then print more of it's currency and buy the debt of any higher yielding countries. Why miss
out on all of that return by just "holding the ability to print money and not use it"? Their concept would see a printing press as an asset with no return.

Again, the "paper boys" are following a path that's made "sensible" because in their lives they have most likely not been defaulted on. Gold does not pay a return as a reserve asset because it isn't lent like the currencies. Lend it out and it's at risk, just like the currencies. Hold no unlent gold (or paper money) and you have no reserves outside of risk.

It begs the question; why not lend out all real assets? Lend out every thing that's held in quantity, the chairs, books, lights, bricks, food! Get a return on everything useful? If it's usable, someone will borrow it and pay a return. Truly, young boys always look smart until the world makes fools of them. They pretend to speak for the masters as long as followers listen to and act on their concepts. I think that, this whole group has entered a play written by oil and the BIS. What they are about to experience is "the last act".

Today, the real ECB masters have brushed aside these loud youths as concern for their Euro Gold takes precedent. As the need to hold an "unlent currency of world class" becomes undeniable, the "paper boys" will suddenly mature into "grown wise men". With new jobs perhaps? and much poorer for the ware?, no doubt, but wiser in the future, never the less.

Presently, the US holds (percentage wise) little foreign exchange currency because it's position is one of setting interest rates on the world reserve currency to effect it's value. The years of being the major trade settlement currency allows such a luxury. Negate this position in it's present economic condition and the US will have to face

severe inflation. I believe, investors world-wide will attempt to run from the dollar by buying gold. This fear is manifest in the ongoing success and advancement of the Euro.
If the "paper boys" (above) even half way understood this position, they would see that it's the dollar reserve holdings of the EMCBs that are "dead assets". As the Euro ascends to the world reserve position, it will, like the present US dollar, be able to affect value through interest rates alone. Foreign currency reserves will begin to fade in importance. Indeed, what good are interest bearing dollar reserves when the country of origin is running a trade surplus? How does one use a dollar (and it's interest) if the trade flow never flows into the US? Indeed, how does one effect a "profitable interest return" on dollar reserves if it takes a major devaluation to reverse said trade flows?

If one does not buy goods from America then a further rebuttal asks; if the alternative to buying goods is buying assets, then why invest more money into a foreign country if your own is growing faster?
If Euroland begins to run as a currency transition tears apart the Dollarland, our "paper boys" will find that the only "dead asset" in the EMCBs reserves may just be Dollar!

ORO, I read your ORO (10/13/99; 17:12:48MDT - Msg ID:16267)------ and vote for a combination of (2) the severe devaluation of its currency both at home or abroad, or (3) the default of external debt, Russian style. Also add extreme foreign exchange controls aimed directly at the
Euro. One of the reasons internal "street gold" will run so far! Question, when do your posts stop getting "better" (smile).

Thanks FOA

FOA (10/13/99; 20:27:47MDT - Msg ID:16282)

(No Subject)

Goldspoon,
I was just thinking. (smile) Perhaps you should switch to a fine Arabian horse? Like Golden sun,no? They are proven winners from long before your entry was ever seen. They even run strong during economic storms. Just a thought, my friend.

PH,
Karachi?
Call your bank and say "get me ten tonnes".
Yes sir Mr. PH, it will be on your statement next month.
(30 DAYS LATER)
Hey, my gold isn't on the statement?
Well sir, we have a little problem. Let's talk? Can you come
down here and.....

Time, PH, time. FOA

FOA (10/14/99; 9:20:06MDT - Msg ID:16318)

Comment

Strad Master (10/12/99; 23:48:43MDT - Msg ID:16216)

---- My first question, though, is this: If gold should rise to, say, $30,000 per oz as FOA predicts, how, at that time could one's gold holdings be unwound? For what?

$30,000 in paper money? Or would the actual gold bullion become the only negotiable currency? If so, what good would a one oz.buillion coin be? It can't be cut apart into small pieces
with a pair of garden shears. Beyond that, Goldbugs are notorious for holding onto their physicalholdings long past the time of maximum return. ----

(((NOTE: Strand: I find it interesting that goldbugs have become "notorious" for bad moves when their present universe has only existed some 20 years? and the lady has not sang the song yet?)))

You continue:
---In fact, I'm sure that some older people who post at this forum have held gold through several (albeit relatively minor by comparison) upmoves in gold only to kick themselves for not having sold at or near the top.----

(((Note: I know people that have been buying through this entire span of time! True, they have timed their buying on a cost averaging basis, but that concept has made then almost even today. In the believe it or not department. Ask MK about "cost averaging" using a fixed dollar amount. Then
I suggest you see the show "Rollover" with Jane Fonda. You would not believe how true it is!)))

Hello Strad,
I'm going to ramble on a bit, so I hope this helps your perspective.

Back in the early oil days I was very close to some of the largest oil men in the country. When in Texas we would visit at the country club and shared a lot of our perceptions. Usually over a poker table. Looking back, I find their (and mine) viewpoints had much in common with the gold outlook today.

When oil went from around $3.00 to $5.00 everyone that had local reserves thought they had made a fortune. You wouldn't believe how many sold off not only their storage barrels but their best (lowest cost production) reserves for cash. The feeling was that oil had just zoomed in price
and would quickly go back down. The percentage gain on those leveraged assets was simply huge.

Then oil went up to around $8.00! Good god, we were so stupid to have sold. What a bunch of buying fools out there. Those idiots buying $8 are going to get killed. Everybody knows the major producers can pump for $1.00. Oh well, it just a political thing.

When oil hit $15, some of them knew they had missed out on a train to $20. But they still thought oil would one day return to around $5.00. So as not to miss out completely many of the early sellers jumped on the Natural Gas wagon, using everything they had gained from their first sale. At first this new move made money, big time. Then something funny happened, oil soared and later returned to a more normal $18 to $25 range, but gas plunged from the higher supplies. The "oil boys" turned "gas boys" lost it all. Even into today, gas has never returned.

Truly, they used the silver vs gold concept, thinking the more leveraged natural gas would out run oil and regain their fortunes. It made sense as gas (like silver) was more industrially useful and "CHEAPER". You might even say it was the "poor mans

oil" (smile)! Also: Just like silver, gas
proved to exist in much larger amounts that the "statistics" demonstrated. As it's price "coat tailed" oil, it brought out the massive increase in production that wasn't needed as long as oil was available. Incredibly, this was the exact same story for silver. All the stories about people buying silver as gold went up saw them sell the silver and keep the gold because people just didn't need both of them. The same will happen when gold runs this time. People will keep the high unit cost gold in their vaults, use the digital currencies for trade and sell the silver as it floods out of the woodwork.

Onward:

You see, oil in the early 70s is like seeing the prevalent gold concept today. The perception was that oil could never go up from the $1.00 production range into the $20s (just an unimaginable increase to those in the business) because such a price would flood the world with production. It was thought that there was so much unfound oil in the world that every home owner would have an oil drilling rig in their back yard at $20+. Just as $10,000 gold will have people taking gold from sea water.

Here is where reality gets in the way of concept based on perceived conditions. Yes, the $20 and $30 oil did bring out the rigs and production soared. But, even at the higher prices, the world found uses for this great new gusher of oil. The same human traits that dictate that "you can never
have enough money in the bank" also said "we can never use too much oil"! If all the oil reserves in the world could produce at $2.00 then the price would return to $2 plus a profit. But, we want and use all oil produced from fields that pump from $2 cost on up to $30. Gold and oil are not like any other commodity, because under the right circumstances, people find both of their qualities useful
and can never get enough of them at any price. It seems we accumulate assets until we die?!

The "paper boys" try and paint a picture of gold like "old oil men" looked at values "back then". They were wrong and so are the "paper boys" today. The Smiths and Arnolds of the world try to convince us that the supply of gold is never used up and creates a glut as it grows. They say that
unlike oil that is consumed, gold holdings have become a stockpile that refining cannot use up. I bet these guys would have also sold their oil reserves in the mid 70s also.

Where they miss the boat is in their assumption that people will get enough gold. Not if it's money, they won't! People do consume money just like oil, rather it's just in the form of "savings consumption". Gold, just like money has an "unlimited demand". Again, have you ever seen anyone
that said "I have too much money and have no more use for it". "No, don't give me any more of that cash, I've got a glut of it now, go away"! Yea, right!

Often, we read where people say, "oh what am I to do with all this gold if it hits, $30,000?". Funny how Bill Gates never says "what am I to do with all these MS shares". Well, you too will act like anyone with to much cash or assets, just stash it away until you need to spend it. The old "what will I do with all this high priced gold I can't get change for" logic just doesn't compute when dealing
in reality? Ever see someone in a flea market rolling around a cart full of $100

bills,,,and frantically trying to unload it because it buys so much and they can't get change? Help me out here, am I not seeing something?

I'm afraid that even the very poorest of people have a better grasp of spending and saving value than some of the "big time investors" present about gold. (I'm talking about the brokers, Strand)

Onward:

Anyway: The amounts of gold in vaults today is no where near enough to represent the only circulating world money. It would have to be priced at $++++++ to do that. So, if mine production can continue, the world will take any and ll they can produce. Be it 3,000 ton a year or 10,000 a year because the demand for money (even a parallel supplement money) is unlimited. Personally, I would take all of it (smile) and let the rest of you keep the paper.

The reality of this is that people hold cash in banks as it is lent out and earns interest. If no one lent their cash and just saved it (like gold) to spend in later years, it would take an enormous amount of paper money. This is why the US goes to great lengths to identify gold to the public as a commodity, not money. They want you to know that it must be sold as soon as it goes up. Trade it, don't save it. Most Western investors have brought into this and are going to pay dearly because of it. Again money demand is "unlimited". The same will be true for gold. As people begin to buy gold as a currency supplement, to be spent "as needed", the price could reach enormous levels.....and
be seen just like oil.....a useful asset you just can't get enough of.

On the road.....FOA

FOA (10/14/99; 13:24:13MDT - Msg ID:16347)
(No Subject)
PH in LA (10/14/99; 12:24:58MDT - Msg ID:16337)
FOA & Another's Meaning

Thank you for the explanation! Exactly right!

Peter Asher (10/14/99; 12:37:58MDT - Msg ID:16341)
Michael, Jeff, All
Re >>>DD (10/14/99; 12:25:30MDT - Msg ID:16338)<<<<

Peter, I agree. It's a prime example of an individuals personal experience. DD allows us to see the economy through real eyes! 2nd it!

Buena Fe (10/14/99; 12:49:33MDT - Msg ID:16344)
all Au correction

Buena FE, they nailed silver today. I just read where even Ted Butler (good kitco poster) is disgusted and promoting physical as the way to go.
They managed to get some margin money to throw at the paper gold markets. In a

way this may be educational as we can now watch and see if some real bullion flows from this. I did all of my buying much earlier (in the spring), yet I'm about to bid this dip for physical. If I'm right, the people
that need physical the most will now be "right in there" also. I said this would not be a trading market (talking physical) because the spreads and premiums would not allow one to gain much advantage on any dips. We shall see!
Talk about spreads?? Is spot platinum wide open or what? Goldspoon, it's just you and me, silver dropped out (smile). I hope everyone knows we are just playing a game here. Anyway, lets watch the HK market later. FOA

FOA (10/14/99; 13:34:56MDT - Msg ID:16349)

ASL

I see where Ashanti Goldfields (ASL) is down and discounted from their takeover bid?? Michael, something is very wrong with this picture. I heard one of those rumours (???) that some banks could be actually buying out the gold loan package so as not to force margin. If yes, some major
backup money is being applied for free here. This could get explosive is someone decides to "cut and run"!

FOA

FOA (10/14/99; 14:09:03MDT - Msg ID:16353)

More on story rumours?

The CB of China is rumoured to be in the background to take delivery of ASL gold, without holding the BBs to further margin? Put this in the FWIW department. I won't say anything more unless this is confirmed. Perhaps their talks for WTO is involved? Oh well, we shall see.

FOA (10/14/99; 15:13:31MDT - Msg ID:16357)

Comment

canamami,
Thanks for taking the time to offer your thoughts. This is indeed a giant chess game that will keep everyone guessing on the sidelines. Interesting about the CNBC question.
As I said earlier, I'm going to bid on some bullion during this break (if it turns out to be a real physical one) and may add some platinum to the mix. I offered before that My mix had some silver (small amount) and now I must buy some of "the other white metal" just to keep up with
Goldspoon. If it falls some, I'll have it.
Now if only the spreads on (all) the metals will fall some, we just may find something. I have my doubts that this is a real pullback because every large player is looking to not only buy metal for cover, but to also buy time. In addition, some real long "hard hands" are into adding any physical they can get as this proceeds. We shall see. FOA

FOA (10/14/99; 18:44:58MDT - Msg ID:16369)

Comment

Hello Yellin of Troy,
Nice write up in 16355. I have a question? In the minds of average citizens, what would you think the difference is between a $10,000 dollar bill and one ounce of gold at $10,000?
I know that these old "big bills" are out of use, but when they were around their

buying power must have been at least equal to $30,000. Of course I'm assuming that one of these currency units managed to slip into circulation, but it was still legal tender never the less. So, do I spend it, no way it's to large, yet it's still worth $10,000. Let's say I put it under the bed with the gold piece. As a simple person, how do I come to the conclusion that gold must be sold before it loses value and not the large dollar bill? Especially if people are trading with both of them. Is one money and the other not because I can pay taxes and debts legally only with the paper unit?

I have often found that the saving of wealth is an end unto itself. The more people hold what is perceived dear, the more dear it becomes. Irrational human nature that defines the physical laws, no?

ALL:
Somehow, I believe the CB of China is playing a part in today's gold moves. They may have replaced a lenders demands for gold by not calling for delivery of some other contracts. Thereby balancing (or should I say unlocking) the market. It's not as it seems because their move may be
what was needed to force trading to continue?? Honestly, this is totally conjecture on my part coming from some items heard. I do know that demand for physical is strong now as I am "in line". We may run tomorrow if this action has free up the gears?

On the road.....FOA

FOA (10/14/99; 20:52:14MDT - Msg ID:16382)
Paris, Friday, October 15, 1999
http://www.iht.com/IHT/TODAY/FRI/FPAGE/brit.2.html
Blair Gathers Force for Battle of Euro

Cross-Party Coalition Seeks to Counter Conservatives' Anti-EU Thrust

By Tom Buerkle International Herald Tribune

LONDON - Assembling perhaps the broadest political coalition since Britain joined the European Union a generation ago, Prime Minister Tony Blair on Thursday began an all-party campaign to extol the benefits of EU membership and promote the Labour government's finely nuanced position on the euro.

The appearance of Mr. Blair and his foreign and Treasury secretaries on the same stage as two prominent pro-European Conservative politicians,Michael Heseltine and Kenneth Clarke, and the Liberal Democratic leader, Charles Kennedy, was an extraordinary event that underscored Europe as probably the defining political issue in Britain today.

With William Hague, the Conservative leader, under increasing fire within his own party for having hardened his skeptical stance toward Europe last week, Mr. Blair sought to exploit the opposition's divisions.

He labeled Mr. Hague an extremist flirting with withdrawal from the European Union and contended that EU membership was a ''patriotic cause'' vital for British jobs, investment and influence in the world.

''To be part of Europe is in the British national interest,'' Mr. Blair said at the inauguration of a cross-party lobbying group called Britain in Europe. ''The people here represent a patriotic alliance that puts country before party.''

Mr. Heseltine, a former deputy leader of the Conservative Party, sought to contrast Mr. Hague's Euro-skeptic attitude with the pro-European policies of former Tory leaders like Edward Heath, who led Britain into what was then the European Economic Community in 1973, and Margaret Thatcher, who signed the 1986 act that created Europe's single market.

"Each weighed our national self-interest and took us further, deeper and more irrevocably towards that vision'' of European integration first sketched out by Winston Churchill after World War II, he said.

He also gibed at Mrs. Thatcher, who whipped up Conservative skepticism last week by saying that all Britain's problems had come from mainland Europe. ''You can't wield a handbag from an empty chair,'' Mr. Heseltine said.

But for all the rhetoric, it was a measure of Mr. Blair's own hesitations and conservative instincts that he carefully avoided any suggestion of campaigning to join the euro, which was the original purpose for forming the Britain in Europe group. He simply reiterated that he favored the euro in principle but would make British entry conditional on several economic tests laid down by the government two years ago.

That was ''a sensible position,'' he said, while Mr. Hague's promise to rule out joining the euro in the next Parliament, and perhaps even longer, verged on ''madness.''

Mr. Hague accused Mr. Blair of hiding his real intention to abolish the pound. In an article in The Times, he promised to step up the Conservative campaign to keep the pound and to renegotiate EU treaties to allow countries to opt out of future policies. ''The battle for the soul of our country
has begun,'' he wrote.

In the short run, Mr. Blair should have little difficulty in maintaining a pro-Europe stance without becoming pro-euro. Mr. Hague's stridency and the growing opposition to it from Conservatives like former Prime Minister John Major and Britain's EU commissioner, Chris Patten, threaten to split the party or narrow its appeal to a nationalist core.

Mr. Heseltine said he saw ''some similarities'' between the Conservative turmoil over Europe today and the divisions over nuclear disarmament and nationalization that split the Labour Party in the early 1980s.

''The Conservatives are a party in the throes of a nervous breakdown,'' The Guardian said in an editorial.

''Not since the gang of four broke from Labour has a party witnessed such passionate dissent voiced, in concert, at such a level,'' it said, referring to the establishment of the Social Democratic Party by disenchanted Labour politicians in 1981.

In the longer run, however, many politicians and business leaders believe Mr. Blair

will have to give a clearer commitment to the euro or risk seeing the prospects for entry recede. Some pro-euro Labour members believe it will be difficult to call and win a referendum on the euro early in the next Parliament if Mr. Blair continues to sit on the fence in the next general election, which must be called by May 2002.

Major companies also will need a clearer signal from the government in ''months, not years,'' before they will invest to prepare for the euro, said Graham Bishop, an economist at the brokerage firm Salomon Smith Barney.

FOA (10/15/99; 6:45:48MDT - Msg ID:16419)

comment

Trader_vic (10/14/99; 21:01:28MDT - Msg ID:16383)
My all time high for gold will exceed $10,000/oz on the final blowoff....

Hello Trader_vic,
Welcome! You sound like my kind of goldbug. As you know I don't trade and buy and hold only bullion. But, I do have close access to some very interesting simi-traders that, for lack of a better term, "trade the dealers". They see the Yen carry trade and the gold carry trade funds trying to cover today and the first of next week. This should stampede the other shorts into biding for whatever physical is out there. There is some talk that a "logjam" of sorts was broken yesterday. I think we will break "massively" to new highs, then pause for a while. This is the current assessment
because so far, the BBs have been able to contain a full blown run!
I'm offering these "ongoing" because I have the time right now. As we all know, free time doesn't last very long. These are my thoughts, your thinking?

FOA

FOA (10/15/99; 7:03:57MDT - Msg ID:16425)

(No Subject)

This is going to be something!! I hope this forum can stay open?

FOA (10/15/99; 7:22:14MDT - Msg ID:16431)

(No Subject)

ALL:
This big break in the US markets is going to force all parts of the carry trade to cover. If they don't, they will be "the walking dead" as their books will all go negative. Look for all the currencies to run against the dollar, big time, especially the most heavily used "carry", the yen. The run to safety will see the Euro first (as the dollar will be sold for position squaring), followed by gold. Physical gold being the most lopsided carry instrument, will be in major demand. Mostly physical because this crisis will immobilize most "bookkeeping" hedges. THis run should continue for some
weeks! We watch all these new forces together, yes!

FOA (10/15/99; 7:49:09MDT - Msg ID:16434)

Euro surges to near 7-month high

http://biz.yahoo.com/rf/991015/iw.html
Gold bullion may come into short supply if the dollar fall forces players out of the dollar gold paper markets and inti the physical.

FOA (10/15/99; 7:56:53MDT - Msg ID:16435)

Gold Fields Limited Repurchases Its Hedges

http://biz.yahoo.com/prnews/991015/gold_field_1.html

Some companies just know how to attract Euro money! I also saw where South Arica signed a "free trade" pact with the EU. Euroland needs a good source of mineral wealth for growth!

--------Chris Thompson, Chairman and Chief Executive Officer of Gold Fields, said: ``Having looked at the fundamentals of the current gold market and the implications of the Ashanti situation, it seems inevitable to us that higher, if not much higher, gold prices are possible. Accordingly it seemed
prudent to retrieve our hedge positions.''--------

FOA (10/15/99; 8:05:53MDT - Msg ID:16436)

(No Subject)

January platinum down $6+/- ! I brought some last night (along with gold) to save face with the forum neighbours. Goldspoon, I have a horse to sell you, cheap! (smile)

I will step away for a while.

FOA (10/15/99; 12:41:10MDT - Msg ID:16462)

HONG KONG'S GOLD/SILVER EXCH CONSIDERS TRADING LOCO-LONDON GOLD

http://www.crbindex.com/news/story2203.html

ALL: I China making a play to become the world physical gold trading capital? If yes, it's in their best interest to keep our present markets fluid. There is more to this news than meets the eye.

HONG KONG'S GOLD/SILVER EXCH CONSIDERS TRADING LOCO-LONDON GOLD
Hong Kong--Oct 15--The Chinese Gold and Silver Exchange Society, the physical gold market in Hong Kong, is considering adding the trading of US dollar-denominated Loco-London gold to its existing Hong Kong dollar denominated tael-gold trading, the exchange's president Raymond Chan told Bridge News today. He said the exchange's members held a meeting Wednesday to discuss the possibility and they will come to a decision on the matter by the end of 1999. (Story .12569)

HONG KONG FIRM TO LAUNCH 24-HR INTERNET GOLD TRADING IN JAN-MAR
Hong Kong--Oct 15--Hong Kong-listed precious metals producing and trading firm Tem Fat Hing Fung (Holdings) Ltd. plans to launch in the Jan-Mar 2000 quarter an Internet website that investors can use to trade gold around the
clock, the company's chairman Raymond Chan told Bridge News today. Besides US dollar-denominated Loco-London gold, the planned website would allow global investors to trade Hong Kong dollar-denominated tael-gold and Chinese yuan-denominated gram-gold, Chan said. (Story .10418)

FOA (10/15/99; 14:50:00MDT - Msg ID:16479)

Reply

See 16465 for his full text.

Yellin' of troy (10/15/99; 13:03:53MDT - Msg ID:16465)

FOA -- the demand for gold is not insatiable

-----What you are missing is the distinction between wealth and money. ---------

Oh Yellin of Troy,
Your modern thesis comes from a viewpoint that wealth and money are different. I had the same debate with Martin Armstrong. His whole basis for de-wealthing gold was built upon the modern man concepts and how he stood higher than his brethren of old. From the beginning man traded wealth, not money! We brought things with things and found little need for a different concept of wealth. Gold became the wealth item that was most efficient to use. It was only the modern (modern for that time) bankers that said it was money. Your modern paper started as a contract for wealth in storage, then proceded to become a digital receipt for the completion of commerce. Today, it no longer holds the title of contract and is failing in it's ability to effect digital trade.

--- And while there is certainly considerable benefit and joy in knowing that you *could* do something, isn't the value of having gold to spend much reduced if you not only never actually spend any of it but are bound and determined that you never will? ----------

Cross the globe many times my friend. During your travels observe how spend able gold has become in every nation on earth. It is an old wealth/money that still buys anything. Black market, white market or no market, one can exchange gold for currency privately or officially at any time and any place. There are some on this forum that like I have run the world and know this currency well. Your pronouncement that power can prevent a peoples from maintaining wealth and spending it in gold simply does not stand-up to history, past, present and no doubt future. Even when the US stopped gold usage, most of the world continued to use it. Some of my forefathers were also "against the law" in those times. Find me a better reason than supposition?

---Have you sold everything you own, turned it into gold, abandoned your family, and taken to living in the gutter with your bag of gold hidden in your underpants? If not, there are things you prefer to their price in gold. And I don't imagine your present holdings of non gold assets are
unimprovable; wouldn't you buy more if you were richer? Whatever your level of wealth, you only want some of it in gold. And even if you are an incredible miser who only wants to caress his gold, there's a limit to how much you can afford. You're not infinitely rich, and you can't get richer by forgoing your dinner and deodorant for gold, and your fairy godmother will not bring you free gold every day.---

Indeed, I must ask the same question, for it is not I or my friends that walk your alley trail. Our gold is for the preservation of wealth in a world that is lacking "contract honour". Truly, it is the future that we defend against, not the past. Every investor gains and maintains his winnings during the here and now, not the past. Default is before us, therefore protect the family by owning real wealth now. All of the great families of old brought freedom from failure using gold a part of their wealth. We doubt they considered it as their day to day money nor do I. Our times have changed that concept. You, and humanity will continue to use the digital currencies as money for needs. Just as in the
past, the difference between retaining what you have and giving up a good portion to the fraud of currency is gold!

---------- The key point, and the fact responsible for the wealth of the modern world, is that you can expend your money on *investments*. You can use some of your gold to build awidget factory, or buy one, or if you don't understand widgets you can be a passive shareholder or
a lender in an outfit run by somebody who does, or you can lend to a banker who knows how to find and oversee such people and will spread the risk.----

-----However you do it, you can expect to get back, eventually, more money more gold, if that's money or if you insist -- than you started with. The whole thrust of your argument was that there is no limit to how much money you dream of, you want as much as possible. But then, if you
have a huge stash of gold, more than you have any intention of spending, more than you could ever suddenly need to spend, why not apply some of it to getting more? If you would never refuse a free gift of gold, why refuse an offer of interest on gold sitting idle in your vault, for which you have no other present use (and derive no other benefit) anyway? The sensible thing to do is to keep on hand only as much money as you might actually need or want to spend (before the investments pay off)

-- this is your demand for money, and it is finite and indeed rather limited -- and direct the rest to where it will be most useful, most productive, most profitable. And the people you let have it aren't going to put it all in their vaults and just revel in its glitter -- how would they be able to pay you your interest? They need your money for expenses: They can't sell any widgets until well after they have paid a lot of suppliers, secretaries, and salesmen a lot of money. They do need to keep some cash on hand, but only some; their monetary needs are limited just like yours, except that they are trying to reduce outgoing interest payments instead of increase incoming. The secretaries don't put all their wages in the piggy bank, either; they spend most of it. No one's pile of yellow is a black hole; each
economic actor has only some limited target for cash on hand, and the sum of all these is some definite aggregate demand for money, not a bottomless pit.----------
--

Oh Troy,
Again I say, the demand for money is unlimited! I never said that it would not "circulate"! Into the great economies of the future will flow our gold. Yet, we will lend it or spend at our choosing to buy things. Be they investments or pleasures our wealth in gold will circulate most freely. For every person that works 10 hours instead of 8, his two plus efforts will make demand for gold. So, how much is too much? The world has never seen this end and I hope it never does.

------Of course, if gold is grossly underpriced, it can be a very fine investment itself. If you believe others will soon come to understand its merits and correct its price upwards, then you can increase your buying power, your wealth, for the future by merely buying and (for a while) holding gold. In some circumstances this could be both safer and more profitable than that uncertain widget business. But this is a disequilibrium, a temporary condition, and the whole (expected) gain is in the correction. You can't perennially suppose that gold is on the verge of an upward surge that
somehow never happens; such expectations would be irrational and you wouldn't make any profits. --------

No, no! Gold is not grossly under priced, far from it. I say that gold is grossly under

used! People have been defrauded into using paper as money instead of using gold as wealth in trade. How can the price be correct when no paper money can define wealth? No person knows the true wealth of gold. It's value will increase with usage in trade not trading it for gain. The true advantages we attain from gold are found in it's transformation in use. History has shown the most stable money was always gold itself, not the modern currencies. Paper will come and go as nations persist, but gold holds the value through it's own usage, not the digital numbers we give it today.

---- And of course gold is not totally secure: The price does fluctuate, the lock on the treasure chest can be shot off, and let's not forget that one of the great inflation's in history happened in gold and silver, after the Conquistadors. In fact, at the prices you are foreseeing, gold would be not only a low return, risky investment, but a risky, unstable money, susceptible to a near total crash -- see my post yesterday. So the wealth will go (mostly) into more productive uses than gold. This is a case where as soon as you are proven right you have to change your strategy. ------

As Another said, we only limit our view by choice as our feet place us on the mountain. Consider your alternatives during the time and space these events unfolded. In context, gold would have been the choice of most every actor in the play of history. We do not look for a return that is created by accepting risk, rather gold becomes wealth of "least risk" in a world gone mad. In every war weapons must be used. I look through the pages of time and order the timeless one, gold.

-------I won't deny that there are cultural influences at work here. If you live (or your ancestors, whose ways you follow, lived) in a country where invasions, political upheavals and injustices, pogroms, and similar unpleasantnesses must be expected, factories are too easily burned or confiscated, and you will prefer concentrated, universally saleable gold, which you can run with.---

Truly, a testimony of the time of the US civil war! Perhaps a time of confusion to be revisited, yet without war?

---If your society conceives of wealth as primarily something to display to show everyone (including yourself) how rich you are, gold will serve admirably. If, furthermore, commercial activity in general is felt to be less than honorable and "money-grubbing" is disdained in favor of status-grubbing, if interest in particular is considered sinful (even if evasions are routine), then the
daydream of heaping up illimitable gold will be a lot more popular than in a more Modern (and especially American) society.------

Your description of the USA today, no doubt. I have seen your country use it'd dollar currency in this very same fashion. All the while grinding the average citizen into a more lower position. Mostly they wear their gold in the form of a house too large and a car too expensive. All the while
forsaking the debts they build and can never repay.

-----But even Victor XXI had to spend his gold on paying his soldiers, without whom he wouldn't have kept it long, and had to borrow more. And a society like that, or a person like that, will be, in the long run, comparatively poor and unable to afford much gold.----------

My friend, life goes on with or without us. We will live out time in a manner that fate

prescribes. Truly I have seen my destiny down this trail we walk. And travel it we shall, as a group or alone.

On the road to $30,000,,,,,,,,,,,,,,,,thank you so much for your most excellent works FOA

FOA (10/16/99; 16:23:27MDT - Msg ID:16574)

Comment

http://www.decisionpoint.com/DailyCharts/00goldDXY.html

Once again I ask everyone to take a good look at the above chart. I offered it some days ago as a witness to what is about to take place. To date the dollar has fallen and US stocks have begun a revaluation that is far from over. Both of these trends will continue as the whole financial system
changes it's tools of valuing assets.

The gold chart shows no signs of falling as would have been the case in recent years. Yet everyone sees this recent slowdown in advancement as a sign that the BBs are again working the will of the CBs. They are not! Indeed, is the fall in lending rates a sign that fresh gold is being
supplied to cover the shorts? I tell you the lending arena of the gold market is frozen in loses.

Today the lease rates offer little direction because none of the major gold sellers have covered or intend to if they can help it. Yes many of the paper shorts have covered, but the thousands of tonnes of gold contracts have yet to be made whole for the "originator".

Is this how the game is played? Consider this as you watch the gold charts.

Two types of contracts exist in these numbers that will create the crisis. These are mixed in with "clean" deals. Yet they (90% of the short gold) create the real demand that will drive prices much higher unless the paper markets are sold into oblivion.

First, some are held by actual gold lenders (mostly private entities) that are now demanding a speedy end to these relationships. Mostly this gold was put "in play" not for the low returns but for the "fees and favours" bullion would generate. So, in order for these lenders to be made whole the gold must be purchased by the dealer in the open market or it must be borrowed from someone else to complete the transactions. The "BB dealers" have the option of arranging this return as able. Presently they are doing neither as they wait and assess the situation. This process is a game we now play as they wait for gold to fall and new supplies become available. All the while the lender
sweats his position.

Understandably, they fear for the return of their gold at all. If defaulted on, they will most likely receive a cash payment that theoretically could be used to replace their gold. Still, if this process begins, a mad rush to buy gold using "default payments" would telegraph a full crisis into the trading arena. Gold would soar long before any large portion of bullion could be brought.

Second, many contracts are outright "naked short" in that it's the contract creators responsibility to supply gold when the term ends. In this position, usually gold was never lent or sold into the marketplace. The deal was little more than a play on gold

falling with the writer risking the firms capital to profit making the difference in the gold price. Often a long time physical holder brought his fully owned bullion into this play and received most of his cash back plus a contract to receive gold (unallocated??). His gold could be sold outright or held by the bank as partial reserves to cover the writing of many other "naked short" contracts. This was the real engine that sucked private gold into the "supply for fabrication" deficit. In the process paper gold was sold to drive the prices down. All of the new investment demand for gold was supplied using a glut of paper instead of physical gold. Unbelievable as it may seem this is where Another said years ago that gold was falling because so many people were buying it! What seemed nuts then is understandable today.

In any event, the holders of these contracts are the ones that will be demanding "allocation" as they withdraw their investment funds from the falling stock and financial markets. Just as above, the physical markets are so tight that in order to close these deals, gold must be borrowed. That is if lenders can be found!

Onward:

We have entered the largest gold bull market in history. The Major world central banks have made it extremely clear that this bull will run as never before. Michael Kosares pointed people to the WGC site for an explanation of the recent "agreement", yet no one must not have read it for
they still talk about CB and BB lending. People, it's not happening! This small lag in the price spike is only about shorts in major trouble trying to assess how they can bail out. Here is a partial breakdown of the parts we should grasp. See the site for a full write up.

http://www.gold.org/Gra/Pr/Wr991006.htm

World Gold Council Review of:
The Washington Central Banks Agreement on Gold 26 September 1999

--First, it is an explicit signed agreement among the European central banks, which goes well beyond earlier 'clarifications' about their gold holdings by central bank governors. -----
----it has been signed by each central bank governor, all of whom (except the Bank of England) have legal responsibility for their gold reserves.----------

During the recent fall in the gold market nothing was said to clarify to the public. All of the "official deals" were done for political reasons. Read our USAGOLD HOF site for background. Once the Euro was born, the reasons to drop the price of gold were removed. However, during this entire, multiyear operation, an enormous "sideline play" of selling gold developed. These people never would openly give their reasons for "coat tailing" the fall in gold. None of them understood why gold was falling and still don't. We can understand why they continue to think gold will fall as
they have bet the bank on that outcome. The very ones in this sector are the same entities that will suffer the most as the IMF/dollar world is destroyed. For them it's going to be a double hardship.
Today, the ECB/BIS has "openly stated for all to see" that gold will fall no more! It is indeed interesting that we spent but a few months below $280 and will now zoom through $500 in no time at all. Note these next items:

--It is our understanding that the Agreement will be monitored by the Bank for International Settlements (BIS).-----
---The International Monetary Fund and Bank for International Settlements are to abide by the 'spirit' of the agreement-----

Perfect!!!

---The US has already announced its intention not to sell or lend gold and Japan followed suit the day after the Agreement was announced.---------

The US had changed it's position on gold in the early spring of this year. Those that still think the US Fed is selling any form of gold short just do not understand how this market has changed. Waiting for the price to fall as "official sales" or "lending" confirm the recent price action will find you on the the outside of a bull market.

---In addition Australia has said it will not sell any more gold, and South Africa is unlikely to sell part of its reserves given the government's vehement opposition to the UK sales.-------
----bringing the total amount of official gold covered to 85%.--------

We have but to wait and watch as the pressure rises under the price of gold!

------We understand that the quotas are not transferable, i.e. if the Swiss decide not to sell 1300 tonnes in the next five years but instead only 1000 tonnes, then no other institution can sell the remaining 300 tonnes.--------

So, how does one prepare for the coming historic bull market in gold. Follow in the footsteps of the only correct Giant in South Africa. Read the Gold Fields report presented here in partial review":
http://news.24.com/English/Business/Companies/ENG_161017_727173_SEO.asp

---Gold Fields said on Friday it had completed the repurchase of its gold hedge (forward sales)
position.---------

---it seems inevitable to us that higher, if not much higher, gold prices are possible.-
---

---Gold Fields continues to hold approximately 660 000 ounces of rand-gold call options at an average strike price of R2 171 per ounce.---------

---Thompson commented: "At higher gold prices the restrictive impact on our balance sheet and the drag on earnings from a continued hedge position would limit our ability to make acquisitions and develop new deposits". ----------

I would say that these people must be the only truly progressive miners in the world. Not only did they buy physical gold at the BOE auction, they are "LONG" gold on contract! Other miners may have "bid low" to show suport, but only Gold Fields got real gold and now is long. They not
only understood where gold is going, they positioned their company as a private person should in protecting their estate. We can now most easily see the other hedged miners are trapped in the Bullion Bank web as they can do nothing. These companies will no doubt go down with the ship. If

they can not unwind their position today during a standing price, they will die during the coming run!.

With 85% of the official world gold holdings effectively blocked from lending and most all the private lenders wanting out of this game, how could any major forward seller close out? Price has nothing to do with it as the bullion will not be there for 5 years, if even then! These miners will now sit and watch as that gold chart (above) runs out of numbers on the upside. While everyone makes noise about how the market is still controlled to the downside, Bullion owners and Gold Fields will run with the wind of this historic "OFFICIAL" bull market. If only other miners would put on a Texas Hedge, at least there bookkeeping entries could benefit even if the bullion market cannot supply!

Good Job Gold Fields,,,,,,,,,, FOA

FOA (10/18/99; 05:42:35MDT - Msg ID:16762)

Note

Number Six (10/18/99; 03:08:25MDT - Msg ID:16757)
Would anyone care to comment on this POG exhange I had tonight... This is No. 6 aka Andy in Denver.

Hello Number Six,
I want to thank and reply to all the fantastic thoughts given here the last day or two. But have no time right now. So, I'll work it in as I can. It's going to be interesting this next few days.
Six, Yes, a good portion of the short may have been covered or maybe not! Yet, the tonnage has not moved! It's going to and when it does this last move will look like a "wiggle". For now we must wait and watch the paper game. Thanks all FOA

FOA (10/18/99; 19:58:38MDT - Msg ID:16835)

Haruko Fukuda is telling thr real story now!!!!! OH YES!

ALL: I can make but one post now, so I will reply to Michael's observations. Will try to broden some thoughts as I comment.

----------USAGOLD (10/17/99; 9:54:50MDT - Msg ID:16650)
I can say with pleasure that the markets have become infinitely more interesting, and with no pleasure that they have perhaps become infinitely more dangerous. "Indeed, is the fall in lending rates a sign that fresh gold is being supplied to cover the shorts? I tell you the lending arena of the gold market is frozen in loses." --FOA 10/16/99

I agree with this, FOA. I think the lending rate is falling not because of a new supply of gold but because there are no takers. This gold carry trade is indeed locked up. I think many are losing their career positions over this debacle and many more are on the verge of losing their positions. The
proponents of gold sales, leasing et al are in the process of being severely discredited both in public and in the professional investment community due to its burdensome excesses -- excesses which could have severe repercussions with financial firms up and down Wall Street. (I saw one report where it was rumoured that Goldman Sachs losses at the moment could be as high as $2 billion.) It appears to me that the gold carry trade battle is now over and all that remains is burying the corpses and removing the debris from the battlefield. There will be further attempts to drag these firms out of the fire, but when the day is done, I think the gold carry

trade will be taken out of the
financial firm training manual and rendered a much deserved place in financial history books.--------
---

Hello MK,
Yes, I think we are in the middle of an extended workout. None of the BBs are in a rush to cover these (carry trade and other) bad loans because in doing so they must borrow gold to do it. There is no way they could bid the physical market. If they did it would completely dry up what
gold is supplying the retail markets. If they must return gold they must borrow to do it and create same problem in the lending arena. Their image is seen on the borrow side and the rates spike. We saw this recently. So they fall back into the financial workout mode and the rates relax.
The ECB/BIS really nailed this entire play to the wall. An entire industry was built on expanding the liquidity for international traders as our Washington officials looked on with approval. The top people knew why gold was originally (starting years ago) being taken down, yet they smiled as
these funds (and others) "coat tailed" the fall. And why not smile, these trades were using huge leverage to build (and support) the American market mania. The ECB said "enough is enough" earlier this year, but no one listened. I guess they thought these people (ECB) were nobodies? Then the BIS said they were going to cut it off short and the US asked for some time to work it out. Ha! They worked it out all right! Our treasury head watched them flood the gold paper onto
the markets like madmen.
What amazes me is that most of these "big inside" operators create the market and really didn't know why the original gold (and loan guarantees) was being supplied by the Euro arena. I always thought they did and their stories to clients about "CBs no longer using gold" was just a "good retail story". When the ECB and the BIS told Greenspan "it done", it hit these BBs like a nuclear blast! I don't think anyone yet understands that these people are now the sole backup for an entire asset class that cannot be made whole. On the surface, they may have to make good on 5 or 10 billion. But underneath, the ECB could crush them by running gold into the thousands. That's why I say "it's all over people", because this bull is going to run the equity of the dollar creating banks into the ground. And the US FED has no power to stop it. There is no way the US will use one ounce of it's gold to support a "banking crisis" if a "currency war" becomes the result! Some think that if we have one it's as bad as the other. They should study "currency war" history, preDollar! The BBs can go for the ride slowly (and be controlled) or they can kill themselves by attempting to cover. What a master play this has been.

--So FOA....This new gold market; it is a free market, yes?

--In the Robert Mundell speech for which Steve H provided a link, the laureate said as early as 1997 there would be a new gold market and that central banks would look to settling with gold at free market prices. He suggested that this would occur in the 21st century. Was it last year, the gave Prize was awarded to Black and Scholes -- and then LTCM -- where Scholes was employed --promptly went under water? Now Mundell wins the Nobel Prize while the gold carry trade
implodes. The former honed tools for statist economics; the latter honed tools for free currency and gold markets and a much-needed competitor for the dollar. One

became the tools of the status quo; the other the tools for a new economy.----------
---

Boy,,,, Michael, I have to tell you, Mundell knew the story and no one listened! Now the whole Dollar/IMF system is in change and most of the nonEURO US trade partners have bet their entire economic society on a prosperous, buying American public. The next few years will be history to
remember. By the way, any thoughts on a "Britian in the EU"? (smile)

-----In talking with colleagues in the gold industry, the feeling is that it will be a long time before the Wall Street trading firms and mining companies sanction again something like the gold carry trade -- at least to the degree that it was utilized in the late 1990s. Perhaps this was a usable idea that had got out of control? There is little doubt that the European action with respect to gold,
sanctioned by Alan Greenspan who attended the Washington meeting, was aimed at the hedge funds and foreign exchange traders at the big banks. Leveraged trading was beginning to frustrate some nations' foreign policies and the mechanisms previously established to keep crisis situations from getting out of control. What good is it to try to save a country like Indonesia with fresh loans, stiff political and economic sanctions when hedge funds can easily destroy the Indonesian currency through derivative plays and leverage and undermine the intent of the international agencies. (Please don't construe from this that I back IMF actions during this Asian contagion lending crisis. I do not. I simply offer the foregoing as an explanation for the cb's actions.) So they acted to cut off the life-blood from the speculators -- the gold and yen carry trades.

The two pronged attack on the bullion banks, foreign exchange desks, hedge funds, et al co-incided with the latest jawboning by Alan Greenspan with respect to the stock market. He has to be getting a little fed up with being laughed at and ignored by the speculators whenever he warns
of the excesses in the equities markets. Perhaps now they will find out the central banks still have teeth?

This all goes hand in hand and marks a turning point. The financial world has changed in the last few weeks and I think the man on the street is just now finding out that something has happened. At the moment I can say with pleasure that the markets have become infinitely more interesting, and with no pleasure that they have perhaps become infinitely more dangerous.----------
---

Dangerous is the right word, MK! Indeed, I did little more than "extend" my context into your "just written" perception. As events have unfolded we can clearly see what this gold market means to Euroland. Traders are busy trying to build a strategy to gain from a move in gold while the very trading arena they use may go up in smoke! I know that the BIS wants gold over $400. Yet, for the same reasons they didn't buy at $280 they don't have to buy physical now. The BIS is responsible for all gold movements between CBs, it's in their charter. Few know what they are doing untill after the fact. Today, they can let the BB "paper crunch" do their work for them. Soon. How fast it gets there will be determined by how the BBs can workout their problems. I suspect we will see rental rates rise each time one of them has to slice off some capital. When this process is wide open Another said he will be writing

again (above $360 should do it). The changeover of oil to Euro settlement is the next area to discuss and I am intrested to follow how this ties with gold.

On another note:: With the EU recently (last week?) accepting South Africa into a "favoured nation" trade status, I suspect that any of the SA gold shares that survive this may be left alone (just a guess). The EU needs the SA minerals as much as oil and that country may become very important to them. We will watch as this all plays out.

Also to ALL::: Everyone is down on Bill Murphy for the wrong reasons. They don't have to do anything but continue to discuss this in public to be a huge success! What ever else can be done will indeed help more! Investors can and do think, read and hear much better than most advisors give
them credit for. With the "right insights", they will know to move their assets as events unfold. Walking assets have more impact than standing armies. So don't discount what GATA is doing.
From my perspective, most all mines will have a rough time (not only from hedges) in this new bull. If people keep reading GATA they will at least know to run from BB controlled shares as they will be the first hit. I always say, bullion first and foremost. But, human nature as it is, the biggest and most free mines are the next place to be. They won't run as bullion will later, but everyone can't
be totally in gold. It's a physics problem at these low values! So "GOOD WORK" Bill, I know the sweat is running on the other team!

Thanks to everyone for reading and discussing FOA

FOA (10/19/99; 06:24:25MDT - Msg ID:16853)
Paris and Berlin Look to Offset U.S. at IMF
http://www.iht.com/IHT/TODAY/TUE/FIN/imf.2.html
There is a Dollar/IMF faction!

---In a book published last week on the period leading up to his resignation in March, Mr. Lafontaine quotes from articles describing Treasury Secretary Lawrence Summers of the United States and his predecessor, Robert Rubin, as regarding the IMF and the World Bank as organs of American policy and the IMF as coming under the dominating influence of the Treasury Department and Wall Street. ----------

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FOA (10/19/99; 19:54:16MDT - Msg ID:16931)
The Euro Area: A New Monetary Colossus

http://www.goldensextant.com/commentary.html#anchor6027
PH, I trust you have been reading this gentleman lately. As one reads this entire article we can understand what "Yellin" cannot.
Paper gold may be sold down at anytime but in this new atmosphere of an Official physical gold bull, there paper bluff is being called. Did anyone witness the huge call on london today? Buy physical while you can get it under $360 as we will be there soon enough. Gold will outperform!

October 21, 1999. The Euro Area: A New Monetary Colossus

The 11 nations of the Euro Area have a total population of 290 million and a combined annual GDP of almost $7 trillion, comparing quite favorably in size to the United States with a population of 270 million and a GDP of $8.5 trillion. Impressive as these numbers are, they pale beside the monetary numbers. Source: IMF, International Financial Statistics, October 1999 (most figures for end of June 1999).

With over 400 million ounces (12,560 metric tons) of gold reserves, the EA has almost 1.4 ounces per person compared to 262 million ounces(8150 tons) equating to just under 1 ounce per person for the U. S. More importantly, with the equivalent of around $1350 of cash currency per person in circulation compared to more than $2000 for each American, the EA could provide a 40% gold cover for its currency outstanding (i.e., the combined total of all 11 national currencies outstanding) at less than $400/oz. The U. S., as I have noted before, would need a gold price in excess of $800/oz. to do the same thing. Total U. S. foreign exchange reserves are some $30 billion; those of the EA over $220 billion. And with a 1998 balance of payments surplus in excess of $120 billion, the EA is running trade surpluses almost as large as U. S. trade deficits.

The implications of these numbers are huge, particularly for anyone contemplating any sort of currency competition, let alone a possible currency war, between the Euro Area and the United States. What makes them even more frightening from the American perspective is the fact that Euro currency itself does not yet exist but must be introduced by January 1, 2002. Why?

One of the most intriguing questions about the U.S. dollar, or more precisely the 550 billion of them circulating in the world, is: where are they? No one really knows, but it seems almost certain that a great many of them circulate outside the country in parts of the world where the local currency is unreliable. Something of the same phenomonon is seen with the German mark, of which there are the equivalent of almost 1675 Euros (approx. US$ 1800) for every German, and even more spectacularly with the Swiss franc (over 4500 (approx. US$ 3000) per citizen, for each whom Switzerland also has gold reserves equal to almost 11.75 ounces before the currently proposed gold sales). On the other hand, Belgium, France, Italy and the Netherlands, taken together, have currency outstanding equal to about 1000 Euros (approx. US$1100) per citizen.

The problem with a currency held in large quantities outside its country of issuance, where it is legal tender, is its potential for causing destabilizing inflation in its home country should a large amount of it be repatriated suddenly, as might be caused for example by a sudden loss of confidence. Indeed, just this problem led to some discussion in Congress a few years ago about creating two dollars, one to circulate

internally and one externally. The problem with such an idea, of course, is that even serious discussion of it can trigger the very consequences it seeks to forestall.

In this context, the planned issuance of Euro notes and associated elimination of national currencies, particularly the German mark, should hold some potential concern for the EMU. What is more, and even more importantly, the new Euro currency will have to earn and secure acceptance by citizens of the Euro Area. But look at the numbers. It is well within the realm of possibility: (1) to back the new Euro currency with a 40% gold cover, whether it is actually redeemable or not; and (2) to mop up all excess German marks and other EA national currencies circulating externally with EA dollar forex reserves. Indeed, what other use will there be for the bulk of these reserves? If the United States can get along with its gold and $30 billion of forex reserves, surely the EA -- with more gold as well as balance of payments surpluses -- can do the same. And however attached EA citizens may be to their old national currencies, a new Euro currency -- backed by gold -- might command not only monetary allegiance ("a Euro as good as gold") but also greater allegiance to the whole concept of a United States of Europe.

FOA NOTE: Much more to this at this site.

FOA (10/19/99; 19:57:36MDT - Msg ID:16932)
SteveH
You arrived there first! Good.

FOA (10/20/99; 17:17:09MDT - Msg ID:17014)
A simple message
http://www.decisionpoint.com/DailyCharts/DXY.html
ALL: a few things to follow as this unfolds:

Dollar chart: (see above link) http://www.decisionpoint.com/DailyCharts/DXY.html

We can look at the dollar chart today and see the the future. The US dollar has broken down and will continue this trend as the Euro becomes more accepted. Unlike times past, this trend will not stop. It will continue and in doing so impact every financial asset in Western hands.

US interest rates chart:
http://www.decisionpoint.com/DailyCharts/InterestRates.html

Once the trend of the dollar is clearly established it will force interest rates ever higher. This will happen well before any obvious inflation because this time the dollar isn't falling from inflation worries. This run is caused from competition. Even though rates are now on the upswing, they will rise even faster in an effort to keep the dollar from falling too fast. True, imported goods inflation
will drive rate worries also, but these perceptions will be "behind the curve" and "after the fact". Again, switching ones reserve holdings into another currency because it offers a better use function is a different kind of run "from" the dollar. This new trend, created from a different concept will be the "wrecking ball" in the American economic system.

Gold chart: http://www.decisionpoint.com/DailyCharts/GoldSilver.html

The new bull market in gold has begun. Large buyers of bullion should have already completed their trades some time ago. Indeed, most of the major players that are holding for the currency transition turmoil have been buying for several years. This past spring ended the "easy times" of bullion accumulation. All buying now (except for small private holdings) will be difficult if not risky.
It will be difficult if not impossible to trade physical bullion during the swings of this run. Even now selling the recent high to buy the current low offered a poor return over the dealer spreads. Truly, the risk will be found in the sudden spikes created as physical is brought to return loans. Add to that the rush to purchase by short term traders that makes it impossible to "buy under your last
sale".
Again, the price action will prove this is not a bullion trading market.

Gold stocks chart: http://www.decisionpoint.com/DailyCharts/XAU.html

The major shares did not lead the dynamics of this new market. Contrary to all the last 20 year history of gold shares, at best, they only kept up with gold bullion. To date, some have lost much more on this correction. The next major move up in bullion will lead the shares by an even wider margin. Some shares will fall away into legal proceedings as we run past $360 and $400. As this market works it's will, gold is destin to outperform all other investments by a wide margin. This market is not as before.
The above chart can be seen as adding silver to the list of fallen competitors. At best silver will struggle to attain it's recent high during gold's next rise. Eventually, gold will pass and much more than triple the dollar price of platinum. No other metal will be pursued as money like gold will during this transition.

Onward:

I have not offered such an outline before because the political turn had not materialized. It now has! True, the paper markets will work their effects on dollar pricing, but the now developing shortage will overwhelm even these areas. Leasing rates will rise and fall precipitously as trapped
players borrow to replace accounts. Then they will borrow again to replace those accounts, never able to fully escape as the price runs away. Eventually, the rental markets will stop from inactivity. Paper markets will stop from inability to match "street gold" prices.
So, read the above charts, not as a TA trader, rather as an asset holder that follows the breaking news. As this unfolds we will be glad to own, "only gold"!

On the road.....FOA

FOA (10/20/99; 19:25:56MDT - Msg ID:17025)

Reply

Cavan Man (10/20/99; 17:28:27MDT - Msg ID:17016)
FOA
Hello. What is your personal target for $ price? How do you come by it? Have you abandoned any hope of 10K or 30K?
Thanks....CM

Cavan Man (10/20/99; 18:42:24MDT - Msg ID:17020)
Dear FOA

Your "wrecking ball" metaphor sounds ominous and unlike your previous references to "controlled burn" and to paraphrase from a more recent post; life will go on pretty much as normal or something like that. Can you explain please?

I almost detect a hint of glee. I must be mistaken. I agree we are in deep #@$%; but, devastation?

Hello Cavan Man,
I expect to see gold quickly running through $360 because that is the area a great many buyers began locking in forward gold. Don't confuse these with Comex or OTC deals. These were "long term" in nature and were but supplemental to substantial bullion already held. I think some of these "buys" are now in question of delivery. If this perception takes hold, real buying will ensue buy
these very persons that were to receive gold. It's mostly market dynamics at this point, because only a very small percentage of bullion can be purchased, out of the thousands of tonnes needed.
We will run well past $400, but I use this as the first area that the ECB would like gold to attain. The "controlled burn" comment should be applied to the gold markets. The ECB does not want to see a total run-away and will try to slow the gold rise. This comment is better applied to the Washington Agreement as that signed paper was really two statements that: (1.) applied to the need to sell gold in a future context (going out 5 years?). This would control the rise. (2.) The halt of the expansion of lending was what killed the current markets. Like fractional reserve currency inflation, stop the presses and banks fail. Therefore, stop the fractional gold lending and the market
"officially" changes!
The "wrecking ball" metaphor is applied to the world IMF/Dollar economic structure. Not so much the gold markets. Note the charts it applied to.

Scrappy (10/20/99; 18:26:19MDT - Msg ID:17019)

Welcome Scrappy,
I addressed the $30,000 concept a while back. It's more a projection taken during a study (I was not part of) that indicated just how much the dollar would lose "reserve use"! Truly, the price is unimportant as value assignment can take many forms at that stage of failure. Let's say, at least
$5,000 in the five years the ECB has allowed.
Yes, total change is a time consuming affair. Yet, it is longer than an eternity for investors that cannot recover in their lifetimes! The major story here, is the transition of currencies. Earlier, Another was pointing to the various political leverage that made this outcome proceed. Gold, being the historic world currency of "all" resort, will benefit from this transition in that it's use will greatly
expand! It's price in currency terms is meaningless as it's new value in today's modern world is made clear. No one knows where it will finally level out.
Truly, until the IMF/dollar pricing system fails, gold's paper price can run literally "anywhere" as the values indicated in dollar currency are completely false! As Another says, "time will prove this out".

thanks FOA

FOA (10/20/99; 19:40:24MDT - Msg ID:17027)

Comment

SteveH (10/20/99; 18:56:02MDT - Msg ID:17023)
FOA
No, your messages have been very direct for some time now and what you say is the ultimate outcome of your theme. What you are saying is what I confirmed before in my thoughts when I said you waited to come public until the outcome was already in your favour. It is truly a chess game of
worldly proportions that is played here and you have just called, "check."

Hello Steve,
Yes, "check"!! You better believe it. I have no knowledge of other counter moves until we at least pass $400. We might say that this is will be a "time out" period from play as some "taken players" are removed from the board. If the BBs persist in writing down the paper markets, against the "spirit" of the agreement, I would look for some serious international capital flows placed on bullion! The BIS has this responsibility and authority to make it so. We shall see!

Thanks FOA

FOA (10/20/99; 19:43:01MDT - Msg ID:17028)

mistake

Should read:

" international capital flows restrictions placed on investment bullion"

FOA (10/20/99; 19:58:56MDT - Msg ID:17033)

Reply

Gold Power (10/20/99; 19:33:55MDT - Msg ID:17026)
FOA: two questions
Am I correct in understanding you to say that the street price of physical gold will runaway from the printed price of COMEX gold and other forms of paper gold until the authorities realize that the contracts don't mean anything anymore because they are not shadowing any tangible reality, and then the paper gold will quit trading?

Second, what political event has transpired to enable you to say: "I have not offered such an outline before because the political turn had not materialized. It now has!"?

Hello Gold Power,
Read the USAGOLD HOF (especially Mr. Holtzman). The whole point about contract paper gold being discounted is found in his post. Also read some historic accounts about the events that transpired during the Hunt silver affair. I clarify today's future this way:

When the day comes that 150,000 Comex contract longs ask for delivery, it will not happen! Truly, it will never get that close. In the event of a disorderly market, the exchange already has in it's articles the power to declare "liquidation only trade" for cash settlement! That's means no new longs can enter, only close out.

Consider that the comex is the very smallest of the world gold arenas. If all the current bullion derivatives were to ask for delivery tomorrow, the world would be short some 500 million ounces. So, use your best imagination when looking down the long road before us.

GP, the "Washington Agreement" that was recently signed, is a first! I trust you know about it? Could someone here point this gentleman to the WGC site?

Thanks FOA

FOA (10/20/99; 20:06:13MDT - Msg ID:17035)

(No Subject)

Cavan Man (10/20/99; 19:51:44MDT - Msg ID:17030)
FOA
How long will it take for gold to trade at $10K US?

Mr. Man,
Just as soon as the dollar trades at $1.00 to 1 / 10,000 of a gold ounce! (smile)

FOA (10/20/99; 20:26:51MDT - Msg ID:17036)

Comment

Kilroy,
Stand strong in your beliefs, for in large numbers we find agreement. And in full agreement we reach accepted conclusions. Yet, reason states that reality is the strongest of all conclusions. And reality arrives on the rarest of occasions, when mostly the few accept it.
The history of the world is filled with common perceptions that lasted for lifetimes. Only the few are fortunate enough to experience "massive change" against the established way. For the mind it is an experience to behold. For the pocketbook it becomes an expensive lesson.

Follow your spirit, my friend,,,,,,,, and we will meet the future down the road,,,,,,,down the road to $30,000

Thanks all FOA

FOA (10/21/99; 05:29:58MDT - Msg ID:17060)

Reply

Netking (10/20/99; 21:56:53MDT - Msg ID:17047)
FOA - Comex paper
FOA RE: Message 17033
Would I be right in saying that the many people who do hold
long contracts would be "unlucky" to loose their investment
ie there will be a cash settlement/guarantee regime put in
place that is likely to return them their capital plus
prof accrued until when the plug is pulled.?

Hello Netking,
They can print all the cash necessary to cover everyone. But, they can't print any more bullion! Will the cash cover everyone's gains? This question is aimed at only the longs. It takes a short and a long position to create a contract. If they cover the longs + profits, will they cover the shorts + loses? It was a big mess the last time

this happened and it will be bigger this time.
Note: Usually, the market makers of paper exchanges are protected so as to at least keep the exchange alive. Again, this can involve "liquidation only settlement" that favours a crashing price. (See the silver history line) Because bullion is not used, it impacts the accounts of the players, not the supply and demand in the physical dealer markets. Even so, many dealers do use the paper games to carry inventory? What will happen in such a convoluted mess? I say total market shutdown!

Strad Master (10/21/99; 00:57:44MDT - Msg ID:17056)
Question for FOA
--You mentioned in your postings today that silver and platinum would greatly underperform gold inprice, yet I seem to remember from a posting of yours a few days ago something that implied that you were also holding physical silver and platinum.-----Do you think that holding silver and
platinum will prove useful in the coming times - just not as spectacularly useful as gold? Or, do you feel that if someone had the choice to be diversified in all three metals (albeit largely weighted in gold) versus holding only gold and nothing else, that the latter would be the better option? Thanks in advance for your comments. All the best to you.
STRAD

Hello Strad,
Yes, I do own some silver, about 1% of holdings. I recently purchased some Platinum, 1/4%. These metals will rise a lot in the future. They just will not come anywhere close to the run gold will have as it is taken into it's new money asset image. These metals are held for use and have a
definite limit to their demand, subject to a higher price. No, gold will mostly not be circulated as money, just as stocks and bonds are not used to buy auto fuel at the station. However, physical gold will come into tremendous (unlimited) demand as it becomes a savings asset.

Thanks FOA

FOA (10/21/99; 07:02:42MDT - Msg ID:17064)
Comment
http://www.crbindex.com/news/story2203.html
You can bet this deal was done "off market" at a loan rate much higher than 10%. Physical gold as the interest with "down line" attachments to "in ground gold". Along with Arabia in this "ASHANTI" workout points to what is really happening behind the screen. And some people thought everything was covered because rental rates were low! Don't believe it! The whole rental system is moving "offline" to hide the effects. We must ask, from who will they borrow the next time to repay this new loan? A trap that the "Washington Agreement" has closed.

KUWAIT TO DEPOSIT 79 TONNES OF GOLD WITH INTERNATIONAL FIRMS
Kuwait--Oct 21--Kuwait's Central Bank announced today that it had decided to deposit 79 tonnes of its gold reserves with "reputable" international finance institutions. Central bank governor Sheikh Salem Abdul-Aziz al-Sabah said the bank

would invest its gold through limited-term deposits, without giving up the ownership of the reserves. (Story .13467)

FOA (10/21/99; 07:45:58MDT - Msg ID:17067)

reply

Leigh,
You assume the gold is being loaned into IMF/dollar players. I could be, yet it most likely is flowing through these BBs to cover an old Euro borrowed position. It is the ECB faction that has stopped further lending and could be repositioning to "self liquidating status". Again, the major
dollar BBs will get cover in this "controlled burn" if they agree to pay the "undisclosed rate" price.
This latest move shows just how much the deals are in trouble. It's obvious that most of the transactions are "off-line" because the lenders "announce" their intentions before the fact. Neither the Russians or Kuwait bid themselves a lower rate by publicly talking the deal. Rather they are asked to "Pre announce" so as to influence what is becoming a largely non investment bullion "retail lease market". Such an action telegraphs to the community that everything is OK.
Once these initial workouts are done, some of the players will be removed from the chess board and the "official bull" will run again. That is run until some more players are "taken".
We have but to buy physical (if you can get it) and watch the destruction.

Thanks I must go now FOA

FOA (10/22/99; 07:05:02MDT - Msg ID:17163)

(No Subject)

http://www2.techstocks.com/~wsapi/investor/reply-11663620
Some people have held this view for a long time. Now it's becoming more main stream. See link for story:

"""Now that gold isn't a surely bearish play and could conceivably rise toward $350 or even $400 an ounce over the next 12 months, gold bars and coins are preferable to gold stocks, Mr. Lucas believes. The next safest gold bet would be an investment in a mine that either doesn't use the derivatives market or transparently explains its hedging"""

FOA (10/23/99; 17:01:18MDT - Msg ID:17268)

One long post.

ALL:
I also read the article in Barron's offering Mr. Gartman's views. Thanks to poster "Number 6" for placing some of it here (also welcome to you, sir). It is indeed a benefit for all of us to find the gold story becoming more mainstream. Slowly the future effects of the ECB deal is sinking in. Still, I think most all established analyst are going to be very surprised at how this eventually plays out.

As gold begins it's rise, the numbers will verify to many traders that another bull market is intact. Each in their own way will attempt to gain from the price run. That is until the price starts to run "out of sight"! You see, the gold market began to change back in the late 80s and early 90s and that evolution has shaken everyone

that followed it.

Too date anyone that has invested in gold using the "traditional" vehicles has been "dead wrong"! If I had to guess, it would not surprise me to find that 95% of these players have lost their shirts on a "net basis over 10 years". Even the shorts lost money as none of them saw gold ever falling so far. Often switching sides to catch the turn-a-round that never came.

Truly, investing in gold "as an industry" or "as a long leverage play" was not the game to be in recently nor will it be for the future. Because gold has entered a new era that will eventually find it being held as "private money" in the form of "real wealth". Something our "extended generation family" has never seen or understood. More on this in a minute.

Onward:

A very large group of world investors have been buying physical gold for many years. These people have been "dead right" on "their reasons" to buy gold. Another has said that "events will prove the wisdom of their ways". I agree with this even more so as real actions slowly prove their
assessment.

On the other hand a very broad spectrum of "gold bulls" can be seen on the side of the GATA group. They believed in gold as an inflation hedge and a good "supply / demand" investment situation. I'm sure most of them own bullion to some extent, but am guessing that most of their "working money" was involved on the industry side (gold shares). Truly, this segment of the community has found their investments on the wrong side of a political currency transition that was destine to change the gold markets for the rest of our lives.

Most everyone that analysed gold from a "dollar devaluation" standpoint was sure that gold (and the producing industry they brought into) would soar from such an event. Few could accept that for the dollar to fall from world reserve status would also require the total destruction of the "dollar paper gold market". Nor could they imagine how the years preceding this would see the world flooded with "dollar paper gold contracts". Yet, as this progressed over many years we saw how the political manipulation that GATA rightly exposes was being used in a way that will "eventually" destroy the confidence in the dollar. For truly, in today's world, if one loses the ability to contract for gold in us currency then the reasons for holding dollars at all begin to fade. From a country that runs a never ending trade balance deficit, foreign dollars and the interest they earn become a purposeless hold. If dollars can never flow on a "net" basis into the US in a trade surplus situation, the end result must be a bubble of dollars with no home or value.

Political currency war as seen in simple sequence:

Build a bubble within the dollar gold market by selling paper gold far and wide. By selling paper derivatives of gold we free up official and private physical stocks of bullion to quench the demand for coins, bars and fabrication deficit. Because the world gold market is priced in modern terms by "derivative contract", flood the paper market and drive the price lower. In an never ending circle, the market expands in ownership as the price falls.

"Coat Tail" this process on the IMF/Dollar need to lower gold to support it's currency with a low inflation perception and the political will to proceed is reinforced. For those major bullion buyers of the world (oil) that would object to this, build a new currency upon the standard of a future "free world" gold price that can become a trade settlement reserve item.

Once the "timeline" of the dollar is near the end of it's mathematical ability to expand world trade, destroy this "new fractional reserve gold market" by adopting "self liquidating rules" into the official sector lending game. With this turn, oil and gold prices begin a dollar rise from which there is no return. Eventually, the world gold markets, as built in dollar reserve contract terms can no longer function. As events slowly sink in, all foreign held dollars (mostly held in US treasury form) are liquidated from dollar terms by buying physical gold and Euros. For without contract gold, in functioning form, physical must eventually be bid at any price!

In real time production, we see this beginning in the US fed buying US treasuries almost everyday in an attempt to stop the rise in rates. A rise that comes without inflation. Truly, a rise that comes from "reserve currency competition".

Onward:

For today, the modern gold investor faces a dilemma in concept! None of them have ever seen a gold market that finds it's total demand coming from buying "physical gold" as a "wealth money" asset! Buying that arrives in official as well as private sources. In their (gold bugs) limited experience with so called "free market gold" dating from 1975, physical gold buying was never the full price driver. The price always rose from, at best a 50/50 mix of paper leverage buying and physical buying.

Nor can they envision gold rising so much, so fast, even before dollar price inflation takes hold. Our total "real life" education about gold prices ($100 to $800) were all explained as "dollar price inflation" dynamics. Never was it approached as gold becoming a new parallel "private reserve asset". Just like stocks, bonds and currencies.

Add to this, the very real prospects of their "gold price making markets" falling into complete turmoil and dysfunction. Every Western investor knows how to convert and spend their stock and bond portfolio. Yet, the concept of actually selling some personal gold to a private dealer, without an official quoted market, is seen as an "end time event".

Thoughts!

During the next five years, physical gold is going to outlast and out perform not only the current world derivative gold market, but outlive a large portion of the stockholders equity in most gold mines. During the "death throes" of the gold marketplace, the dollar price could be all over the map! Simply put, most short term traders and long term paper gold (gold stocks included) investors will be eaten alive as we witness a transition unlike anything ever seen. How can one be ready for this? Some people are 80% gold bullion, 20% in the few largest unhedged mines (only 3 or 4 exist) and hold plenty of cash that is expected to devalue greatly. Their mindset is ready for gold to be priced somewhere between 0 and infinity! In other words, gold in their eyes will outlive it all.

Some writers do a wonderful job of proposing that gold is dead and holds little more use than a tradable commodity. The most eloquent poster, Mr.Yellin of Troy, has produced many fine articles that expound the current feelings of Western life as expressed in it's need and view of gold. Still, all of these concepts were built using the "American Experience" of the last hundred years or so. I submit that this has been little more than an "experiment in progress" that only now comes to completion. In the end, the laws of nature always control out destiny and the outcome is distilled into this common reality:

"The only real earthly wealth is one we touched in person as all honour is fleeting"

Further:

Is this how it works?

When a major Middle East oil producer lends it's last 79 tonne of gold into the marketplace, one should know he will get that gold back. After all they are not like you or I or the average globe trotting hedge fund. They are the oil producers for the next hundred years!
As I offered before, that gold was loaned for a "HUGE" concession that will never be made public. For the marketplace to approach them is indicative of the massive strains in the lending arena. Because these people will not lend "CHEAP"!
Understand the dynamics that are now in effect. Somewhere gold lenders and gold contract derivative holders are exercising the very limits of their "fine print" to get their gold back in "allocated form". As the brokers in between these deals have lost the ability to "control" their
counterparties, their firms must use their own capital to buy physical gold and blow up the price or "borrow" it in order to cover their old lenders. It's no contest and is done "off the retail lending market" so as to not gun the rental rates.
In the past, the news of 79 tonnes lent into the marketplace was an announcement of fresh supply to lower the gold price. Today, these announcements are for the purpose of replacing defaulted loans. It's important to understand that on an ongoing basis, these new loans do change
everything as the broker now must eventually cover this new loan "from it's own book".
The present fear is that gold lenders that cannot regain their bullion will start buying on the physical marketplace as they call their lawyers to discuss just compensation. This is the only kind of fear that will compel some "expensive deal making" with people that usually don't lend.

Also:

Every central bank in the world is looking at it's reserve dollar holdings and watching this latest gold spike. I can tell you that they are closely analysing this new risk because the potential exists to cut them out of the gold market at what was perceived low prices. As the Euro gains use, dollar reserves will become a huge dead liability. Especially if the BIS is stopping inter bank gold sales!
Truly, for China the risk is clear. I expect them to become more active in buying "defaulted gold commitments" that can function except for the lost margin, even if the price paid is much higher than market. The recent deal making by a large Arabian investor will lead the way.
In some ways this action is a precursor of a two tiered market for gold. With future

delivered "higher priced street gold" taking the form of "defaulted new mine production". We shall see.

Thanks for reading and discussing FOA

FOA (10/25/99; 19:53:55MDT - Msg ID:17445)

Reply

seeker (10/23/99; 18:15:53MDT - Msg ID:17269)

-----Kuwait is now lending their gold into the market, fully expecting to get all of this back. Isn't this just adding fuel to the fire? Where will the gold come from to pay this loan back if there isn't any gold to be had now? Do you see gold shorts eventually going to the comex type markets of the world trying to get gold from the other shorts of the world, or will they look elsewhere?------

Hello seeker,
Where will the gold come from? Well, we must know that these broad "official" announcements don't give the details of the transaction. Just as many gold mine (stock) owners are finding, a simple statement like "we are 30% hedged through 2004", doesn't really tell us what they did. There was a lot more to the transactions than the public report discloses.
The same is true with the entirety of the modern gold markets. Weather lending, leasing, forward selling or trading large scale OTC futures, puts and calls, our gold market is a complex network of interrelated commitments. For the most part we can just call it a huge derivative marketplace or paper gold for short.
The Kuwait 79 tonnes could be: (a) sold outright into the physical market (b) held on account for them in "allocated" form as they sign a contract to place the gold in "unallocated" form if needed (c) held in a BB account for the benefit of Kuwait as OTC puts and calls are balanced against the holdings (d) held in a BB account for the benefit of Kuwait as OTC future contracts for delivery are
written against the holdings (e) sold not on the street, but directly to the bank as the BB writes a derivative contract back to Kuwait for delivery (f) too many more to Offer??? My point is that the gold doesn't necessarily flow. Usually these deals are leveraged into paper gold many times
the actual amount.
However, that is not what this one was about. Somewhere in that maize of paper gold above, some lenders were saying "we will have our physical" "NOW"! So, as is usually the case when a business contract slips into the crisis stage, someone in the community gets a slice of their capital
taken off. The contract is filled at a big premium to market. I think we have seen (in the US news) how some of that premium was paid in this deal. Certainly, that was only part of it!
Back to your original question: If a crisis of supply erupts, Kuwait will get it's gold back because someone less important will be denied theirs! In other words, if two contracts are to be filled and gold is available for only one. The paper you hold will go without. Nothing new, as the world has worked this way from the beginning.
Seeker, You should read / learn / study more about how Comex works. They are not a gold warehouse, rather a paper gold hedging arena. If the world trading houses cannot fill an order, comex would be the last place to look for it.

Thank you for discussing FOA

FOA (10/25/99; 19:56:02MDT - Msg ID:17446)

Reply

Cavan Man (10/23/99; 18:38:39MDT - Msg ID:17271)
FOA
Which stocks? (please) (thank you)

Cavan Man,
The very largest ones that are not hedged. Preferably, they are also long gold! You know one I have mentioned. Truly, if one must play these stock papers, don't trade them. Expect the swings in the paper gold markets to price these mines all over the place until the market disintegrates! During this time these true "blue chip" mines will move far away from the others in price. However, bullion will still outperform the mines by a wide margin. No one is going to trade any kind of gold paper and come out with enough cash to net out more bullion than they started with. The dynamic of this bull is going to unnerve every paper trader that thinks they can make money against bullion. We have but to count the chips five years from now to see this truth. Until then we stand and watch this
unfold.
Thanks FOA

megatron (10/23/99; 18:35:32MDT - Msg ID:17270)
FOA
Sir, how do you see the short term value/movement of the Swiss franc against the $US playing out in a quick rise POG situation?

Hello and welcome megatron,
They still trade it like like the old hard currency it was. But times have changed and the franc is getting ready to enter the EMU. Even the EURO will not run against bullion until much later. Yet, none of us can hold 100% bullion, so one should consider the next world reserve currency and
position themselves now?

THANKS FOA

FOA (10/25/99; 19:57:57MDT - Msg ID:17447)
reply
elevator guy (10/23/99; 21:30:08MDT - Msg ID:17282)
@FOA
Why will gold stocks be a risky place to be?

Hello elevator guy,
We have covered this area many times before. Simply put, when this new gold market runs as never before seen, shares will under perform bullion because they only represent the ownership of a business not money reserves. As a mining business, they must overcome the negative effects of a
banking crisis, massive cost inflation and taxes old and new. Their dividends will never return the equivalent of the increase in bullion nor will the equity. Most investors do not retain a good historical perspective between government confiscation and government regulation. Production
regulation and taxation are a different control of mine reserves that greatly impacts stock values. Many stock promoters often try to inject the "confiscation issue" as one for bullion holders while ignoring this other dynamic as it pertains to mine shares. The race will be for bullion and large international players will discount the leverage

of mine reserves in terms of the crisis financial atmosphere they must invest in. Even so, some mines will be sought after as they will be perceived as the best positioned of the lot and the last to be interfered with.

Anyway, it's a long hard subject that many will pay dearly for as this transition proceeds.

We will talk again on this. FOA

FOA (10/25/99; 20:00:19MDT - Msg ID:17448)

reply

Scrappy (10/23/99; 22:13:50MDT - Msg ID:17283)
FOA

Gold will be, (is?) the only constant common denominator amongst the countries, as the value of goods and services changes with needs & desires. It would seem to me, that the rest of the world is trying to eliminate currency based on debt, (a good plan). But, if this is the case, what is to become of the U.S.? The only currencies we have are I.O.U.'s. Will U.S. workers be paying off U.S. debt for the next century or two? Or,(more likely), will we be forced to return to a partial gold stndard, or even a nothing-but-gold economy, just so we don't starve to death? Will the rest of the world allow us to come into the new playing field 'even?' How will this all be dealt with? (bearing in mind, that about the only 'products' the U.S.A. has anymore are miniscule compared to what we import. We are a nation of paper-pushers-what value will that be in the new scheme of things?) Forgive me if I am sounding foolish-but I am suddenly afraid for all of us very spoiled citizens. Indulge me, please?---------

Hello Scrappy,
I think you are seeing some things in the right light. It would have helped if you could have lived in several other countries that carry major inflation's all the time. In this one could easily see how things are handled as your nations currency is destroyed. People do learn from others and survive the worst. It's always better if one can plan ahead!
This downturn for the dollar has been building for 20+ years. Some people say they have heard this all before and buying gold is just an old story. Well, the dollar currency has been inflated off the face of the earth during this 20+ years and it's comming price inflation will reflect that fact. The Euro is going to allow everyone to see just how much this currency has been over saved as an international reserve. Oil prices will lead the way because oil replaced the "dollar gold standard" in 76. Just as gold spiked when we went off that standard, oil will spike next as it moves to back the Euro. Physical gold will simply explode because no nation will try to stop it as this unfolds. Every
Western citizen has the right and obligation to retain their life savings against such changes and gold is the historical way we do it. Even so, one must be prepared to watch our modern gold price creating marketplace be destroyed during this process. Just as Germans of the old order were told
not to trust the Mark to show long term value, we must not trust the current gold price to indicate the value of gold.

Thanks FOA

FOA (10/25/99; 20:28:28MDT - Msg ID:17453)

reply

ORO (10/25/99; 18:34:41MDT - Msg ID:17441)
DD - Phrase of the day
"papers and their mutant ninja derivatives"
Just love it

ORO,
Ha! Ha! Yes, that was good.

Cavan Man (10/25/99; 20:10:23MDT - Msg ID:17451)
Dear FOA
Does the US have any options? Won't a wobbly US economy have negative repercussions around the world? This is the only question you have not satisfactorily answered for me. Thank you.

Cavan Man, Sure! The whole world economic structure is going to shake. This is one of the reasons why gold will run as commerce fails. Because everyone is going to lose something from this. Unlike past downturns, this one will find people looking for what is perceived as a "last man
standing asset". In the same light "fortress Euroland" will look like a survivor to investors.
For the sake of the most people, I hope the gold market is "taken out" on the down side not the upside. In this way many average citizens will have a shot at the remaining tradable reserves before it all changes. I know this is not good for gold bugs to hear, but it won't last that long.

I'll be going now. Will reply / discuss later. FOA

FOA (10/26/99; 20:26:03MDT - Msg ID:17534)
Comment
Aristotle (10/26/99; 10:31:17MDT - Msg ID:17491)
Swimming in the Sea of Tranquility

Nice of you to see the forest and not just the trees, Aristotle! There is a whole world of people out there that "like you" do not trade gold money using the Western mind's logic. Good post, sir!

ALL: I have several things to say about the paper movements, but must post and reply another time.

FOA

Aristotle (10/26/99; 10:31:17MDT - Msg ID:17491)
Swimming in the Sea of Tranquility
Hi everyone. Found the briefest of moments to stop by before I must be dashing off again. Days like this are great--if you're not leveraged to your eyeballs on Gold derivatives or stocks, that is. When you've got simple metal, your emotions aren't all churned up when you see the price take a dive like today. In fact, it confirms better than anything else could the reality that the derivative markets are clearly setting the price for the physical markets. Nothing has changed worldwide--the ECB is utilizing Gold as their supreme reserve asset, at the Asian people are buying gold at a record pace. Price movements like this signify little other than the fact that the

traders are selling paper Gold derivatives and essentially nobody is buying them. Hence, the price falls, and the physical gold gets snapped up that much faster by the rest of the world.

I expect that the typical American is holding out on Gold purchases until it is demonstrated that they will definately get a dollar-return on their investment. They will be in for a rude awakening. You can be sure that under the international currency strains of the day, the U.S. Government will do all that it can to prolong the illusion that the dollar is stronger than its true merits would allow. By the time the dollar turns sour like so much old milk, the physical Gold market will have been completely plundered while the gettin' was good by the rest of the world and the various Gold-hearts that frequent this excellent roundtable. Price-drops like today's simply demonstrate how out-of-whack the balance is, and the further off-balance, the sooner it all topples down. The more I see, the more I doubt there will be any warning before the Gold market as we know it seizes up and the world stands around until a free market can be sorted out. I doubt that during the transition anyone will be eager to part with their real Gold. Gold in hand is your only guarantee--meanwhile all others would be waiting for adjudication to reveal what their paper derivatives might entitle them a claim to...which might point them to nothing more than a bankrupt counterparty. We'll...at least I tried to warn you about going down that road.

Gold. Get you some--and be at peace. ---Aristotle

FOA (10/27/99; 6:15:53MDT - Msg ID:17588)
Comment
DD (10/26/99; 20:36:59MDT - Msg ID:17535)
The diversion of paper and physical??
-----The sheeple of western thinking know only one road, the one paved with paper. This path may see the price of gold go lower or even much lower. However, this is the road to ruin, a pot hole invested ride with each flat being reinflated with a fresh blast of paper.----------

Hello DD, I have a few comments to make on several areas. Your full post hit it right on the head. No matter how much we talk about it or events point in this direction, most investors just don't see the big picture. That is: "the international trading marketplace that represents and creates our present gold price is going to break down and eventually completely fail"! The death throes of this process can and will lead to increasingly violent swings in our world price of gold (the modern paper price). In like fashion the mining industry that is financially built upon the use of these modern derivative markets will also fluctuate violently. Perhaps to a greater degree!.

Anyone that has been reading USAGOLD discussions from the beginning understands why we have come to this juncture. We have been hiking this trail "of understanding" for some time. Looking forward we can visually follow that trail to see what must transpire. On one side, if the integrity of the dollar is "at risk" from a high gold price and Euro competition as a reserve currency, then the very members of the LBMA and the banks that own them are also "at risk". These financial giants are the "who's who" that the present dollar sector that the world economy is built upon.

This IMF / Dollar group is trying to keep it's gold marketplace "viable" because in it

they can work their will on the price. Until recently, making gold "LOW" was a perceived common goal in world affairs as it supported the dollar not only in perception but with cheap oil settlement on "dollar terms". This year's successful birth of the Euro has cleared the fog and exposed a different presentation of European affairs. Euroland likes gold, marks it to the market and benefits from any increase in dollar price. All at the expense of dollar reserve perception. They would more than welcome the benefits of having the world market for oil settled in Euros and introducing the use of gold as a reserve settlement asset. The dynamics of this would create lower oil prices in Euros and a resulting Euroland economic expansion build on a solid world currency. Further, it would allow a world-wide super inflation of the dollar that would wipe the slate clean of overhanging dollar debt.

Now that the ECB / BIS has sanctioned a policy that must "deflate" the paper assets of our modern gold market, the players in this arena are battling an "inverse gold paper deflation". Having flooded the world market with paper gold contracts during this many year joint Euro / US effort, the London market is now facing the equivalent of a bank run. If everyone wanted their physical gold at once, there isn't enough to cover all the accounts. Official sales and lending will no longer back this "fractional reserve" paper gold market.

To keep the gold marketplace "viable", the dollar group must maintain the appearance of "contract credibility". The only way that can succeed is for the paper price of gold to fall. Because of the "derivative nature" of many modern gold accounts, a falling gold price cancels out the potential physical demand in many accounts. This doesn't stop the "run", but it at least moves their books towards a balanced direction.

If the price being paid to buy or borrow gold to cover contracts comes into full public view, it indicates just how far the market is out of line. The more visible the "cost to cover" becomes the greater the crisis of confidence and the more it inflames the "gold account holders". Yet, even today we can see the tell tail signs of manipulation "on the gold trail". The "paper market price" and the "real price to settle problem contracts" are not the same. Large blocks of gold are loaned by people that do not usually lend. Their reasons for entering the game are stated as "high lending rates" and "a good return on assets". Yet the public rates are far lower than during the crisis. Even the US military is seen delivering a "bonus" concession that I'm sure one could consider as part of a "return for lending". At least in the view of some people. In addition the BOE is rumoured to be acting to "settle the marketplace" by selling gold. What gold, who's gold and at what price did they obtain it? They have little left to "settle the market with" because of their sales and the crisis is created because no one can find physical at today's paper price. So they must borrow! By borrowing gold at a very expensive private rate they cover the true cost of physical from public eyes. Still, any additional gold borrowing to settle accounts, just creates a larger more expensive future physical demand that must be covered on their own books. Indeed, the difference in the cost of "problem gold" is comming into view. Read all of TownCrier Msg ID:17567 After the Close.

--" Ashanti's sanctioned change in mid-contract that would allow for "margin-free trading,"---

Thanks TC! If we accept their concept of a "margin free account", then one must agree that it became "margin-free" because the cost to cover that account with physical would have brought light to the true price of physical gold today. Even in

the middle of all of this we can see just how "controlled" most mining operations are. (See TownCrier Msg ID:17567 After the Close)

-----New York--Oct 26--Battle Mountain Gold Co. said it has taken advantage of the rising market to hedge a total of 300,000 ounces of production for delivery-----

Truly, many mines are dependent upon the very "paper gold" market that keeps their product cheap! If they lose the marketplace (due to a spike in prices), their assets remain, yet their shareholders are wiped out.

Again, To keep the gold marketplace "viable", the dollar group must maintain the appearance of "contract credibility" at all costs. Yet, even in the face of this massive manipulation of a paper gold system the effective use of this marketplace is coming to an end. The "Washington Agreement" has made this a reality and the ECB has the political need to force a change in direction. Like a cork being forced lower into the water, the lower the paper price is pushed, the higher it goes as the next default takes hold. And default they will as no new official gold comes into this arena. Over and over again, the swings will occur until the perception of all "contract credibility" is destroyed. We will see $360, $400 and on, yet in-between we may see $100 or $200. In the end, a pure physical market will evolve that will take us into the many thousands. However, if you plan to ride the derivatives during this process, prepare to be wiped out. I and many others are almost entirely physical while some larger players are part into major / world class "clean" mine equity. We stand with no leverage and hold a mindset that sees $0 to infinity in the paper price as the gold marketplace is destroyed.

I challenge anyone to make this statement wrong: "At the end of five years, no trader will "net out" more wealth than one that holds simply gold coins (rare included) or bullion, Physical will outperform by a factor of ten"! Keep a fictional account on this forum and prove me wrong!

Physical, buy it while you can get it because one day it's production will be regulated. We are on the road to $30,000.....Thanks all for offering your personal thoughts, FOA

PS: In time I hope to reply to most everyone.

FOA (10/27/99; 18:08:43MDT - Msg ID:17648)
The Washington Agreement on Gold!
http://www.gold.org/Gedt/Speeches/HF/Denver99.htm
Canuck (10/27/99; 17:06:35MDT - Msg ID:17644)
It's all here at the WGC site. Here are a few items.

We at the World Gold Council have christened it The Washington Agreement on Gold. I hope you will all also use this name.

On Sunday 26th September - just three weeks ago - a new era dawned for gold. For the first time in almost exactly 28 years, since convertibility of gold into US dollars for official holders was suspended on 15th August 1971, the governments with the largest gold holdings made a positive joint statement on gold.

While the agreement is between European central banks, including the ECB, it was put together through the Group of Ten central bank governors who meet regularly in

Basle on a monthly basis. It therefore has a broader dimension in that the United States and Japan have been at least present at the G10 discussions and in agreement with the spirit of the agreement.

FOA (10/27/99; 18:28:58MDT - Msg ID:17655)
Comment
SteveH (10/27/99; 4:49:51MDT - Msg ID:17585)

----------TOKYO, Oct 27 AFP - Investors scurried to snap up the yen today on news that Japanese authorities may upgrade an official forecast ---------

Hello Steve,
Don't know how many people have called for a weaker Yen over the last few months. Yet it still goes up. Even Dennis Gartman in this weeks Barrons is looking for the Yen to fall. I understood years ago that their economy is so tied to the US that their currency would lead them into a depression prior to the dollar falling away. Truly, their financial / economic system is so manipulated it makes our gold market look "Free"! Any country that can take it's rates down to 1/2% (or 0%) and still have a strong currency, is going to go into a major downturn. Usually a nation could inflate their way out of it and bring on a falling currency. Yet, their system is radically different as it was / is built as a suburb of the US. Any upturn brings then a higher Yen that chokes them back down. This very dynamic is the poison that is killing the Yen carry trade and by association is forcing the same funds to cover their gold carry. It's been going on from the summer and has accelerated after the Washington Agreement! All and all, another reason why the Yen will not be allowed to spear head a new pacific currency unit. I look for China to side with the Euroland system before it's all over. Let's watch this action play havoc with the US marketplace (not to mention the gold price).

FOA

FOA (10/27/99; 18:37:29MDT - Msg ID:17656)
Reply
Julia (10/27/99; 08:02:18MDT - Msg ID:17590)
FOA - A couple of questions please Sir Hi FOA,

Hello Julia, I see you have your questions answered. As a further: You could call any large commercial bank and ask them for directions. Such as: "Who is offering Euro accounts in their foreign corespondent banks?" Or if you know (or have relatives in Europe as I do) someone there, call them for advice. Also: PH in LA knows the story in Spain, I think.

Good luck FOA

FOA (10/27/99; 18:49:22MDT - Msg ID:17660)
Reply
phaedrus (10/27/99; 08:41:26MDT - Msg ID:17592)
@FOA re $30,000
Just curious:

Hello phaedrus and welcome, Here are two old post that should outline our thinking. I think your professional training may have taken you to these thought before. Thanks for discussing here FOA

FOA (10/20/99; 19:25:56MDT - Msg ID:17025)
Reply to Cavan Man and Scrappy

Scrappy (10/20/99; 18:26:19MDT - Msg ID:17019)

Welcome Scrappy,
I addressed the $30,000 concept a while back. It's more a projection taken during a study (I was not part of) that indicated just how much the dollar would lose "reserve use"! Truly, the price is unimportant as value assignment can take many forms at that stage of failure. Let's say, at least $5,000 in the five years the ECB has allowed. Yes, total change is a time consuming affair. Yet, it is longer than an eternity for investors that cannot recover in their lifetimes! The major story here, is the transition of currencies. Earlier, Another was pointing to the various political leverage that made this outcome proceed. Gold, being the historic world currency of "all" resort, will benefit from this transition in that it's use will greatly expand! It's price in currency terms is meaningless as it's new value in today's modern world is made clear. No one knows where it will finally level out. Truly, until the IMF/dollar pricing system fails, gold's paper price can run literally "anywhere" as the values indicated in dollar currency are completely false! As Another says, "time will prove this out".

thanks FOA

FOA (10/20/99; 20:26:51MDT - Msg ID:17036)
Comment
Kilroy,
Stand strong in your beliefs, for in large numbers we find agreement. And in full agreement we reach accepted conclusions. Yet, reason states that reality is the strongest of all conclusions. And reality arrives on the rarest of occasions, when mostly the few accept it. The history of the world is filled with common perceptions that lasted for lifetimes. Only the few are fortunate enough to experience "massive change" against the established way. For the mind it is an experience to behold. For the pocketbook it becomes an expensive lesson.

Follow your spirit, my friend,,,,,,,, and we will meet the future down the road,,,,,,,down the road to $30,000

Thanks all FOA

FOA (10/27/99; 19:10:56MDT - Msg ID:17664)
Comment

Hello Michael,
It's interesting how they try to make it all go away. Yet, nothing has changed one bit! If anybody "cuts and runs" for real physical to cover, the price spikes again and the same problems appear. Up and down we go as a whole prodigy of BB players find they can only fight each other for position. In the end, investors in the usual gold market vehicles are whipped by the volatility. In the end, this contract gold market is repudiated into nothing but a huge court action. A new physical market will begin to appear as one of these sudden spikes takes us past $360 into the $400

range. Perhaps Hong Kong will be the new center for physical trade?

We shall see..... FOA

Note: Thank you for the update on the visibility of this "Major Forum". The world will see some very exciting news discussed right here in the near future. Extreme economic transitions are a rare event to behold, let alone follow the daily action via internet. All roads lead to gold!

USAGOLD (10/26/99; 19:43:36MDT - Msg ID:17526)
A bit of diversion....
According to our Summary Report for the month of October thus far: USAGOLD has received an average of 8000 visits per day thru the home page and 12000 page hits per day from 69 countries worldwide including Canada, Australia, New Zealand, Belgium, South Africa, Germany, Austria, United Kingdom, Singapore, Malaysia, Switzerland, Netherlands, Israel, Japan, Saudi Arabia, the United Arab Emirates and of course, the United States, to name a few. It would probably easier to try to run a list of the countries not represented here. --more--

FOA (10/27/99; 19:26:52MDT - Msg ID:17669)
Comment
Canuck Gold (10/27/99; 10:54:59MDT - Msg ID:17605)
Seeing things from a different perspective

Outside North America, gold may make a sympathetic rise in relation to local currencies but not to the degree espoused by some in this forum. The only way that gold could move higher in relation to all currencies would be if there was a total collapse of all the major currencies at the same time. Judging by the way the ECB has rallied around gold by their declaration that it is an important component of their reserves, it seems to me that they're positioning the Euro to replace the dollar when the pigeons come home to roost. When the dollar takes the hit, OPEC isn't going to tie their oil to the dollar because it will be too unstable. They may want to tie it to gold but there isn't enough physical gold available to realistically make that a viable alternative. That leaves the Euro which, though not officially tied to gold, will nevertheless be proffered, and accepted, as the next best thing.

Hello Canuck Gold and welcome, In reply to your thoughts I say "fair enough", let's see how it works out. Tell me, why do you see that there is not enough gold around to become a "viable alternative"?
Thanks FOA

FOA (10/27/99; 19:39:29MDT - Msg ID:17671)
Comment
The Stranger

Hello Stranger, enjoyed your post and hope to see more of them. FOA

FOA (10/27/99; 20:01:55MDT - Msg ID:17677)
Reply
Strad Master (10/27/99; 18:41:16MDT - Msg ID:17658)
Question for FOA
Thanks for your kind response to my question a few days ago. I remember the

experience on other forums I often had wherein I'd ask a question and then have it go ignored. Very frustrating to say the least. Your willingness to answer our questions indicates what a gentleman you are. Today's question: If the POG goes up to that stratospheric height of $30,000 per oz why wouldn't the governments who need it merely confiscate all the buillion and coins held in private hands? I think I understand the difference between the paper price and the "street value" you mention but what good will a high "street value" of gold do if a person trying to use it will just get thrown in jail for hoarding? Am I missing something? Thanks in advance for enlightening me. BTW, I see that the POG has just spiked up considerably. Do you or anyone have news as towhy?

Hello Strad Master, Thanks for discussing and your compliment. How is your music these days? Tell me, I heard that the dry weather in LA can change the sounds from a Strad? Is that true? If you have time.

I think that most people read this ridiculous figure (30000) in present day context. True, today it isn't an issue. But place yourself in the popular perceptions of a future time. Gold will not be trading at these levels as "street gold" between US dealers or on an official physical Hong Kong market because "everyone is trying to unload it for cash"! Mostly, it will be a dollar problem as the US endures a major hyper inflation. Foreign dollar stocks held outside the US will be useless holdings, trapped from re-entering the US by foreign exchange controls. This is where the engine of "gold bidding" will get it's fuel. These dollars will circulate, round and round flowing through what free gold reserves are a available until the price runs outrageously. In this time, no government will be grabbing gold from it's citizens because it would be political suicide. Besides, the attitude will be "what's the worry, it's only a dollar price?" Get my drift?
Thanks FOA

FOA (10/27/99; 20:12:33MDT - Msg ID:17679)
Reply
Solomon Weaver (10/27/99; 19:17:40MDT - Msg ID:17666)
one meaning of the dollar ------If the value of one ounce goes anywhere near $30,000 dollars, whatever those new dollars mean to the rest of the world, I hope they will still mean the same to my bank. Talk about paying back with inflated dollars.-------- ----------

Hello and welcome Solomon Weaver, Ha! Ha! Yes, that is the way the game works, some times. Of course it's easier if one has no debts, but currency destruction's usually allow us to get our assets for a song. Unfortunately, someone else must suffer. It would all work out so much easier if everyone had just a little gold. Just a thought.

I have to go now, looks like things are heating up again.

Thanks ALL.....on the road..... FOA

FOA (10/28/99; 06:26:55MDT - Msg ID:17707)
(No Subject)
Jeff or USAGOLD,
Saved all of it through my last post below. Some 145K of posts. If you need it let me know soon, I'll have to call someone to send it.

FOA (10/27/99; 20:12:33MDT - Msg ID:17679)

TG(10/28/99; 05:15:50MDT - Msg ID:17704), will reply much later. thanks FOA

FOA (10/29/99; 6:21:14MDT - Msg ID:17801)
Ashanti Goldfields Co
http://biz.yahoo.com/rf/991029/ey.html
Is this the future for other (if not all) hedged mines when gold spikes through $400 and up?
ALL: I hope to find time to make replies and comments in a day or so. There is much to observe and discuss right now.

----------LONDON, Oct 29 (Reuters) - The President of Ghana, Jerry Rawlings, wants to play a leading role in determining the future of Ghanaian mining company Ashanti Goldfields Co Ltd----------

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``The gold of Ashanti is a symbol of our national sovereignty and we will not do anything that is tantamount to a betrayal of posterity,'' Rawlings added.

FOA (10/29/99; 18:21:31MDT - Msg ID:17855)
Lost posts?
I have early posts from #17694 to #17799 that seem to be gone. Are they lost or are they to be reposted by Jeff? Should I post them now?

FOA (10/29/99; 18:27:10MDT - Msg ID:17856)
(No Subject)
OK, I see what happened! It's all in order now. Boy, what a problem Jeff is having!

FOA (10/30/99; 11:13:52MDT - Msg ID:17917)
Reply
tg (10/28/99; 14:41:16MDT - Msg ID:17731)
I think you've missed my point regarding the intended Swiss gold sales. What I am asking, is why would the Swiss who I am sure are privy to similar information as FOA (because of their strong connections to the BIS)would want to sell any amount of gold Would you sell an asset if it was about to become as scarce as hens teeth and go through the roof
in price

Hello tg,

We walk for a while, yes?

The Swiss sale is a real complicated affair. There are several factions within their political framework, all working different agendas. If that's not complicated enough, these forces are interacting within the Euroland structure. So, what will be the eventual outcome and why did they

"do it"? Ha, Ha! You see this modern gold market is one huge "political chess game" and a good "international murder mystery" all tied into one.

Onward:

The Swiss economy is going to have a real problem operating within the shadow of a united Europe. With so much gold held as reserves, the franc, their currency, would become way overvalued as a trade settlement item outside the Euro arena. Yes, it would balance against the Euro well, but the Swiss Franc will never become the next world reserve holding. And that would creat a problem for them. It would be far easier to proceed into an EMU and establish themselves as a dominate financial leader within a Euroland structure. This would look to be a smart play, as some of their factions agree on this, especially so when gold makes it's initial run against all paper money, the Euro included. By converting a large portion of their gold (per the sell portion of the "Washington Agreement") into Euro reserve assets, they would still gain all the benefits of a gold
reserve that helps value a world reserve currency. And do this without killing their foreign trade (outside EMU) as continuing to use the franc would eventually do. We have to look at the direction Euroland is going to understand.

Look over here:

ORO, this is in the "for your eyes only" file.
Like this: Basically, the Euro structure is heading for
using the "free market" to value physical gold. By holding gold as a "free reserve asset" and not an actual "currency backing" asset, gold can be used in nation to nation trade settlement without damaging the money supply. In reality it is reborn as the true world class currency it always was
and independent of government treasury issues. Governments can manipulate a "paper gold" market, weather it's working as a "gold exchange standard" currency system or our present gold market. However they would not stand a prayer of a chance of working a world "free physical market". Especially the colossal "wealth money" reserve market gold would become at very high prices. In this respect it would dwarf the current trading of US treasury debt.

This is an enormous advantage over the old gold standards because, back then any country that ran a trade deficit found it's domestic money supply being drained. By treaty and international protocol if gold was shipped "outside", the local central bank had to drain cash or print "unbacked fiat" to cover the void. This process was required because each cash unit was backed by a fixed amount of bullion. The dollar at $35 / ounce as an example. This was suppose to tie the governments hands and force them to speed up or slow down the economy as the flow of gold dictated.

In reality, the in and out flow of gold worked havoc with national economies and produced boom and bust cycles. As above, rather than controlling the inflation of local currency supplies, the banks just printed money anyway and were later caught short the gold. Soon enough the
contraction arrived, even during an economic expansion built upon the real wealth of good productivity advancements. This rigid control, imparted by "fixing the gold price per currency unit" did not allow for a "higher gold price". Truly, as technological advances moved "real" GDP forward, gold should have reflected this "wealth gain" by rising somewhat in price and value as the local currency was static in price inflation. And this rise in price of gold should not have been viewed as a future price

inflationary signal, as indeed it was so often the case. If gold was allowed to rise, the currency was viewed as being devalued without taking into consideration that the local economy had produced greater domestic wealth using it's advancements. This was the main reason behind the political evolution away from gold money. Countries more so manipulated gold (even into this day) as a way of protecting their currency values instead of working their money supply to match the technological and intellectual growth of their people and infrastructure.

Truly we see some of this demand today in the US. In spite of it's failing inflated dollars and the bloated world debt liabilities that come with it, investors attribute more value here than simple money policy could represent. A product of the modern need for digital settlement. Yes, if the currency is really hard, then production advances should "Lower" the local prices of things, not remain static. As such the fiat dollar is not "hard" and we have massive currency inflation hidden in static inflation indicators as the technological production advances cannot offer lower prices. Yet again, the need for an expanding digital currency to settle trade in this fast modern society is seen in the present demand for worthless fiat money. All of our modern advances would fail if we continue to use only digital currency without a "wealth money" trading in the background. This is /was so because there is no means to sepperate "good currency inflation" from "bad currency inflation" based upon modern advances. As such, a world reserve money based on the political needs of one society (the US), was abused as it purchased a local lifestyle based on debt, not hard work and good thinking.

Yes, a circulating "gold wealth money" will drive "fiat digital money" from circulation if they are denominated as the same. But, by allowing them to "compete" in free trade, gold would compliment the "Good" expanding digital currencies that are based upon "true economic advances".

Had money supply risen only nominally while the free trading gold price rose 2x nominally, purchasing power would have been retained in gold using it's old store of value function while the need for more digital currencies to transact advanced trade was utilized. Good inflation based on modern use! You see, our high tech world has given modern digital currencies an intrinsic value that gold, "trading in a gold standard" cannot represent today. As such they (digital currencies) must trade against physical gold in a format of the "Old World" wealth currency it used to be held for. Not be locked to each other.

Onward: for another view of the same mountain:

By allowing gold to seek it's historic money use value in a free physical market, it retains it's store of value function and use as an asset for some trade settlement, be it official international, commercial or private. In this function it still holds it's "honest weights and measures" (thanks Mr. Parks of Fame) use in evaluating national currencies. Of course it must regain a new natural money price level first, but after that every currency will be measured by the economy that it's money represents to see if it is holding "advancing productivity value" by comparing it to gold. High speed computer trade settlement and the bookkeeping that follows it will still impart the need for digital currencies, but in this format they would be truly free to represent the economic dynamic of each nation. Even during a rising money supply, some currencies may advance in value.

Further:

For better or worse, this is the road ahead as the Euro becomes the first multinational digital money to be held in a "modern world" reserve currency system. No longer tied to the political pronouncements of one government as the needs and conflicts of many diverse peoples will be represented. Initially, gold will rise tremendously as it regains it's "wealth money" reserve function in the eyes of private and official sectors. It has been so long sense gold was really held independent of currencies as an international currency, it's rarity will require a "reprice" (or revalue) into the many thousands in current terms. As a "world wealth money" that returns from ancient times, the need and demand for
gold would be "unlimited". So too will be the use of gold as it must partially fill the voids of massive defaulted debts, inherent in our now failing dollar world.

This first run will be a benefit to Euroland as they will be called to cover the needs of many other nations that once depended on dollar based assets. But later, the world will have a reserve currency and gold to trade with and against each other. The Swiss must free up their gold by selling it for Euro reserves (in a round about way, I'm sure). In the end, weather they join the EMU or not, the ECB will eventually absorb most of the "need to sell gold" as stress becomes apparent. This settlement of many of the Euroland gold loans in Euros, will not in any way make gold less valuable. Indeed, it will keep gold liquid in the face of an initial "lock up" in contract settlement.
In the end, GATA will be proven right about the manipulated marketplace. I'm sure they will be in the middle of this as the court action begins. Still, all in all, it's strange how a new faction is now manipulating the marketplace into a "free status" to benefit them. What effect this will have on the gold mines located in the lands of the losers is another tail. We shall see.

tg, I hope this answers your question (smile)!

I will return later to make some of the older replies.

Thanks FOA

FOA (10/30/99; 18:22:13MDT - Msg ID:17930)
Reply
Some old items:

Al Fulchino (10/11/99; 21:18:37MDT - Msg ID:16107)
FOA///Post War Gold?
FOA? When you get a chance, I feel it is always appropriate to look further along in the chess game. I am nowhere near your understanding, yet I am also so much further along than I was. I wonder what strategies you see, or scenarios that will unfold, ***after*** this war. You and others may say to me, that I am jumping the gun, not having even engaged the enemy yet. I respect that view. However, it is never to early to realize that there always is another game or series to play. Thank you.

Hello AL,
If you read my #17917 today, we get a picture of what is mostly before us. If you are new to the "goldbug game" it's to your advantage. Far too many "seasoned"

players (traders included) are working this market with an eye on near term profits without considering it's powerful political and
currency potential. I bet MK knows this well from his many contacts. Just look at the ongoing "long money" destruction in the gold options markets. Truly, these gamblers do not know who they are dealing with. Yes they can move in and out with profits on the spikes, but they never tell us the "net
out" trade over years! Was it a sudden shift in jewellery supply and demand that stopped gold .50 short of $300 and my profits? Has to have been as no one can control gold! Oh right! One can get a better return at playing a paper game like blackjack with less risk.
As this "market destruction" process moves into better view, the swings and manipulation will only increase. Oh yes, just as in Rome with the last merchants still trying to convince the newcomers that there was unrealized value in local property; so too will options and future players
show us how to "work this move". Eventually, no one will play the game and it will end there with a whole world of investors trying to collect what they never had. Indeed, many will be happy to just get back what they had!
Just as in the past, some said that the future belonged to the dollar and not the British Pound. It's the same today with most of the developing nations seeing that the Euro has a much better future for their people than the current dollar system. It's all unspoken now, but later "visible walking assets" will create a clear trail. The actual proof is being driven home almost every day by the IMF dealings. Anyone that is plugged into the pulse of the "quiet crisis" that is out there knows where this is going.
To answer your question:
Here is how it was told to me: "If one wants to take advantage "after the war", he must be unleveraged in every way, today! Major currency transitions have a way of killing both long and short leveraged plays. No one wins in paper, not because they were right or wrong on direction, it's
because everyone runs from the marketplace. For local Americans physical gold will be the very best even if it eventually attracts a higher tax rate than other investment classes. It will still "net out" well ahead of the pact. Holding Euros will only benefit if you are going to have a second house "outside" or are travelling the world. If you are substantial and want to invest in Euroland later, a
commercial account on the continent will do well."

All this talk about riots and blood in the streets if gold rises is rubbish! Gold will gravitate into another "competitive currency with a much higher value" just as the dollar competed against the mexican Peso. Yes, citizens will lose money, go crazy, fire their political leaders and act as they always have. But, then they do this now without a crisis.
So AL, for me it's Gold, Euros, 1% silver and some of Goldspoons platinum to save face at the forum! (smile) When the dust settles, our families will gain just as other third world families were ahead holding dollars instead of local money.

I'm sure we will address this again.

Thanks FOA

FOA (10/30/99; 18:25:28MDT - Msg ID:17932)
Reply
Some old items:

Cavan Man (10/22/99; 06:33:57MDT - Msg ID:17161)
TC 17134 (and FOA)
RE: Saudi Arabia

Could another "income source" possibly be gold? In the coming transition away from the US/IMF, could Saudi Arabia become a major international economic player; this in addition to their history of recycling petrodollars through international banks as detailed so well by Aristotle?

Hello C Man,
That is a brilliant observation and one that will be the topic of future discussions as this progresses. Please keep it warm on the "back burner".
FOA

FOA (10/30/99; 18:28:56MDT - Msg ID:17933)
Reply
Atahualpa (10/29/99; 18:37:11MDT - Msg ID:17857)
Question for FOA
Hello from Peru, FOA. I will be quick and to the point. Over the last year or so, peruvian private pension funds have accumulated shares of a local unhedged gold producer to the point of making it the largest single equity holding in the whole fund. The strategy has worked out beautifully so far, as the returns have been great. However, in the past few weeks, your misgivings regarding the paper gold market have been nagging me relentlessly. Do you think it would be a good idea for the pension funds to lobby the local authorities and press for physical gold to be included as an
investment grade asset class ? Do you know of any similar experiences ? Thank you in advance. I have learned a lot from you and this Forum, even though I have not participated actively. I dropped by on times to reinforce some concepts learned over the last year or so.
` ` ` ` ` ` ` ` ` ` ` ` ` ` ` `

Hello and welcome Atahualpa,
Are the pension funds part of or are important to the governments economic well being? If so they may already own "physical gold"! Get my drift? Truly, governments may make use of any advance in gold value by taxing the added value as it is mined. Perhaps returning the taxes as benefits to the local pension funds. Follow the recent Ashanti situation for direction.

Gold mines will be important to governments that are on the changing end of the Euro / Dollar action. It's a far easier political proposition to tax the mines for revenue as you placate the citizens by letting them own "savings gold". It's just the way the world works. Indeed, some countries may encourage mining "untaxed" as they tie themselves into a trade status with Euroland. The recent trade agreement between South Africa has all the earmarks of such a situation. By no means definite, it is encouraging.
Investors that now recognize the current gold market manipulations and still turn a blind eye to future gold mine regulations are in for "Another" rude awakening.

Thanks for discussing FOA

FOA (10/30/99; 19:04:46MDT - Msg ID:17935)

Comment

Simply Me (10/29/99; 1:22:51MDT - Msg ID:17794)
THX-1138
"Wasn't it just a couple of years ago (or is it still going on) where Brazilians were spending their money as fast as they could before they devalued?"

That's how it was in the U.S, too...in the late '70s. Only the cause was inflation (inflation/deflation...seems to have the same effect on the working man's paycheck). In those days (oil crisis days/skyrocketing gold and real-estate days), you got your paycheck and immediately spent it because, with prices going up every week, saved dollars would only buy less in the future.

I'm not just reminiscing. If a $30,000 price for gold is half gold going up and the other half dollar coming down, we're in for those days again...and maybe worse. Physical gold, silver, and maybe real estate (maybe some highly sought after antiques, art, numismatic items)...will be the only value holders again.

Hello Simply Me,
Yes, gold went from $35 to $850 or up 24 times. What you offer above was the result. So, what if gold rises some 30 times during the next five years? Same effect, no? I submit that this time, it will not go down again. In fact, it will rise further as the world elects a new reserve currency.
Will the US no longer protect it's interest in oil or other arenas if this happens? If they don't, someone else will and things will only be worse for the US economy. No, our current lifestyle has a long way to fall before it becomes "more normal". So you won't be able to buy your running shoes for $125, that are made in a 3rd world country for $5.
SteveH once said that I talk my pocketbook. Well, perhaps it's the more realistic position than "talking your current lifestyle"? Real life feelings of national peoples create the trends, not the paper opinions of traders. Let's watch how this works out "on real terms".

Thanks FOA

Be back next day, more old replies.

FOA (10/31/99; 18:56:22MDT - Msg ID:17990)

Comment

TownCrier,
That is some good point you are making!

TownCrier (10/29/99; 19:33:12MDT - Msg ID:17861)
-----the CFTC should treat financial futures [such as those for Treasuries] in a fundamentally different way than futures based on metals, agriculture or energy." ---
-
----that financial markets did not rely on financial futures for price discovery---------
----Clearly, the case is clear that the aforementioned real underlying assets, including metal (gold), DO rely on the futures markets for price discovery.----
---
TC,
Everyone should read your entire post to grasp it's full impact. I took part of it to

create an image.

Slowly, everyone is coming around to understanding how our gold markets got so far off track. The official determination of what constitutes "buying and selling gold" never started this way. In the beginning gold was wealth and people traded it as money. Jump ahead to the US timeline and we see currency a gold loan that didn't pay interest as it was the US dollar. You loaned your gold to the treasury and they gave you a contract stating that your metal was held until asked for. Your contract stated that 1/35 ounce of gold was owed you, on demand. Because no one asked for their
loan to be repaid, the treasury just kept creating more loan contracts even though there was not enough gold to repay with.
After this "gold loan scam" went bust around 1971, they went back to using real gold again. The government allowed trading in physical in the US just as it was done in the rest of the world prior to this event. Then someone used the gold fabrication industry as evidence of a "need" to create a US futures market so suppliers could paper hedge risk. No need to make the point that this paper market was of little need as the gold industry had worked well for thousands of years without it. Indeed, another form of gold derivatives was just born. The gold market was destine to evolve
again as the distinction between trading real bullion and betting against someone on the direction of the metal's price movements became one and the same. People accepted that a gold derivative was just as good as gold as the pre-1971 dollar was. We came full circle.

How could we now expect modern traders and investors to mentally see that our modern "gold derivatives" were not the same as bullion when they viewed Comex futures and options as buying real metal in paper form? Today, investors see the "intent to supply gold" (a short) as bullion in someone's warehouse. Conversely, they also see "the intent to buy gold" (a long) as the total purchase price in cash waiting in the buyers bank. Both of these perceptions are false conclusions that a leveraged contract is enforceable by law even if the collective total performance is impossible. Just as the US dollar could always cover some gold conversion demands, it's credibility was destroyed when full conversion was asked for. This is the same fuel that drives the paper gold markets today, as long as people ask for more new contracts replace old contracts the game physical supply perception works. In like form, just as currency inflation cannot stop as deflation will ensue, the inflation of modern gold paper cannot stop as a run on the vaults will result.

After the Washington Agreement we can see that this entire arena is a house of cards built in the middle of a political currency firestorm that will strain the credibility of these contracts to perform. Eventually, as these market contracts deflate the loans will fail as the physical product it's legally required to deliver cannot replace the total number of paper demands. This house is going to burn along with everyone (long and short) that's in it.

Further to your report:

---That is important to grasp (and is why we repeated it) because there is currently a disparity between the availability-vs-demand of real gold when compared to the abundant trading of "paper gold." When real gold can't be moved adequately at the "paper gold" pricing levels, there will be a sharp adjustment in which all hell breaks loose due to the global scale of the gold derivative markets. Read on...-----

----Traders said that rumours are circulating suggesting that central banks, especially the Bank of England, had been lending more gold to the market in the hope that lower lease rates would keep the prices down and help producers to cover positions.----------
----With the Bank of England in the midst of a series of auctions, all circumstances and developments reveal clearly that their goal was not to garner the highest price for their gold...to convert a "sterile asset" into a great number of dollars, euros, and yen with which to draw interest.
First, you already know that gold can earn interest. Second, the pre-announcement of the sales was a sure-bet to shake the confidence of gold-holders with the hope of stemming demand and dropping the price. And third, now you see reports of them lending in the hope to lower lease rates,
which in turn is hoped to keep prices down. Does this sound like the actions of an entity that is looking out for an interest to gain the best possible return on an asset that is being auctioned? Say it with me now...."No!"-----
--------when the wheels come off of this gold derivative market, the only position you will want to have is gold in hand. The dollar itself will slide right along with spurious gold contracts as it will be the denominator of those failed contracts. Oh, sure, more dollars are better than fewer dollars; but gold in hand will be better than any amount of paper that tries to play as its suitable substitute.---
---

TC,
Someone is trying to keep perceptions going that real gold is in good supply, even if it is loaned gold. Look at MK's report:

USAGOLD (10/29/99; 9:57:36MDT - Msg ID:17807)
MARKET REPORT(10/29/99):
------...Several weeks ago, gold bears cited the lifting of a Russian export tax on precious metals as good reason to sell the metal. That tax was extended for six months yesterday with no comment by the anti-gold group frequently quoted by the mainstream financial press.---------
---

Thanks Michael,
I posted right after that announcement that the Russians were the best gold traders in the world. Did anyone believe that they would Preanounce their lending gold so as to drive the lease rate down for their own loss? At that time the rates were way up as all the major players were still using
the public rates. They truly needed someone to scare some business into a "let's work this out privately position". The Russian statement did the trick as rates retreated, but it didn't cancel anyone's liabilities because no gold was loaned.

As TownCrier makes obvious, this huge paper market is in real stress and the signs are leaking out. Now look at the Cambior news as posted from SteveH #17867:

MONTREAL, Oct 29, 1999 (BUSINESS WIRE) -- Cambior Inc. ("Cambior") announces that it has reduced its gold hedging position by 1.3 million ounces. This reduction, made with
a view to improving its aggregate hedging position, results from the purchase of one million ounces of gold (the "Purchased Ounces") at an average price of

approximately $300 per ounce and from the closing out by counterparties of other positions totalling 300,000 ounces. The one million ounce purchase was completed primarily through the bullion markets with the assistance of various parties to the recently executed standstill agreement (the "Standstill
Agreement") among Cambior and its lenders and hedging counterparties (collectively, the "Financial Parties") . The terms of the Standstill Agreement are summarized in a press release issued by Cambior on October 27, 1999. ----------
---

I have to ask the question: In today's context of what "gold is", does anyone know exactly what they did? Did they actually borrow that much physical gold to initially create this deal that went bad? If so was the money created as the "gold was sold for the loan" still waiting in a bank. If not, where did they get the cash to buy the new 1.3 +/- million ounces? Did the gold that was now purchased, come from a "new borrowed deal"? If so, who owes physical to who now? ---more from the SteveH post----
---

The above mentioned purchase and close-outs are expected to generate a net crystallized liability for Cambior of approximately $33 million which will be reflected as a non-cash, pre-tax charge to earnings for a corresponding amount in Cambior's consolidated financial statements for
the third quarter.

Under the terms of the Standstill Agreement, the above-mentioned liability will be treated as a demand loan to Cambior by the Financial Parties. The determination of more specific repayment arrangements will form part of negotiations with the Financial Parties under the Standstill Agreement regarding the elaboration of a plan for the orderly fulfillment of Cambior's obligations to the
Financial Parties over time (a "Definitive Plan") .

In the above, if a "net crystallized liability" is the same as the "liability will be treated as a demand loan to Cambior", then who covered the real gold cost and who is in debt now? Or was the first above statement
---
"from the purchase of one million ounces of gold (the "Purchased Ounces") at an average price of approximately $300 per ounce"
---
just the buying of "paper gold ounces" to settle a physical problem with a new "bookkeeping problem"?

Truly, every investor should follow these deals gone bad and ask questions so as to understand what they are really doing. In the case of Cambior, I need someone to clarify it to me? If all the counterparties cannot clearly identify whether they are working to settle loans with "real physical
gold" purchased without liability, then investor assets may start walking. When someone says they covered a hedge, the company owners (stockholders) need to know if it was a paper hedge covered by trading more paper or was a new gold loan used by a broker to supply the cover.

Just as TC pointed out above, why does the gold price need to ne so low for the conclusions of contracts based on physical metal in good supply? Indeed, in a free

market everyone must lose a little money on both sides, right? If it's not free, investors may just start walking from this whole paper arena and begin to buy only physical. Or is that the reason the major market makers are so quiet.

In the case of our modern gold markets, I ask the same question that Robert Redford asked in his movie "Three Days Of The Condor";
-------"Why is everyone so shy?".----------

FOA

FOA (11/1/99; 22:02:01MDT - Msg ID:18115)

Comment

Strad Master (10/29/99; 12:54:43MDT - Msg ID:17827)

Mr. Master,
Thanks for the information about your Strad. I had heard some discussion between friends that sounded incorrect (they did not own one). Your experience is more believable. While I do not play, have owned one of, if not the oldest Stainers around. A real one in a world of fakes. Did not buy it as it was a private gift, papers and all. It doesn't have the sound of yours but for me it's was just as valuable from the spirit it was given in.
Good thing you did not sell yours as it certainly is like the rarest of gold coins. Such wealth is always in demand. Usually people imply that it is useless to own gold or art works during bad times. Yet history shows that even in the worst of it, wealth appears and investors bid for rare coins, art works and yes, old violins! Someone once said that "when dreams are lost, real life is our only dream". I think that to live life in reality is the most unattainable dream for most. My friend, your strads fine sounds are a wealth few can know
No need to send your concert as I have heard it as a songbird on the wind. You no doubt know your ageless strings have sounded many times and such beauty never leaves this earth. Thanks so much for the offer. FOA

FOA (11/1/99; 22:04:23MDT - Msg ID:18117)

Reply

Canuck Gold (10/30/99; 22:41:40MDT - Msg ID:17946)
Reply to FOA's post #17669
Hi FOA. At last I have some time to flesh out my response. You wanted to know why I think there is not enough gold around for it to become a "viable alternative". I meant as payment for oil and I'm assuming you realised what I meant and we are talking about physical gold.

Hello Canuck Gold,
I was able to follow all of your reasoning and assumed you have read most of the background writing here about this subject. Still, there is one area that is making your calculations suspect.

Here in this part:
------(In my initial post, I made reference to the intrinsic value of gold. I also believe there is an intrinsic value for oil and I would find it hard to believe that the values of gold and oil could diverge to allow the ratio-----

CG,

I consider the "intrinsic value of gold" to be found in it's "demand usage" as "wealth money". Something no one has been able to observe in modern times. Today, gold is worth far more than the value of one man's suit, as is often proclaimed. Mr. PH in LA offered a fine post about this
some time back.
Considering the modern advances in today's world along with it's massive population, one must grasp the enormous "unlimited" demand gold would have if it became a "background currency". At such a price there would more than enough gold wealth to settle trade of all kinds.
In like concept, people settle debts using the wealth contained in their stocks all the time. They just don't spend them as money. We do not find anyone using them to buy gasoline.
Like this:

""How much for the fillup? Ok $25, let's see here. I have one Microsoft share in my wallet and two IBMs. Shoot, I didn't bring any smallcaps or penny shares to make change. How about if we just use this dollar digital currency, all right?""

You see intrinsic value is found in demand and demand is a function of use, need and the retention these functions demand. In many third world countries today we can find people using their local currency as a sub currency of the dollar held in the background. It's a demand precedent
already in place that demonstrates how the demand for gold will be created.
So, please recalculate your position using gold in the many thousands. I think it does work.

Thanks for the reply,,,,,,your thoughts are an education for me FOA

FOA (11/1/99; 22:07:02MDT - Msg ID:18118)

Reply

PH in LA (11/1/99; 14:40:20MDT - Msg ID:18054)
Are they "Back in the Saddle Again"?

PH,
First, I didn't thank you for the compliment given me the other day because your support was too much. Truly, I'm not very tall (smile). Your reading and writing is more than enough. Thanks so much for all you do, my friend.

In the Saddle?
With 17 Bullion Banks being forced to fund standstill agreements from their own capital, you ask

-------"Now we see that they are seemingly back in the saddle again". ------

No, they are still on the ground. So too are many other deals that the public cannot see. Truly, the price of paper gold does indicate the structure it's built on. The dealers are now largely working a vacant market against themselves. I said all along that the marketplace could go way up or (as Another pointed out recently) way down in violent swings from paper plays. We will see $360 or $400 and perhaps $200 in between. It's all meaningless because the bullion that must eventually be used to fund the contracts is largely gone. They didn't offer new airstrip improvements in K land because gold was flowing so freely.
We are entering a completely new era in pricing gold, but first the old system must

die. The XAU is evidence of this as it has returned all the way back to where this rally started. Strong equity values in the gold industry require a stable marketplace to price their product. The wisdom of sharp investors in the XAU is seeing a storm in the making. They will discount the business value of the mines as a result. Even the unhedged mines are sliding. Look at silver, it didn't even retain a small bit of this advance. Indeed, silver always tries to coat tail gold, but it can't ride this new beast today. Physical gold is the only way to retain wealth as this process proceeds. If long leverage
traders are lucky (and I hope they are) some event will break the system while it's on the next default spike. I did not think supplies would last for the small bullion trader, yet they still are available without a large premium? I would not count on that lasting much longer.
Anyone that isn't buying real gold and holding it until after this market fails, will be mentally whipped to death. It's that simple.
The ECB have cut the dollar gold marketplace off short. That did not mean they would jump in the middle of it and buy all of the LBMA paper gold so traders could be made whole! Why, pray tell would they do that? No, they will let the system cycle between "selling down paper and the
false price it represents" and "burning up each others capital with each new, more costly default"! Higher highs and lower lows, all occurring in an ever expanding crisis. Even watching as these market creators hold certain price levels as option expire to their advantage. That's how a paper contract market loses it's credibility until it completely fails. I suspect that reserve gold flows
between CB will be stopped as this gets more volatile.

Further:
Soon enough, we will look again at that chart I posted showing the dow, the dollar and gold. Soon enough, it too will begin to register the strains on the system. I think someone here posted that the dollar would rise with gold as Another (and I) once stated. No, those opportune days are
long gone, now. At best, the dollar will try to keep up with the Euro, but I doubt it. So PH, what does one do when prices run wild? There is a whole theatre of players out there that will try to tame this beast. Let's watch the entertainment for a while.

We are on the road,,,,,,,,,,,,,,,,FOA

FOA (11/2/99; 4:43:50MDT - Msg ID:18151)
News
http://www.thisislondon.co.uk/dynamic/news/business_story.html?in_review_id=224183&in_review_text_id=174200
The lending gap that brought grief to gold

by ANTHONY HILTON City Editor

The turmoil in the gold market is a classic City row. Nothing is visible on top but the most furious and bitter dispute rages just below the surface. Occasionally it becomes more visible, as when yesterday three European gold producers wrote to the Financial Times demanding a statement from the Bank of England on its attitude to gold and the
gold market. The Bank typically had nothing in detail to say but it nevertheless is just the latest sign that producers of the yellow metal have become seriously fed up with those who prefer simply to deal in it.

It does appear that the degree of speculation in the gold futures markets had reached quite astonishing levels. The dealing report of the London bullion market for September, for example, says: 'The average net daily clearing turnover in London rose by 2% in September to 37.1 million ounces (1154 tonnes), the highest level this year.' In isolation that figure may not mean much, but when you remember that annual new mine production of gold is about 2500 tonnes a year, it means that total production of all the world's mines is sufficient to keep the market supplied for only about two and a half days (yes, days) of trading in the whole year.

Alchemists tried to turn base metal into gold. Modern-day rocket scientists seem to have turned it back into paper, or perhaps just an electronic blip on a screen. But by any measure this is a vast amount of derivatives trading to be supported on such a small physical base.

Perhaps to get more supply, but more likely just to turn a profit, most of the world's gold producers have been bounced by the financial community into selling their gold production forward, many on a quite heroic scale - not just Ashanti, which is now in trouble, but right across the industry.

The counterparties to these deals are financial institutions - some like Chase, which has doubled its position in the gold derivatives market in the past 18 months, some like Goldman Sachs, and some like Long-Term Capital, the hedge fund we were led to believe has been looking for safe investments since its debacle last year in Russia.

What caused the turmoil in the market, therefore, was not the decision by the central banks a few weeks ago to stop selling gold. Rather it was their decision to stop lending gold that caused the huge rise in price and, of course, has left a large number of those short of the metal with no mechanism to deliver on their commitments.

It is also increasingly clear that this problem is not going to go away and runs a lot deeper than any of the authorities are prepared to admit in public. These shenanigans have devastated the gold producers. There are also several financial institutions rapidly coming to wish they had never heard of the metal.

Economystery

What has surprised me in the falling-out between members of the Bank of England's monetary policy committee is not that they should squabble about the use to be made of the Bank's resources but rather the fact that the Bank has well over 100 economists on its payroll for them to fight over.

With all the economists in financial houses, in pressure groups such as the CBI, in City boutiques, in organisations like the National Institute or the Institute for Fiscal Studies, and in the academic world, there is surely quite enough research already into the various aspects of Britain's economy. Particularly given the flakiness of the statistical data and surveys that provide the raw material from which this mountain of opinion is constructed.

Indeed, if the independent members of the MPC read even a tenth of what is routinely produced every month, it would so overwhelm them that they could not

possibly harbour thoughts of adding still more bumf to the pile.

The one law of economics that seems to hold good whatever the circumstances is the law of diminishing returns. So if the Bank were to increase its complement of economists, the extra resource should not be expected to lead to a corresponding improvement in the quality of economic thinking. Indeed, one might even argue that if there were fewer economists feeding into the MPC it might make better decisions, and fewer of them.

FOA (11/2/99; 5:50:52MDT - Msg ID:18153)

Comment

Solomon Weaver (11/1/99; 22:21:10MDT - Msg ID:18120)
price of oil (energy) and gold.
FOA
------Gold has an immense above ground reserve compared to yearly production (about 60 years at current demand), as well as significant below ground reserves. Oil has little (maybe 6 months at best) above ground reserves. How does this fit your analysis? Poor old Solomon

Hello Solomon Weaver,
I enjoyed your item about the wood stove. (smile) Life is truly an on-going, longterm negotiated affair, no?

Please read all the items in the Usagold HOF, as in there is written your answer. When it comes to our worlds two modern economic reserves, gold and oil, the cost of production does not control their value. Nor do stockpiles have the major influence many traders interpret.

When the time is right, officials regulate the production of these items. The Texas Railroad Commission (TRC) and OPEC for oil and The London Gold Pool and ECB for gold, are examples. We will eventually see the regulation of gold production in the form of output limits and taxing schemes. This will become official policy because the only to truly control oil is by controlling it's real price in gold. A deep subject for another time.
You mention: "Gold has an immense above ground reserve compared to yearly production (about 60 years at current demand)". Tell me, in today's paper gold marketplace, how does one know the true current physical demand? With LBMA trading some 250,000 tonnes a year (yes, it's true. You read it correctly!), if only a bit of that demand became physical due to a breakdown in the marketplace, your 60 years figure is wrong.
Solomon, current wisdom of our gold needs is running far behind the curve. Traders and investors are trying to surf a tiny swell while ignoring the sunammi in the distance.

Give it some thought,,,,,,,,,,,,,,FOA

FOA (11/2/99; 5:52:10MDT - Msg ID:18154)

Aristotle (11/2/99; 2:02:33MDT - Msg ID:18148)

You just get better and better!

Aristotle (11/2/99; 2:02:33MDT - Msg ID:18148)

A semi-rhetorical line of questioning to all

First, the great post by Solomon that inspired my post (I've enjoyed your input to the forum)--

---

Solomon Weaver (11/1/99; 22:38:07MDT - Msg ID:18122)
While I was doing some stocking up, I had the chance to get a palette of rice...100 x 20 lb bags...so, a ton. Total cost, $500. It would have been easier to lose $3000 on a "long contract" in today's market...its all hedging anyway...well the moral of the story is if you want your back to make it through 3 cords of wood, try carrying a ton of rice into the house for training.
Poor old Solomon

The mention of the small cost involved in stocking up on a relatively huge amount of real goods compared with the amount of money someone might spend on gold futures speculation made this an obvious line of questioning. Hopefully, the answer is equally obvious.

If you have a reasonable expectation that rice will be in need at some point in the future, why on Earth would you waste this knowledge AND your financial resources on simple accumulation of physical rice? Wouldn't you be much better served to forego the physical rice purchace, and instead leverage your money through rice futures? You'd surely make a killing from the skyrocketing price when when the rice shortages became manifest.

And wouldn't it be great if you could leverage your efforts on a futures contract for firewood? You'd surely make another killing when everyone else is clamouring for firewood that was never chopped. Clearly, those multitudes must be idiots. There they'll be, paying a premium to obtain these rarest of commodities, when you knew all along that the smart money should get in early on these cheap futures.

And there you'll be, buying a little vinegar and oil to make a nice dressing with which to eat some of your paper profits as a salad, and burning your remaining paper profits for heat.

I would hope that the moral of this story is so obvious that it is unnecessary for me to iterate, but I will anyway, for fear that I've communicated the lesson less clearly than was my hope. MORAL: You may find to your dismay that the cash profits derived on an underlying real asset are a dismal substitute for the real thing. What is true for rice and firewood is true for Gold, too.

Gold. Get you some. ---Aristotle

FOA (11/2/99; 5:54:04MDT - Msg ID:18155)

Comment

Hermit Club (11/2/99; 4:32:57MDT - Msg ID:18149)
Inflation?

Hello Hermit Club,
It would be a long post indeed. I ask you to first find a reference book (there are many) that chronicles the great German money inflation. Then observe the recent and current news items about many of our Asian economies that were wrecked from price inflation.

The recent US inflation of the 70s was almost nothing of the scale of the real thing. Just review all that happened then and increase it by a factor of 3+++. Gasoline at $5.00? That is only the first easy level. It's almost that much in Europe now and they are better for it.

Thanks FOA

Note: I'll be away for a number of days.

FOA (11/11/99; 5:14:09MDT - Msg ID:18894)

(No Subject)

ALL:
I find myself involved in extended dealings that will require more time. Sometimes these things happen? In any event, I hope everyone enjoys the current rebound in gold! As soon as possible, I will read through all of the excellent commentary presented here and offer some of my own.

thanks FOA

FOA (11/25/99; 16:40:30MDT - Msg ID:19698)

More in a few days?

Hello everyone! The best of the holiday season to all.

No, I am not gone for good. This started as time away and has become quite an involvement in the debate over world economics. There seems to be no such thing as a quiet period or place anymore. Have everyone's post's saved and hope to begin reading and making comments next week (if time allows).
Another has indicated he will write again as gold runs through $360 ! / ? I know some readers will take that to mean he will not post again (smile)! Rest assured that this market is only just beginning to demonstrate the realities of our time. Yet, if things continue changing at their current pace, some thinking will come out regardless. I expect we will see and feel Another's posts in a
different light soon.
Great writing, everyone! Thanks FOA

FOA (12/2/99; 18:06:06MDT - Msg ID:20082)

An eye for gold!

After all these days,,, did Another "time" the gold market correctly? No, not for traders he didn't! But, then again, his whole message and proposition was never for a traders mindset or time frame. Indeed, his direction was for simple savers, like you and me. As a conservative group, our
holdings represent the most long lasting, stable assets that presently exist. Such assets collected over a lifetime should not be lost to a world gone mad! Truly, Another's thoughts represent the values held in the old world. For many these are in competition for our hearts against the current facade of economic reality.

We now understand how short-lived the current misconception of money must be. Other fast paced modern investors have accepted that "money was never wealth" and paper currencies need not be real things to represent their savings. Lost on these "educated of the Western world" is the knowledge that "wealth in the form of real things" was the first thing humans traded. It was only later that someone labelled these things as money. As a people we once knew the special value of gold

and held it beside our other tradable property. We held this gold more dearly because it made the best form of "tradable" wealth. In this context, it's demand will remain, as always, infinite. It mattered not if one had one ounce or one million ounces, as gold money was/is but a representation of the real tradable wealth you saved over a lifetime of work. How far must modern gold now climb as it is reintroduced to the world as a new "tradable money wealth"? As far as the unlimited efforts of humanity!

Truly, as gold is once more used as "wealth money", this action will again impart an unlimited value for gold in use. The more we built and created, the greater the gold value must always be in the future. Neither time or new ideas have changed human nature as it seeks to run from the modern uses and valuations of "IOU" wealth. A wealth that was never as great as the dollar said it was. As a system it could never represent a lasting "wealth of nations" as held in the account of "common man". Gold will come pouring in to fill this void.

This coming new level of value for gold is the "proposition" Another presents. A concept that is now being embraced as "something new" for a failing economic system now based upon an over leveraged world reserve currency! Truly, the old ways will not fail those that see through our
modern money fog. Another once put it somewhat this way; Nothing has changed our need for real things as tradable items. And this earth is still round my friends. As I hold my gold for the money it is, traders will work all these markets as they must. With the speed of light they now circle the earth, only to find their future as but one step behind me!

Yes, Another once said that. Differently of course, but an incredible bit of insight it remains. I also accept that most "physical gold" savers will find themselves "many steps" ahead of the "Western trading community" as this plays out. This "long term gold accumulation" proposition was given some time ago, to induce conservative people to begin saving gold "now". At any dollar price, be it $600 or $10! Such direction was given in the face of unprecedented choices from where someone could make fortunes using our modern vehicles. Yet, through it all, the revaluation must come as gold will return as money to represent all of this wealth many times over. For truly, all modern wealth will be directly or indirectly denominated in gold as our dollar reserve fails. To this end, the physical gold holder will stand "one step in wealth" ahead of every worldly paper trader. Weather they trade paper gold stocks or dow stocks, real estate deeds or CDs, in the end their paper winnings will compete with the spoils of all others of "Western thought". These "non physical owners" will seek to buy what gold they can at a price many will refuse to understand. If one made a million by paper investing, he will buy no more than a million in gold. Still, for every new buyer that wishes to escape the old paper world there will be the lowly physical buyer from the past who will already possess two million in gold.

You see, there is a world of difference between saving real money as a "wealth of ages" and trying to trade this world's "paper derivatives". The lasting wealth of physical gold does not have to be "converted" into real things prior to a currencies destruction. It already represents the new
holding everyone will want. The coming "Western" economic dislocation will devastate all forms of assets that are held in "contract ownership". Be they stocks (most gold stocks included), bonds, businesses or savings accounts, etc.; the loss of a major currency will consume most of the equity
these paper items represent. It has happened with every currency ever created and

will happen again with our dollars.

So, the next time you read that someone lost their "bet on gold", remember, they lost because they made the wrong bet. Only a "bet" of "buying physical" over time represents the FOA/A true position.

Another recently said:

"The time? These years be right for ones who save gold. One good ear knows meaning of wind in trees. The leaves come down as seasons change. Fools see falling price of gold as "death of tree", they chase it's price as leaves on the ground. Know you all, it is the season that has died.
Time will prove all things. Ones of simple thought, such as I will save the wood, not the leaf as they buy the gold, not the price! Thank You Another

I will be posting and replying this weekend. Thanks FOA

FOA (12/4/99; 9:50:30MDT - Msg ID:20235)

Notes

Hello everyone! This will be one of many posts I hope to offer this day. I'll be in and out, so my response will vary.

I suspect most of you have been in a casino at one or more times in your life. Perhaps a Bains in Monaco or one of the many in Las Vegas. It was years ago in one of these gambling establishments that an old gentleman once gave me an education about people. He invited me to sit down at his
private spot and observe life "on the edge". Here is what I learned. In some ways it can be seen as a parallel to investing in our modern gold market. I adapted it a little for today's thoughts and actions.

You can discover the most about someone's character when they are losing their money. To a lesser extent we can understand their feelings as they are winning. I watched and listened as one player was winning. He gave advice and addressed how his timing was absolutely to the point.

The short term winner:

" " "All right! I just made 50% on that investment and it took only five minutes. I've been doing this all night, so all you "want to be's" gather around and watch how it's done. Before long, I'll clean them out and be rich. If you watchers are smart, you'll catch my "developing record" as it points out that I know what I'm doing. Done this before, some years ago and I'll do it again. All you other players at this table, give up on those losing hands and follow my lead. As you can see this crowd is behind me, so I must know what I'm doing! " " "

My friend pointed out: This guy had indeed beat the house before and made a bundle. Even though the crown around him was growing large, none of them had watched his play last week, or last year, or five to ten years ago. He was cleaned out several times and will never get all his money
back. Just like our modern markets, the tables are rigged against him. He wins just enough to keep his hopes up. We cannot tell his record by watching the crowd. Watch the pit bosses (monsieur in some classy casinos) and the cameras instead, as

they are "not" focused on him. The house isn't
worried about this type of player, doesn't care what he says and neither should we.

I watched an listened to a player who was losing. I also saw that the house cameras weren't on him either. He addresses his problems in a covert fashion by looking for flaws in others, even the quiet player next to him.

The "I would be right if everyone else wasn't so wrong" loser:

" " " When this thing turns the money will come rolling in. It's just that right now the cards are wrong, the house is wrong, the waitress is disturbing me. Mostly, it's the way this guy next to me is playing the game, that is throwing me off! No wonder I can't win with someone sitting next to me playing so conservatively. He even expects to make a chunk of money, if he ever bets. And has the
audacity to tell anyone that will listen! Hey, don't you know others are watching you! Your actions are affecting them as much as it is me? None of us can win if you keep playing that way. Look at this, not only are the cards coming up wrong, my gold stocks are going down again. Who do you think you are, sitting at this table with "professional" gamblers? Then there is that guy who keeps saying "I don't care, I'm betting more"! Is everybody watching this? No wonder this isn't working, these kinds of people are dragging us down." " "

My friend pointed out: He must be getting killed! Can't change his strategy because he only wants to play his "paper cards". Typical gambler; he wants to prove to everyone that they can win using the "house deck"! People like this keep the modern system going. If you think he is bad now, wait till the others start winning as his hand keeps folding. I've seen this before and it's best to move to a different table before his end comes.

Then there was the simple quiet one at the end of the table. He had not made anything, but his phones were tapped, mail monitored and weird people followed him at night. Six monsieurs stood watch on him as he played and the cameras were well focused on his game. Even though he talked
funny, a few people understood what this guy was about. His actions could bring down the house, even all of Monte Carlo! Clearly, something was very wrong with this picture. I walked to the table and talked. I was seen then as the only publicly known observer that knew of him.

" " " FOA: Sir, I see that your people keep bring in "golden chips" and stacking them on the table. For years, you just sit here and watched this pile grow. Still, you have yet to place a bet.

Another: My friend, I only bet when my play will win.

FOA: Sir, how can you win if you don't play the "paper cards" like everyone else?

Another: I do not intend to play the "rigged paper game of fools". I will bet but once.

FOA: Sir, Excuse me, but you have to play if you are going to win, no?

Another: I will bet only once and that will be enough.

FOA: But sir, how will you know when to bet?

Another: When the stakes are so large the house cannot afford to accept my wager. You see, I will play "my game" in "their house". In that day, in that time they will be the ones that fold. It be for the benefit of this new marketplace.

FOA: But how can you win if this house fails.

Another: Presently, this gaming house plays with their chips and their cards. Not real are these. This action has imparted the false value on the world money many use. The closing of this marketplace will impart a new value on my holdings and the holdings of all that know what is real.
The game I play is the game "ALL" win! It is "the good bet", yes?" " "

FOA: I get your drift, my friend. Let's stay in touch as I want to follow how the politics of this plays out.

Another: We watch this new gold market together, Yes?

FOA: Yes!" " "

My friend in the booth pointed out when I returned: Did you notice how he didn't get excited or mad as the value of his chips went up and down. That's because he is not betting yet. Everyone that hasn't taken the time to talk to him thinks he's nuts for building that chip pile. They think he is losing his shirt while waiting to bet. Still they are being taken to the cleaners as the "house politics" keeps
changing the card game right under their nose's. Don't think for one minute that this guy works alone. There is a huge amount riding on how this plays out. The rise and fall of nations are being bet on that very table. What a game of human interaction this is. All the other players at the table don't know that this old, little man controls whether they even have a card house to play in.Hope you enjoyed my view from this seat, FOA? "Yes I did. Hope to return in five or ten years, say 1999 or 2000, and visit again.

later FOA

FOA (12/04/99; 14:44:17MDT - Msg ID:20256)

Reply

Bonedaddy (12/04/99; 13:07:01MDT - Msg ID:20249)
FOA, If I may....ask of you.... a few philosophical questions?
What gift is it, that allows us to see our mistakes clearly in retrospect, while we remaincompletely blind to them as we walk the path to distruction? Blind to the point of becoming angry, if someone dares question our present direction? Could it be that there are certain unalienable truths? Certain rules that guarantee consequences if broken? Is wisdom truly born from pain? If you are indeed wrong in your prognostications. I will not begrudge you for your error. I see that your frame of reference is not that of these present halycon days.

Hello Bonedaddy,

Halycon? Indeed, these times will seem as such.

-- Alky-one, the daughter of Aeolus (god of the wind) was sick over learning that her husband had been killed in a shipwreck. She threw herself into the ocean and was changed into a kingfisher! The Greeks figured that she built a nest on the sea, every year around the solstice. So, for a time
every year the seas were still"--

No, bonedaddy, the tranquil, halycon times we now experience will not last. Modern gold bugs search for financial refuge during these smooth times and find themselves in a tempest not of their making. They chase only the price of gold and find the ships they choose to sail upon being sunk on calm seas. In their anxiety about the future, they listen to the siren song of leverage. They board the very vessels that offer the least in stability. As Another points out, Westerners buy the price, not the
gold.

They see the trail we discuss and follow only half the map. Then, when the "price" of gold fails, they visit their bitter venom upon us. Not because we were wrong, but because they want to follow their old charts.

But, how does one talk to a group, yet address only a concept of simple spirit? Buy the gold and forget the price. The present marketplace for gold does not establish it's value, only it's dollar exchange rate.

We are "on the road". The process has begun. Many once solid BB's are in trouble from this first strike. The Europeans have withdrawn and left the marketplace to drown in a flurry of "paper gold IOUs"! Eventually, the larger scope of this political game will assert itself. That being the dragging down of the dollar from it's "reserve currency" perch. But, before that must come the end of our present price making system for gold. This destruction may show itself in many faces. Here is where the "old gold bugs" cannot quite grasp it.

One of the "unalienable truths" that you speak of is that one cannot own what he does not possess. The entire dollar/debt economy is built on the exact opposite of this concept. That being, "if you hold it in contract form, you possess it's "physical equivalent". This can be extrapolated to include US stocks, treasury debt and even dollars themselves. The American Experience says that one only need to hold the "right to buy something" for such to be counted as real wealth.

This wholesale acceptance of "fraudulent wealth" has lead an entire generation of "Western workers" into saving nothing and thinking it's something! Once any tiny part of this concept is broken, it will call into question the validity of the entire "paper asset" world. Break the gold market pricing system and you will break the dollar. Break the dollar and the complete dollar based business system is market to the market. A marking that brings currency pricing in line with "on the minute supply" of real things. Not the price of things I can get in six months. The resulting dollar inflation will wreck the ability of most businesses to function at a profit. The gold business included!

This is why our present dollar based gold market does not and will not accommodate gold investors outside the physical market. The Washington Agreement has unleashed a paper flurry of gold IOUs, all running from account to account. Running just ahead of the accountants before these
contracts are market to the market. The next "equity killing" gold run will soon destroy another batch of BB traders before the paper price plunges again. A vicious

cycle that will continue with wider and wider swings. $100, $500 then $1,000 swings until the LBMA stops all fixings. All the while these moves will drain the equity premium from every mine stock until only the fully unheadged retain any value at all.

If you think our poster's comments were rough on me, wait until others start getting hit "Hard"! These people hate what we have to say because it destroys their investing world and therefore there professional record. As my friend said in my last post, ""Can't change his strategy because he
only wants to play his "paper cards". Typical gambler; he wants to prove to everyone that they can win using the "house deck"!"" I add that it's a deck rigged against most "gold industry" investors. Another said this long ago and he "WAS NOT WRONG". This entire industry and marketplace is
going to fail!

Bonedaddy, I offer a truth that most don't want to see publicly written. Not because of their concern for other's accounts, rather because it opens too many eyes! When all your money is on the wrong horse, you don't want to hear someone talking about how it's going to die. We shall see.

Thanks FOA

FOA (12/04/99; 16:31:54MDT - Msg ID:20263)
reply
Leigh (12/04/99; 15:34:26MDT - Msg ID:20261)
Question for FOA

Hello Leigh,
You know,,,,,,,, I have thought for some time that the whole issue of gold confiscation keeps being dragged out to serve special interest. It always comes across with background overtones of: "Americans don't need physical gold, so why bother with the worry". Usually the paper pushing brokerage industry and miming industry enjoy using this angle so as to sell their product.

Like this: " " "it's the foreigners that need the real gold anyway, so let's use their problems as they drive the market higher. That will benefit our paper gold holdings and we gain without thinking about government law changes" " "

See where I'm coming from? Truly, the last time the US called in gold, it was because they needed it to square "official bookkeeping" and create new banking reserves. This happened because we were on a "fixed gold price standard". Had we not been on this, they could have just raised the gold price to $100 without calling any in from the public. It would have achieved the same reserve effect. Honestly, foreign governments did not credit the dollar as worth more because the US robbed gold from someone to pay it's debts?

Then we have the precedent of 1971? Now why on earth would we now take gold from our citizens when we just denied delivering it against the dollar? Because, you say the new price today will be so much higher. Well, they could have marked their gold to $1,000 in 1971 and still not delivered it against dollars. It would have created the same reserve increase the IMF is doing today.

You see, the whole song and dance is about dollar supremacy. If in the near future

the dollar reserve function is degraded, the US will have no reason to grab gold from anyone. Hell, they could mark what they already have, market to market. Say $8,000??? Those that run the US political
machine will be under the same gun as you and me. Just like a failing Russia, the leaders will be getting their hands on all the gold they can buy and shooting down all laws against
private ownership. Let's face it, they won't be able to ship it overseas (foreign exchange controls) so you can bet they will want a good free dealer market for physical: "right here in the go old USA for the benefit of the voting citizens ".

Leigh, the big Western money is going to run for physical as this unfolds and they will be paying up for it with inflated dollars. At prices none of us will understand.

My take on it,,,,,,,,,,,thanks FOA

FOA (12/04/99; 17:18:48MDT - Msg ID:20265)

Stranger

TownCrier (12/3/99; 22:45:13MDT - Msg ID:20205)
Town Crier: Your following note is right on:
"""these discussions should focus on sleuthing out the various intrigues of gold rather than the identities or moral character of other posters."""

To ALL:
I want to thank every person that has come out in support for "civil conversation". Thoughts can never be discussed in an atmosphere of disparagement and personal attacks. Human nature has always set us on the road to warfare without rules of conduct. My only open attack came in self defence after a departed poster accused me of "fraud" several times. Presently the Stranger displayed all the signs of using degrading remarks when intellect was in short supply. It's the old "I'll shout him down until he shut's up". This has surfaced several times. It will return again when least expected. Maybe it will be sent in someone else's direction and hurt their efforts equally?

We all post here at the expense of time and energy and no one wants to have "volunteer" work destroyed. Rules build a civil world and allow the thousands of lurkers at this site a good experience. I say, let him post through someone else or from under another computer site. Mine and Another's thoughts are free, simple and clean for each to interpret as they will. I have no need to remain and debate a rude person who makes commits at my expense. Especially on this stage.

Thanks FOA

FOA (12/04/99; 18:02:12MDT - Msg ID:20271)

Reply

lamprey_65 (12/04/99; 17:11:13MDT - Msg ID:20264)
Gold Marked to Market

Hello Lamprey and welcome,

The latest discussion I have received?

This IMF action was political money warfare at it's finest. The US faction fought for all

they were worth to reverse this. It's a major blow! Even though the US dollar group still control the marketplace price for gold, they cannot stop the official revaluation of national holdings. Now that the IMF deal was forced through, these national holdings are free to be raised without "marketplace price settlement"! That is the key from which the ECB/BIS can spring gold higher in increments. It's also the reason the "Washington Agreement" seemingly came out of nowhere so as
to free European gold away from the English marketplace.

If you have followed this discussion here, you know how sensitive the books of the LBMA are to a rising gold price. Now the IMF deal has opened the door to a world with two prices of gold. In time, as reserve requirements demand higher than market prices, the ECB will begin to do their
quarterly gold revaluation using official gold prices instead of the fictional "dollar paper price".

Between now and then, paper lease rates, comex open interest and paper gold prices will be all over the map. The paper price could run to $500 next week and sink back. Or run and keep running. This is the undercurrent that has the BBs in hot water. There are some serious issues of "who's side are we going to go with" being discussed right now. If gold is forced up, it will bring the oil producers to settle in Euros so as to benefit their contracts. These contracts are dead without the Euro group. I believe this is the enticement that a Euro at par is offering. A clean transition before the fact. We shall see.

Who would have ever thought a small ME country's 79 tonnes were so important to the survival of the LBMA? Yes, they got a good return of military commitments for their lending gold, but that 79 tonne was nothing compared to the contract loss if the markets failed before they fully integrated with Europe.
Indeed, we shall see!
FOA

FOA (12/04/99; 20:23:19MDT - Msg ID:20279)

Comment

lamprey_65 (12/04/99; 18:35:54MDT - Msg ID:20274)

Lamprey,
That W. Buffet is something else, isn't he! No one has ever played modern paper market investing as well. I think (I THINK!) he even converted he silver holdings into lending contracts. Perhaps that was his intent from the beginning. Because his holding strategy is so public, buying hard silver cheap and then lending it for "who knows what" return looked good for his profile. With the market in a squeeze after his "news break" he could have got 20% to lend it??? Again, that's just like his kind of deal.

All in all,,,,,one day, Berkshire will buy some gold to hedge their massive portfolio against international investment barriers (if they haven't brought it already). Not even they can ignore this as a risk from a market meltdown. You can bet that when that time comes, this gold will not be lent.

Every day that goes by, the Dow Stock market looks more and more like the old Japan bubble. Only they didn't have a world reserve currency to worry about. When the US bubble blows, every asset holder outside the Euro zone will be running for cover. It's not going to be nice.

On the subject of physical metal; not all Asians run from gold stocks. Some of the major investment families over there own claims as private companies. Only they market the gold to themselves as they see the bullion itself as the value, not the possible earnings of the company. Big
difference from our concept, no?

Thanks for talking FOA

FOA (12/04/99; 21:34:03MDT - Msg ID:20282)

Reply

Lafisrap (12/04/99; 18:51:51MDT - Msg ID:20275)
Questions:
Do you have any ideas as to what is going on in the LBMA? ----------
So, if that is the case, who is doing all this trading? And why? I may be missing a lot of important information, much of it may even be obvious, but I see no other explanation than that the LBMA is a dollar/gold laundering machine. ----------

Hello Lafisrap,
"a dollar/gold laundering machine",,,,,Ha Ha! Good lord, I think you have it! No, seriously they do move a lot of gold. Only most people have the wrong concept of what moving gold is all about. On the retail side they mostly set up a lot of the "big" trades of gold from the mines to the
fabrication industry. They also move any physical needed to cover the industry deficit. And a lot of investment physical is shipped all over the world. Still, all of this is but a drop in the oil barrel compared to what they trade.

Practically all the fully paid for investment physical is traded without movement. Just the ownership is transferred. For what it's worth, even this small amount dwarfs the new bullion coin sales world-wide. To me this demonstrates why fresh (new) coin market sales cannot move the physical price. It does make an excellent indicator of private physical purchase intentions. Usually if coin sales are up, most likely large physical bullion is in demand also. But, coin fabrication is small compared to bullion.

Earlier this year, old bullion supply dried up and it looked like the last of the private "old stocks of gold" had finally run out. Then the price shock from the Washington Agreement flushed out some more. I've written on this before (and ORO told it better than I), but the more the old holders sell out in return for holding "unallocated gold accounts" the worse the shortage will be when the
marketplace fails. Slowly, over many years, the people that now hold the real bullion that was sold to create a lot of paper gold, have literally locked up the ownership. The old liquid gold market we used to know in years past functioned because of all the private physical holders that traded it.
Now, it's all paper being shuffled around.

This gets back to your LBMA item. The old, deep private bullion pool has been replaced with a paper commitment pool. In the past, if someone defaulted, we just grabbed their bullion. Today, if they default, they just default! Again, if that big African mine does tell them to take a hike, the
whole modern gold market could just collapse. This is why I smile when I hear someone question why the big funds and traders don't just take delivery against OTC paper. The question is just exactly what are they going to take delivery of?

All the gold movement is just for show. Same for comex. Sock a little gold in there and complete a few deliveries so it all looks right. It's all the same game we played with the dollar before 1971. Only when everyone asked for delivery did we find out that the world was awash in paper gold,,,,,I mean dollars! It's going to happen again, real soon.

----------I have read that there is a world drug trade that is extremely large and traces back to the British East Indies Company, and this world-wide drug trade still flourishes, using much gold that must be laundered into dollars. ------

------Also, what is "market to market"? I am guessing you mean "marked to market". That means to price something at the price the market will pay, correct? ---
----

Lafisrap,
As for drug money in gold? Shoot, I bet more illegal trade of everything is done in US dollars than gold. From what the Government tells us about the new copy machines now-a-days, they don't need to break into banks any more! They just print the stuff?? What a mess!
Sorry, Market to Market is a slang. You are correct.

Thanks
FOA

FOA (12/04/99; 22:20:32MDT - Msg ID:20285)
Reply
Peter Asher (12/04/99; 21:44:15MDT - Msg ID:20283)
FOA, Buffet
Any flaw in this script?

Hello Peter,
That could be right. There are several angles floating around. Your thought would make the best play for silver longs. Don't forget, I own a little silver,,,none of you would talk to me if I didn't (smile).
Anyway, tightening screws is not the Buffet profile. My take is that he brought long before $7.00. The price run started because committed traders knew his announcement was a threat to their hedged plays. You know, deltas all out of whack. The price worked it's way back down after he leased high (10%, 15%, 20%???) as commercials pulled their emergency long trades.
In reality, the silver he locked down was already in use, so to speak. It was held as a function of inventory. So, all he did was lock a claim on the inventory metal, then contract it's ownership back for a fixed time. All the while receiving ransom money. It fit's perfectly because that's the same play he uses to grab preferred stock of companies. If the collateral goes up in value, that's good. But, his
aim is a higher return than "market" and be first in line in ownership.
He would do the same thing using Iron if the rates were right.

Thanks Peter, I have to go. FOA

FOA (12/5/99; 10:22:02MDT - Msg ID:20311)
Reply
canamami (12/04/99; 22:46:25MDT - Msg ID:20286)
1. In Don Coxe's weekly conference call, reference was made to some agreement or

proposalwhereby "two zeros" will be dropped off the Japanese currency. This forms part of the "parity" notion - that one US dollar will equal one Euro will equal one yen.

Hello canamami,
Ok, fair enough, I'll take this a little at a time.
In this context we back out the flows of equity investment motives and look only at currency derivatives as official treasury debt held in lieu of cash. US debt is held in foreign countries by two classes. Some of it is private (mutual funds, citizens and companies doing dollar based business) and government (official Central Bank). Usually, the private holdings are done because someone has an idea (right or wrong) about the direction of their local currency values and interest rates (yen, Marks, Euros). Just like you and I, they may want to diversify their assets. "In times past", for every foreign buyer of US cash, their was a local (US) citizen that for the same reasons, wanted to diversify outside of the US. So they kind of balanced this flow and this action did not impact balance of trade accounts. Again, we are talking about cash flows for the sake of owning savings, not any form of equity flows.

In the private sector, it was always the business trade that built up excess dollars as they sold more "goods" to the US for dollars than the US businesses sold to them. Using Japan, the net effect of all their private companies selling into the US created a huge negative balance of trade account. For many years now, if these countries walked into the foreign exchange markets and sold these excess dollars for Yen, it would have drove the yen way up. If done early and before a large position builds up, this is the "natural way" a true fair currency exchange market should work. If the US continues to buy more from Japan than it sells, the currency markets react until the goods being traded are evenly priced.

This action would protect the workers of both countries from being exploited, even though their productive efforts are equal. Contrary to the "business community propaganda" a worker in Japan does not tighten a bolt better or faster than one in the US. Take all the technology innovations and
pour it into a big pot along with natural human nature and add some cultural differences. Boil it down and we find that through the world over everyone works the same for the same incentives. Of course the business community always leaves out a "true" incentive / compensation package when comparing national productive effectiveness. Trust me, I've been everywhere and seen it all. You would not work as "effectively" and as productively in, say India, if you received the same pay they do. No, by far and wide, the real national industry productivity measurements are all skewered from "engineered" exchange rates between nations.

So, back to our currency rates. No person or nation ever extended it's wealth by selling two TVs in exchange for one TV. The US knows that the road to national wealth is not in a strong currency by itself, rather it's through operating in a manipulated currency market! If your workers can tighten one bolt in exchange for foreigners tightening two or three bolts, your wealth, standard of living and voting citizens are better off.

Under the old dollar / gold standard, no foreign government wanted to see it's people tightening 3 or 4 bolts in trade for every one the US worker did. Perhaps a ratio of one turn for two could work for a while until their economies grew. But no one wanted to get locked into doing this forever, as this modern dollar standard has forced then to do.

It worked better back then as they traded two turns of the nut for one US turn and they retained a little gold wealth in the form of US dollars. Are you still with me? This is important to grasp.

------- A foreign nation traded real wealth for real wealth, even though gold was part of the wealth equation. No, I'm sure it wasn't equal, but it was close. In return, the US gave up some sovereign power over it's gold hoard by allowing gold claims,,,,dollars,,,,to be held overseas. In return they still increased their living standard by getting more value than they sold, even though some of it was in gold trade.---------

All of this started the "new era" of a negative US balance of trade deficit. No ORO, it didn't show up on the official money flows because the US did send the dollars out. BUT!!!,,, they didn't record the trade on the negative side as the """gold loan""" it really was! Yes, we shipped some bullion out, but more often than not, nations were content to leave the gold in the US where it was to back the dollars held overseas. The proof that this occurred comes in the fact that by 1971, the dollars outnumbered the US gold five to one.

So, as we can see, nations starting holding dollars and US treasury debt because it represented a wealth for wealth exchange. Nations, Japan included, were content to have their Central banks enter the currency exchange markets and buy up the excess dollars their businesses created when
they sold more to the US than they brought. In that time they did not think they were exploiting their workers into making two turns on the bolt for one US turn, because they were trading most of the additional "twists" for the wealth of gold.

By 1971 the "dirty float" of currency exchange markets was normal practice until the US closed the gold backing for the dollar. Suddenly, all the dollars that were purchased overseas to adjunct the exchange rates were now worthless! The only recourse for governments to regain real wealth
for all the additional "nut turns" was to use the dollars to buy local American goods. One problem though, all the dollars were collected while the gold standard impacted exchange rates! Now, with only a pure dirty float for an exchange market, any reverse selling of the dollar into the US would drop that currencies value. So, the good purchased from the US would only represent a tiny return of the wealth value these dollars were originally traded for.

It is here that the story begins to change and the world heads for a new alignment. Everyone in the world was impacted by this move. From oil producers to auto makers in Japan. Everyone lost, big. If gold had become so worthless, as most US politicians proclaimed, why didn't they just
revalue what they had left to, say $2,000 and call in what dollars were out there? They didn't because in that scenario they would have drained the dollar as a reserve unit and killed the notion of dollar supremacy. Gold would have regained it's exact value as money to the world prior to
currency / exchange / standards. Perhaps $3,000 or $4,000 and ounce (back then) and the US would have run some real inflation.

The world Central Bankers (and oil producers) took a real hit when this all happened and it won't be allowed again. They have supported the fiat dollar standard and even helped "pump it up". All in an effort to keep business rolling until a new currency could be created. One based on

several economic national arenas, no dollar reserves and a world market price for gold. As opposed to the present IOU paper dollar gold system. Even though the Euro is born, this package is not complete, but it's getting there!

Truly, You have to have been around the turn a few times to understand that no one (and I mean NO one) is wanting a larger piece of the old dollar pie. The notion of currency parity for the purpose of trading up debt reserves is something being floated by the Washington think crew!

Are these nations trying to pay up for past US military action? Oh boy, not a chance. Why don't we pay Italy for all the good the Roman legions did for everyone!! No one is worried that the US will back away from protecting it's interest after it's bankrupt. Whether it's oil or national security, they will act as best as able. See ORO's post about this, it's real good. Besides, look at Russia. No
money, no nothing but still out there firing away!

Also: The present paper gold market depends on new hikers entering the gold trail towards it's end. They buy paper gold as some kind of stock market / investment hedge without knowing the big picture. In the past their actions would have worked their purpose. But, not in this transition. A
currency exchange storm is going to sink a lot of these paper boats and kill the very assets many wanted to protect. Buy the gold not the price!

Thanks FOA

FOA (12/5/99; 17:33:42MDT - Msg ID:20346)

Comment

Hipplebeck (12/5/99; 6:24:30MDT - Msg ID:20292)
oil and gold
My opinion is that there is far more oil money being spent on weapons than there is on gold. After all, what good is having a bunch of gold if you cannot defend yourself from someone taking it away from you.

Hello Hipplebeck,
Armies take more than just gold. Every physical thing is in contention. Perhaps they can't afford anything else, either? What about all the paper dollars or bank dollar accounts? With the threat of ending your life most will withdraw that too and offer it up! So, let's not keep any money.
Do you see where this line of reasoning is going?
Truly, people buy gold as an asset that stands right along with all their other things. Buying weapons never stopped anyone from buying assets.

FOA

FOA (12/5/99; 17:38:01MDT - Msg ID:20347)

Reply

canamami (12/5/99; 11:54:47MDT - Msg ID:20321)
Reply to FOA - post# 20311
FOA,

Thank you for your detailed reply. Would the manipulation not have been prior to

August 1971, when the US printed dollars alegedly backed by gold, but which weren't backed by gold. Once the bluff was called in August 1971, what manipulation occurred after that date? The rest of the world could have just "eaten" their loss, just as creditors always do when a debtor goes bankrupt, and accepted no more US dollars as settlement. That didn't happen. The question being: Why not?, and why should it be different now?----------

Canamami,
The world did begin to walk from the dollar! It plunged and remained on a downtrend for several years! The US knew their option was to raise gold prices prior to 71 (just as I offered in the last post). But oil was the major problem link! Every oil person in the US knew we were running out of local reserves at the old "gold backed" dollar price. All the Middle East had to do was wait us out as they were happy to out produce and supply us in exchange for "real dollar backed gold". You see, oil was and is the real driver of all economic production.

We could have raised the dollar price of gold to settle our accounts but that would not have raised the local oil price enough to make deep reserves available. Yes the dollar would have depreciated somewhat and foreign oil would have went up, but not enough. The need for more local reserves and the higher dollar prices that could make them available is what drove the 71 gold closure. They had us and we had them.

Without another functioning reserve currency system in place, our modern world would have shut down to a level of pure physical commodity trade. Perhaps worse than the 1929 era. With every other country about to stop trade for dollars, it was the Oil group that literally saved the current system by backing our now fiat dollar with oil. This "black gold backing" took the form of accepting settlement of all world oil trade in dollars. And boy, did the world ever send them dollars! No body was going to walk from dollar trade as long as they had to buy their oil with it. It was that simple.

Don't think for a minute that people weren't running for gold then, either. Had the US, BIS and IMF not sold some gold into the demand the dollar exchange rate for bullion would have hit $3,000 or $4,000, easy! And that was back then, not now. Even then the gold rise was a controlled burn to show people that they couldn't escape from all these dollars into gold. It would gun the price through the roof long before the exchange was complete. Why not just write the dollar holdings off, you ask? Hell most of the average trading partners didn't hold much gold! That was what holding the dollar was for. They would have completely wrecked their entire local economic / money system if they did walk.

As long as gold could remain in some form of ratio to oil)for conversion purposes), the dollar settlement was assured. At least until another reserve system could come along. It took the US 50 years to establish a reserve currency, so if it took the "Old World" ten years that was not long to hold gold at static dollar prices. Well, it took longer but so what? In the scope of things the transition to free market gold and Euros was the only choice. Hence the 20 year time lag that gold has gone nowhere. Yet, gold was being acquired through out this time. And it will be repriced in proportion to that time span.

A bunch of years ago, when the Euro looked to be late (very late), the drive to free up private gold holdings started. Yes, gold was being recycled by oil, just as the

dollars were recycled. But, there was a physical limit to how much could be moved. For the last several years, it's been imperative to keep the price of gold down or it would kill the system. The US / IMF faction did all they could to help. But, understand this,,,,,,they never expected the Euro to work and fully well expected oil to run back into the dollar when it failed to be born! My god, when the Euro was formed in the first few weeks, we almost had people talking about shredding documents and leaving town,,,,the game is over!

Do you remember the old Hunt brothers saying about an ounce of silver was worth a barrel of oil? Well I have news for you, it was rumoured long before that that a gram of gold was worth a barrel of oil. Forget the price of gold! Forget the price of oil! If a barrel of oil flows one way gold (or contract equivalent) must move the opposite until some ratio is reached. (oro understood this and posted it). They never flow in the same direction. When gold flow is disrupted, as in the mid and late 70s, oil prices rise! When gold is liquid, oil prices fall. From the beginning of this year, after the Euro was born, gold flow has slowed and oil is up. Another was telling me over and over that gold was being cut off then. Yet, we read gold expert after gold expert, telling us that the CBs were selling it all.

Next, the Washington Agreement was announced and these same people are on the wire telling everyone the CBs are lying,,,,, "They are still going to sell it all"! I can't wait till the ECB starts buying official gold from others using dollars! With this job off the BIS back sense the Euro was born, it's been in the ECBs court to support gold under $280. They didn't this summer (we took a lot of heat because they let it fall to $250), because they were putting together the Agreement for press, I guess. When the next official move starts, I suspect the gold experts will be saying,,,,,,,"they are only buying it to sell it" Ha Ha!! Oh well.

Truly, the Washington Agreement is "the" confirmation that the currency war is in progress. The LBMA has been left "hung out to dry" as they scramble to gather any and all gold political favours can muster. We can expect a flurry of paper gold, sold into every taker until something else breaks and then the rush up. After that, another truck load of paper. All the while the market credibility slowly wanes. Forcing physical gold trade and oil settlement into Europe. Without a functioning "dollar / paper gold marketplace, gold will gravitate to the oil price until "gram parity" is reached. I expect that long before we reach parity, physical gold trading will outprice the paper market. Confirmation of the "visible" gold bull market, that everyone needs so badly, will appear when London closes for good.

For all "Bullion Boys",,,,,,, Bullion Men,,,,,, for us old guys, (and ladies) (my wife included);;; we are on the road!
For all paper traders, good luck timing the motives, needs and thoughts of Political power brokers. (smile)
I have said enough for a while,,,,,,thanks for all your time and thought energy,,,,,,,,FOA

FOA (12/6/99; 5:29:23MDT - Msg ID:20396)

Comment

ALL:
The Dutch sale is right in line with the 2,000 limit in the Washington Agreement. In fact, it's very possible they may not reach that limit if the Swiss sale is constrained by their public. It's important to remember that in the past Dutch sales, the buyers were never known! This sale could be the return of the 79 tonne into Kuwait,

replacing that deal and others that were forced by the LBMA?

Or, more likely we will see the books of the ECB slowly expand over the five year period as whatever amount of the 2,000 comes up for sale. Because we are under $280 now don't expect the ECB to be buying LBMA paper to bolster their paper credibility. Expect them to take in "real gold" on the official market. We will know over the next weeks and months, especially if the sale essentially becomes a "transfer" off the open market.

Now you know why being "on the road to high priced gold" will not be the fun easy ride to riches. These swings in the paper market prices are nothing compared to what is coming! Like I said in my last post; forget trying to time buying paper gold derivatives or gold stocks, you'll get killed in the political motives, feelings and forced plays! Buy physical for the eventual outcome. By the gold, not the price.

ORO, thanks for the post, I'll work on it later. If things don't get too out of hand!

FOA

FOA (12/6/99; 17:43:49MDT - Msg ID:20435)

Comment

TownCrier,
Thanks for all of your good coverage. Earlier today I noted that this Dutch gold sale could end up being no more than a " "transfer" off the open market". Your Msg ID:20414 is telling the world this same story. This is an exciting "block buster" item as it is the first "official" move by Euroland after the WA (Washington Agreement) that confirms their direction. By having the BIS move this gold they are avoiding giving LBMA and it's paper market any more credibility. In fact, one may see this as starving them. I think this gold will end up in the ECB or be held there for the account of Kuwait.
This falls back to the heart of my post (one of many) on the Sat.4th. The stronghold of the Dollar / IMF faction is being broken by establishing gold's value through "official channels". If they gravitate from using derivatives to establish price, the ECB / BIS will eventually create a two value market. The IMF revaluation of gold without selling it is the groundbreaking for this.
In the past (70s), we had an official price much lower than the so called free market price. Confirmation to the gold bugs that we are in a new era, will be when the ECB official price is higher that the "discounted" (read that failing) London fix! Of course we are not there yet, but, politically we have been moving in this direction from the first of the year.

I'm making a long post for ORO now, so will be back later.

Thanks TC, good work! FOA

FOA (12/6/99; 19:46:00MDT - Msg ID:20446)

Reply

ORO (12/5/99; 21:42:51MDT - Msg ID:20366)
FOA - Questions & a bit more
http://members.xoom.com/_XMCM/Nebucadnezer/importvolume2.gif
FOA - All of this started the "new era" of a negative US balance of trade deficit. No ORO, it didn't show up on the official money flows because the US did send the dollars out. BUT!!!,,, they didn't record the trade on the negative side as the """gold

loan""""" it really was!

I understand this. I understand that the gold obligations were not listed on the debit side of the US books. Specifically avoided was any entry of gold loans or anything containing references to it. Indeed the job of maintaining dollar - gold relationships has been a G7 and Oil country effort, and the bulk of it occurred in London with the participation of US creditors aiming to get something, for
the nothing (i.e. dollars) the US so happily issued them in payment. From the days of the London Gold Pool, to the spot markets of the 69-74 period, to the hybrid paper markets from then to 1980, and the mostly paper markets of the early 80s, and now the wholly paper markets ruling since.
To make one point about CB behaviour, the modern CB is accustomed to controlling the economy through the dictation of short term interest rates. A number of CBs work in concert to attempt getting the right balance. If a currency is to be weak, the interest rates are lowered, using the higher interest rate at the country, who's currency was to strengthen, to produce capital flows from the weakening to the strengthening one. Gold has been manoeuvred in this way as well. Low interest rates have caused a carry trade in gold without the CB doing significant lending. The CB offers
guarantees of liquidity - a promise to put its gold at risk, not directly putting the gold in harm's way. The issuance of calls, particularly currency settled ones in which the CB is not limited as to quantity, serves as a proxy for lending. But in this "foolproof" plan there is a snag, the abundance of currency settled gold calls issued can endanger the currency by creating a currency pump - a Buffet style
convertible bond with no floor for conversion - that can pump unlimited currency into the market in a death spiral. The Fed is repeatedly rumoured, now by more specific people, to have manipulated gold in "emergency situations" using either currency or gold settled gold calls.

FOA, do you know if the Fed is indeed issuing these calls, if so, do you have any idea of how much? Order of magnitude? ----------

ORO, you are making nice orderly posts. They are slowly putting the whole act on stage for everyone to understand! Good stuff!

To your question: To the best of my knowledge, they are not! I'm 95% certain none of the independent (or dependent) fed branches are using their desk's to create (write) gold calls! ORO, the fact of the matter is that there are big people out there that would risk billions in loses, just to
grab a bunch of these and call for the contracts! They would do it, not as goldbugs, but just to expose an action such as this.
No, it's the BBs that carry the political load on this venue. They write whatever amount of contracts they want, mostly on the OTC. They can do it because just as the fed has the franchise to print money, the BBs can print gold. As long as the price is moved where needed, official CBs stayed
out of their marketplace. The private / public demand usage of derivatives (paper) gold could never move the price against them. It's that simple.
Actually, the risk has been building against the BBs for three or four years as the buildup to Euro launch was giving off warning signs. London, LBMA and IMF/US have owned the gold market from the get go. And they ramped up the drive for lower gold to benefit the dollar and dollar/oil settlement deals. Everyone, including Europe was pulling for the same outcome until someone saw the risk that the Euro was aligned with the Old World BIS. You see, only the BIS could destroy the present gold game

because they represented the ability to price and move physical gold independently of london. Literally, off market (today's dutch deal??). It's in their charter.

Most of the time, they go with the flow, but today, they are aligned with the principals of the WA. Guess which oil producer is a big member of the BIS? When Big Trader (Chinese Central Bank) wants to be closer to the Euro, guess where the BIS opens an office? Get the picture? We are walking a different trail today.

Your other items:--------However, there are still these questions from my studies: How large is the Eurodollar market? (I have a current accounts based estimate of 21-24 $trillions in loans outstanding) ----------
ORO, it could be twice that big? This is another tanker of gasoline to throw on the fire. Most American gold bugs are waiting for some event to drive their people into gold. Yet, when it comes to moving physical gold, a run from the Eurodollar alone could take every thing offered at a huge
price. I absolutely know that modern gold analyst are lost as to how leveraged the world's physical gold is. It's mind boggling!

----------Does gold play any part in supporting the Eurodollar markets? I have seen the proportions of goods traded for dollars rise tremendously, as the productivity of the emerging market nations has risen but the number of dollars received for their production has not risen in proportion. The $ debt machine has been run by Europe and Japan to shift the cost of maintaining the US onto Emerging Market economies. Whereas the purchasing power of the dollar
in the Emerging Markets rose tremendously, the major foreign currencies - those of Europe and Japan, have enjoyed a 90% higher increase in their purchasing power vs. the Emerging Markets -relative to that of the dollar. This allows both Europe and Japan to increase their import volumes even more than the US, without even showing the slightest disadvantage in the balance of payments. I believe that this is the reason that Europe and Japan maintained the value of the dollar as long as they have. Now that the Emerging markets have buckled under this debt and are in the process of repayment, and the carry trades are breaking apart, there is no way to obtain any advantage out of it.

FOA, was this an intended occurrence, or was the crisis just one expected by the BIS? I seem to have found some indications that it was intentional.----------

I think it was intended and driven in the direction that would eventually benefit the Euro. For one, China and most of Asia were taking so much gold that it threatened the pre Euro drive to hold gold down. The flow of physical became unstoppable. Stories that some large traders were calling
contracts and shipping through Hong Kong. Acting as pipeline for the China CB.
The dishording of private Western gold in lieu of derivatives was barely keeping a lid on this demand. All of a sudden, sweeping changes were made for collateral requirements through out the region. Business with the western world (and Europe) now required more reserves. It was hard to see this in the confusion of currency devaluation's and bank loses, but the overtones were present. It was if someone knew that one gentle nudge would kill two birds with one stone.
The IMF was known to be politically inadequate in dealing with the different cultural valuations of assets in this arena. Sure enough, they blew up everything they touched and turned what was a dollar debt power keg into a mushroom cloud. Today, the Euro salesmen are all over the place. Oh, and as a side note, gold demand was killed just long enough for the Euro to come onstream.

------However, The mechanism, like the Gold mechanism is a carry trade, an interest rate driven engine that forces itself to stall, i.e. Long $/short Yen trades have gotten so out of hand, that the slightest rise in Japanese interest rates would crash the system. A similar situation is close to being reached in the $/Euro trades.

FOA, was this the intent of the interest rate manoeuvres of the last few years on the part of both Japan and the EU?----------

It was the BIS that rammed home the new capital requirements that they knew Japan's system could not live with. And Japan has been on a down fall ever sense. Any country that has 0% interest and a strong currency is a nation where assets are failing to pay their return. Cash becomes the most valuable item because local contract law requires Yen for settlement. Everyone looks at these people and comments on how rich they are. Yet, they are rich, not in Yen, but in non-functioning assets. The Yen is going even higher because of this and that will further kill their economy. Kill the "rising sun" and you remove one of the largest supporters of the dollar!

True, Euroland is somewhat a closed system like Japan, but they have everything they need. Oil is their only weak link and I think you know what that story is. I don't know about the Euro carry trade yet. Too young of a market still.

ORO Something is in the works, got to go. More tomorrow. Thanks FOA

Finally, a rush of questions to you; how inclusive is the BIS group? Overtures were made to China,
Malaysia (included for a fact), and many other Asian nations. Is India included or being pursued?
South American countries are being wooed by both the US and the Euro faction. Do you see the
mangy US offer of major participation in seigniorage being preferred to the Euro side's "fair money"
offer? Are the BIS group members succeeding in recruiting South American participants?

A few more charts:
http://members.xoom.com/_XMCM/Nebucadnezer/Exportchainquantity.gif

http://members.xoom.com/_XMCM/Nebucadnezer/Importchainquantity.gif

http://members.xoom.com/_XMCM/Nebucadnezer/g3802701800417345.gif

http://members.xoom.com/_XMCM/Nebucadnezer/Quantity trade Deficit1.gif

FOA (12/07/99; 19:34:40MDT - Msg ID:20527)

Comment

PH, ORO, ALL:

A day hike off the main trail:

When I read the posts of Farfel, to me they represent the honest feelings of many

gold bugs. Many of whom are caught up in a trading environment that is not playing out to match it's past format. But why did so many investors fully expect it to "play it again, sam"? It starts in the mind.

I think much of the frustration comes from accepting the "Western view" of gold values, in that "it can't rise in price that much"! Everywhere we turn conservative people consider the return of price inflation, oil shocks, economic slowdown and money security as evidence of needs to "hedge
their bets". Yet, of the many who use gold as this hedge, probably 99% hold the view that gold will only rise into the $500 to $600+ range, at best. This acceptance of such a mediocre performance is what drives the gold leverage game! Hell, if I thought that all of my assets were to be protected by something that only runs up 100% in an environment of wealth disorder, I wouldn't buy it either.

Again, through out all the endless discussion about gold's prospects, we always hear this same finite price position expressed. That being: " " "During an inflation of the dollar we can expect gold to move into it's safety value range of $600+/-. This price represents it's true commodity / money hedge demand fundamentals as detailed in industry research reports. Of course it could go into the $2,000 range but that would be the end of life on earth as we know it" " " There it is again. The whole hearted promotion of a limited rise. Anything higher and you are in the hard-core camp that sees world war.

This "play it again, sam" scenario is wholly supported by not only the "official anti gold" government groups, it's also pushed by the mining industry in general, to sell their stock product. I submit that this conditions investors to stay out of "gold bullion" and into leveraged forms of "paper gold". After all, if I can "time" my entry into futures, options or gold stocks, why hedge my wealth with something that can't move over %80 or so? In other words, "buy the price, not the gold" or expressed better "invest in the price move and you won't need gold". Indeed, all we are doing anyway, is trying to match dollar loses on our other wealth with dollar gains on these hedges.

Here, inside this mindset we can clearly see this magnificent evolution of "Western perception". Once a people that held great distrust of anything that wasn't real wealth, they now equate personal economic safety to anything that keeps their bookkeeping entries in balance. This is the modern feelings of life within the dollar world. Life on the inside looking out.

Further:

Ever have a neighbour that brought goods from someone in a truck, at night, on a side road? They purchased tools, TVs, stereos, anything that seemed good for them. Of course, when asked they noted that the guy selling the stuff seemed OK and he assured them he got it "wholesale" Later, this same neighbour shows up at the town hall meetings and goes on and on about all the stealing that's occurring in their fair city. (((I'm sure all of you get my drift)))

And here we have the investor that goes on and on about the unlawful writing of "paper gold" by the BBs and brokerage houses. He say's, "These guys are stealing from us by writing obviously "unbacked gold paper! They offer options, futures and all sorts of derivatives! It's got to stop!" Then, in broad daylight, in front of everyone, he runs to the truck in the alley and buys some of those "obviously illegal

unbacked gold calls and futures". He even buy's into the mining companies that use these same "paper promoters". Turning a blind eye to the reality of his actions.

You see, in this context gold bugs support and nourish the very industry that is dragging them down. The modern marketplace that sets the price for gold, exists because "Western Investors" seek bookkeeping hedges, not physical wealth hedges. They not only support the false price
discovery of this gold marketplace, they are the reason it exists. Further, it exists because they believe real gold will not work for their purpose of hedging.

As distillers produced alcohol "against the law" to supply a demand during the American prohibition, so too do the "paper gold brokers" give the investing public what they want. It's that simple.

Onward:

It's true that the physical gold market is dwarfed by the paper gold market. Yet, the physical market is so thin in relation to total assets outstanding, even a small shift into it play's havoc with the supply and the price. Still, paper contracts, using fractional banking methods can be created to meet any demand. The key to changing the negative dynamic created from paper gold, is for investors to move from investing in all forms of paper gold and the mining industry that utilizes it the most. Encourage companies to challenge tradition and circumvent the bullion banking world by marketing their product directly into fabricators and end users. Instead of promoting their shares, educate investors as to the real valuations possible for gold using a true physical hedge marketplace. In addition, encourage investors to invest mostly in gold first, then gold stocks. Undertaken together, all of these moves would break the present "dollar lock" on gold employed by this same faction.

Unfortunately, the educated understanding of this current generation will not change without major loses incurred to their paper gold portfolios. With the ECB /BIS having all but guaranteed a "quick to the point" wholesale destruction of the dollar gold price making market. Investor
education and evolution will tread far behind the fact. Until that time comes we will continue to follow the play as bewildered "paper gold" followers bemoan these days because
"Sam, won't play it again"

Thanks for reading FOA

Bill, your post is in the works.

FOA (12/07/99; 20:24:19MDT - Msg ID:20535)

Reply

Bill (12/7/99; 0:04:55MDT - Msg ID:20460)
Question to FOA and/or ANYONE ELSE
QUESTION TO FOA and/or ANYONE ELSE

----------Hannibals have managed to press the POG down to nearly what it was before the announcement. By now, anyone in his right mind has to know the POG is manipulated. The natural price pressure would seem to be up. ----------

Bill, the problem begins because you (and most everyone else) associate the price pressures on the supply and demand of physical with price pressures on the supply and demand of (comex) futures. For discussion we will leave out all the other paper gold items.
Today, we look to the last contract traded to tell us what the price of gold is sold for. Even though the demand / supply for physical may indicate "up", the demand / supply of comex paper can be altered to force the last trade "down". Truly, if most of the players don't take delivery, and I have an unlimited fractional reserve bank account, I can print contract supply well over demand. As this natural demand / supply function works it's magic, the price falls until discouraged longs fall away. So, the natural price we refer to must be clearly understood.

------The ability to force the POG down much further doesn't seem likely. ----------

It all depends on how much cash reserves I have to create long or short contract positions. I, as a market mover am in control as long as the other market for physical can be satisfied with metal at the paper gold settlement price. Too date, this is something the system has been able to do in spite of the supply deficit.

---------Any call options that were sold before Sep could be bought back now cheaper. If you were part of this manipulation. Would you not now liquidate your upside risk and reverse your position???? (now collecting profits on the way up). ----------

Bill, the question here is our perception of risk. For the past many years, I (as the manipulator) have contained all risk thru price direction. I don't liquidate because the other side does not want gold, they only want to hedge against price. As long as I direct price through my paper supply, you hold the risk and must fold first. I don't reverse position because I hold this franchise as long as I
can direct prices in a "political direction". To date that has been down.

-------Unless the huge short positions have already been covered and from the constant manipulation, that doesn't seem likely. It would seem that a huge short covering rally could be gained as players don't want to be caught in the same position as Oct.------

Yes, the game has changed from the Washington Agreement. But, this short position constitutes the paper marketplace as we know it. As long as it remains, the gold market does "price discovery" through the paper auction method. Cover the position through offsetting cash (or gold) settlements
and the entire marketplace is destroyed from equety reserve loses to the members. Then we revert back to a physical only arena. In other words. No body is going to cover anything because it's like shooting yourself. Therefore, this system will have to be destroyed from a competing physical arena
that conflicts in price settlement. In other words, physical priced higher than futures. Get my drift?

Thanks FOA

Be back tomorrow.

FOA (12/8/99; 16:06:40MDT - Msg ID:20601)

Comment

beesting (12/8/99; 1:03:24MDT - Msg ID:20563)
REALIZATION-The Birth of the new physical Gold market.

Hello beesting,
I think you are getting your thoughts in order. This may not be the only story, but it will become the one that's most important to gold investors. There are a lot of players that are pulling in this direction and would like to see it begun before our economic cycle is brought to a close. We can all be a successful part of this "before the fact" if gold bugs buy gold and wait it out.
I hope to reference this more in future posts.

Thanks FOA

FOA (12/8/99; 16:07:59MDT - Msg ID:20602)

Comment

Aristotle (12/8/99; 3:58:13MDT - Msg ID:20565)
Thoughts on the issue of TIMING IS EVERYTHING

Aristotle,
Very nice post! Good food for the brain. I always leave your table with a load of calories
(smile). FOA

FOA (12/8/99; 16:10:18MDT - Msg ID:20603)

Reply

Cavan Man (12/08/99; 06:16:41MDT - Msg ID:20570)
London Times: Thatcher Blasts Euro Army
http://www.the-times.co.uk/news/pages/tim/99/12/08/timnwsnws01025.htm?999
Lady Thatcher says a standing EU armed force could threaten NATO and could create a Euro superstate. Isn't that "the road ahead"? FOA, better give LT a "heads up". She's OK by me.

Hello Cavan Man,
Yes, that is most likely the road they will go. I think the Lady will have a better "feeling" about this when (if for MK?) England becomes part of this "super state". Then she will be printing her opinion about the "rouge US military machine". Contrary to most analysis, I think the US does more good in the world of "war stuff" than bad. But, we can never anticipate how a superpower will "evolve" as economic conditions tear apart a political infrastructure. For our present context, the US is on a timeline that's winding down as Euroland is ramping up. So, the US may evolve negatively as Europe evolves into the good guys. This is a hard thing to consider for anyone that is "true blue USA" from the get go (like me!). But, generations come and go and the world changes. We shall see.

FOA

FOA (12/8/99; 18:36:48MDT - Msg ID:20607)

Comment

ALL:

Returning from our side walk in #20527, I have a few more things to add.

As I offer it; anyone investing outside of physical gold, isn't in the gold market. They are simply playing derivatives of gold that create bookkeeping dollar value if the price is going in their favour. Whether gold stocks or Bullion Bank forward loan paper, Options or Futures, if your financial position in life isn't strong enough to convert these values into real bullion, the house deck is rigged against you because you cannot play a physical card.

Lost to ones paper position, you can never make the substantial value gains that will be inherent if a sole physical marketplace takes over. True, there are some major political players that will have their contracts honoured at all costs, but "you are not them"!

This is the "reality" of today's modern gold market. A reality that is proven in the mind of the investor, not in the "bemoaning cries" of fallen "paper gold bugs".
Like in Another's Thoughts:
"In this world, truth, dreams and reality take on different meanings to different people depending on where
they stand on the mountain".

As time matures, we will witness louder denouncements of this gold market as it works it's will on the bookkeeping of these past and present "paper gold bugs". For them, they expect "their reality experience" to be as an example and the same for "bullion buyers". Yet, it's obvious how their loses do not equate or compare to bullion. They "extrapolate" that if one cannot invest in the "paper gold market" without it's manipulation, he should not invest in "any gold market". All for the proposition that "if paper manipulation" cannot benefit them, physical gold cannot benefit you. Further, if the price of gold in derivatives form is discounted into oblivion, there can be no physical market. Nor can the price of physical gold rise as their favourite investment medium falls.

I submit, that their reality and ours are different. We will hear the testimony of many more players as they offer proof that the "gold market" is "washed up". Many will read these and fully understand that it's "their market" that is "washing out", not the real gold market. So, trade the paper game for the "shot in the dark" today's marketplace demonstrates it is. But buy gold first and most for the future!

Onward, back to the main trail:

I know many stock market investors that understand what is happening with a keen feel for "true reality". Even though these people are not in any main stream majority, they are conservative and possess very, very long term track records.

As an example (he's not Another), one gentleman that is 80++, has had 2/3rds of his substantial wealth in the largest US Mutual Funds for over "" 25 years"" !!! And he has never sold!
He speaks to me with an impressive, clear perception of what is going on. Confident that 75% of the valuation of the US stock market is related to nothing more than dollar inflation. He feels that this phenomenon has happened in other countries during other times. The difference was that their money inflation's also created price inflation because their currency did not hold the World reserve status. (Used the old German inflation as one example). This usage of the stock market as an inflation

hedge has served him well and did not influence his perception of economic "reality". Not
accepting the current argument that the markets represent a "new found era of US global economic strength", he still expects the equities to run further with this dollar inflation. Yet, believing that this trend will end with a tragic, sudden collapse, his success has not clouded his perception of what is real and what will show value "after the fall".

Three years ago, he began buying large amounts of gold on a monthly basis and does so into this day. Completely unconcerned that gold is not responding to our current dollar inflation,,,,,, "his reality" is:

---that long before dollar inflation creates a price inflation that drives stock investors into other "inflation hedge securities" such as Real Estate (REITs), Oil stocks or Metals Stocks,,,,,,, the pyramid that is our financial system will fail. Forcing a return to gold, not as a Central Bank reserve, but as a international currency. And this action is expected well within his lifetime!

He may be right or wrong, but here is one of many persons that understands what the "real gold market" is and why it is reacting to a different "reality" in the world today. And by the way, he knows nothing about "oil for gold" and doesn't care! Needless to say, I didn't go further.

Hope some of you found this interesting,,,,,,,,,,,,,thanks FOA

FOA (12/09/99; 05:05:18MDT - Msg ID:20625)

Reply

ORO (12/09/99; 00:38:13MDT - Msg ID:20619)
FOA - Iron Lady and EU arms - Questions of the LBMA

ORO,
GOOD discussion! I'll be back much later with my thinking and some of Another's (if he is around). The whole question of the very power and existence of the London gold market is whether they can function using a realigned price? I doubt it. In the same way a newer software
package makes the old "unneeded"? Be back late,, FOA

FOA (12/10/99; 7:50:49MDT - Msg ID:20685)

Reply

ORO (12/09/99; 00:38:13MDT - Msg ID:20619)
FOA - Iron Lady and EU arms - Questions of the LBMA

FOA, I believe that the EU countries will find it difficult to cooperate, which is always a plus when attempting to minimize war driven monetary inflation. But as a defence system, the independent EU military may be a positive in a way not possible before. Namely, to supply the world with a military force that only operates by wide consensus and is sensitive to issues of sovereignty, as opposed to the current US/UK system that tends to act in the interest of odd humanitarian concepts and for the furtherance of the misunderstood and misapplied concepts. The world is suffering today from the tyranny of the US humanitarian conscience. Being blurry in focus and misguided by self delusions of its own propagandists (particularly of Ted Turner and bride Fonda) they may well level a country that has done no one any harm. With the example of Yugoslavia behind us, I am certain that the whole of the sovereignty

minded world will obtain the needed "weapons of mass destruction" to protect against the US delusions of sainthood. I would not be surprised to find Latin American buyers in Russian, Chinese, Paki, South African, and other military shows - perhaps in Europe too - looking for the very weapons they are prohibited from obtaining by the non-proliferation treaties.

FOA, do you think that this is the trend before us? How do you view the outcome?

ORO, It's late but here goes,
It's easy to be hard on the US as we watch the results of their "mostly good intentions". No one can control the outcome of major campaigns to correct human atrocities. The process takes on the form of "management in progress". It's either "let them all kill each other and everyone close to the fire" or try to "manage a better outcome". At the very least, a "situation" degenerates into just as bad an affair as if we never entered it. But, still it's more controlled! I know, hard cold thoughts indeed, until we "walk a mile in their shoes". Truly, anyone that tries to, at best "control" the blatant effects of human hostilities assumes the position of being blamed for the whole mess. It takes broad
shoulders to carry that load and the US still stagers under the weight. It's a tough job handled by tough minded individuals who's harshness few could accept.

Will Euroland do a better job? I doubt it. Looking through world history we find these times offer a disrespect for order that's on a different scale from before. The present process we are seeing is about "as good as it gets". So, what do we do, take the next plane from mother earth?
No, we all learn to manage our affairs in the context of the world political evolution.

I don't expect Europe to dominate in this regards. Like Japan, they are constricted by their history and will tend to underweight the need to react. Just as I pointed out before, national power blocks tend to work well in the worlds eyes during the initial build-up phase of their rise in economic status. In this regards, Euroland has the best of everything before them for the rest of most persons investment timelines. Conversely, it's time to leave the dollar based assets before they are discounted from the political degeneration that must follow.

You write:
You indicate that the UK has understood that its economic future is with the EU and the BIS organization, and has been dragged kicking and screaming (however muffled these screams may be) into the fold. The Iron Lady seems to have been left out of the loop, and I would venture a guess as to the Torries' being in the dark as well, all but the few in key leadership ("king making") positions.

FOA, how much of a done deal is the inclusion of the UK into the EU? The LBMA, would it be "saved" if it were willing, under the BOE leadership, to play along with the EU plan?

ORO,
Trust me (smile), she is in the loop. It is a weak political figure, indeed, that allows their people to see them quietly go along in a major change. In full public view one must "show the sword" first, then "over time" we hear: " " "Well, because they put it that way it sounds more practical. Had I fully understood the positive side of this earlier we could have found positive ground. You should

have been more open with me in the past so we all could have come together sooner." " " Get my drift?

The UK is no different that many other countries that have completely tied themselves into the dollar. Just like Canada, they are drained from the process and have much less to offer. The EMU for the UK is a done deal, if for no other reason that they will sink until they join. The big plus for
them is their past and present ties to Europe makes it all feel confortable, like an old chair you have used before. The only question is raised in the minds of the people. It's really a perception problem because they still think they have some major national economy an a sovereignty to go with it. In reality, the UK will have more political force and a more powerful economic platform within the EMU. Just as our California is a "state of mind", so is the present UK.

The LBMA is going nowhere. It's quickly becoming a distinct eyesore on the world bullion trade. Now that the dam has been broken to revalueing gold off the current market, their political use by the IMF/dollar faction is waning. Every day that goes by, the need to keep gold down is disappearing. In fact, any transition from the the current IMF / SDR articles will negate it's use in present format. They even changed the name. As the world works it's way away from dollar reserves (China?) and dollar commerce, the need for liquidity to cover the old IOUs (IMF and
others) will be all consuming. It's all really very simple if viewed in the right context. If denominated in the true price of gold reserves, the dollar had bankrupted itself long ago. It's only more bankrupted now as it's only a bookkeeping problem. In other words, where do we allow gold to level out in dollar terms $3,000, $8,000, $10,000 etc.? Understand, that new equity is not being created here, only marking current world dollar holdings to market. As the dollar comes off the reserve standard, they have no use at present exchange rates and will flood the US until "foreign
exchange controls are in place". The resulting US inflation will make those foreign gold reserve prices look "about right".

Note: ORO, it's the political exchange controls that will block your contention that the US will become a major "low priced" exporter. Your process would be good and a natural one except it would result in the "pooring of America" (at least politically). The US became wealthier by importing things and paying for them with an exchange rate that is "out of whack". A crushed currency enslaves a nation to work hard for less in return. History shows that every national block resists this "downfall" through money flow controls. It doesn't work, but it's the political choice.

So, Where is the LBMA in all of this? Over their heads and far too committed with supporting this present pricing system for gold. It's a system who's time has come and gone. Of course they will fight to preserve it, because without it the reverse leverage of a rising paper gold price will take
everything they have. Does anyone in their right mind think they will just stand up and say; "OK, we cannot supply physical to cover all this gold debt, so we will just fold!"? No, As time goes by the physical gold market will rise as it discounts their paper. It's a real process because you will always have gamblers that hate to lose the this "old leverage play". They will buy future gold right down to $10 to the ounce on the idea that something may save the program and perhaps, just perhaps somebody will supply $50 in gold against the paper. You, know the old junk bonds bet.

As the physical price rises well past the paper price, every miner and user in the world will be trying to get out of their commitments. Even Barrick now admits (finally) that above $600 they have to start supplying margin. After all this time of telling everyone that they could defer their contracts for 10 or 15 years. This goes back to my post about "Westerners" not thinking that gold will rise.
Because investors thought it was impossible for it to go above $600, to consider that long term goldlenders would not ask for margin al was nuts. If gold hit $5,000 does a lender just depend on ABX's good word?? It shows the beautiful evolution of "Western investment thought".

Again, LBMA will not be in a position to advise anyone as this plays out. Truly, this relic of London's past will be put on a shelf.

Another question: The level of awareness of the bullion banks as to their vulnerability to a "bank run" is obviously high, the question is whether they are aware of the closeness of the end of the line.
(1) Do they understand that the EU is no longer aligned with the US in protecting the dollar?
(2) Are they aware of the gold revaluation concept for backing the Euro?
(3) Do they understand the situation which they are in regarding the consequences of the Arab Oil being pulled away from its role of supporting the dollar?
(4) Are they aware that the Oil Royal's gold will be both pulled out from further cycling through the lending schemes and revalued by the direct trade of oil for gold without 100% transit through the dollar?

ORO, Even a person "blind in one eye" can see a mountain. Of course they see the risk! But, if you are the last man on the front and the war is lost, you will fire your last round. Don't forget, there are a lot of major miners and fabricators that could not operate without them. They would literally go down with the ship if this doesn't change. The whole industry is built into this present gold pricing
structure. Yes, the gold in the ground stays, but their whole equity structure is obliterated with this shift. The forcing of the paper price, the price they all sell to, will clean out their bookkeeping because they cannot sell into the price of officially revalued CB gold reserves. Yet, that will become the new physical price structure. Sure, they will mine again, just not on your present equity. And the
good mines that are trying to wiggle free will face enormous structural tax and national royalty changes.

Finally, do the bankers that run the bullion banking business understand that the days of the dollar are numbered? That the dollar has no intrinsic value, and that it can't obtain value from being a medium of exchange? That the quality of the cash dollar is undergoing a substantial and fundamental change from that of being, in effect, an oil receipt backed by gold exchange (at a controlled exchange rate approximating redeem ability) in the LBMA, to that of being nothing in particular at all
finally trading as fully floating currency as it had before 1980?----------

Again, of course they do! We must grasp human nature, we manage our business and then we manage our "personal affairs". Two different perceptions, right? You run your business in the current political climate as you invest

your wealth for the future political climate. We have to see the fact that the gold markets have been used for the past 20+ years in preparation for the next 20+ years. Their real transition only began a few years ago. The road to $30,??? / gold begins with the dismantling of the past dollar / gold
exchange rate mechanism and everyone that trades it. For these last few years you can't see it in the price because it's in the flow. What you see and feel right now is what being on the road is all about. A period of transition.

It arrives in the cries of investors clinging to what they thought was gold, only to find it wasn't. Owning physical during this transition may not show a wealth increase until the old paper markets really start to dissolve (or then again it may?). The people who think they are going to just ride paper and transition over after they realize their leveraged profits, don't have a clue. When the
discounting begins (for real), the paper markets will close and bullion will disappear. Even the physical dealers will stop for a while. You can guess where trading will start again, in the $?,??? range.

Is the gold redeem ability point lost on the LBMA members as it was lost on most actors in the financial markets? Is the "de facto" dollar redeem ability (into paper gold) - through exchange at the LBMA - a true representation of the system till the advent of the Euro?

I'll work on this later,,,,,,thanks ORO, hope all this makes the click go off.

USAGOLD: Good UK post. Will add that to the "to do list".

FOA

FOA (12/10/99; 18:23:05MDT - Msg ID:20712)
Comment
USAGOLD (12/09/99; 13:23:11MDT - Msg ID:20641)

Hello again Michael,
That was some good post. I received a lesson on Mountain Economics and learned of the driving force in Mid America. I agree with you in that Euroland will grow as a defence machine is produced. It seems that self defence is an ages old component of daily life and commerce. Yet, the
process of building it is always more employable than using the products for their intended purpose.
Yes, Margaret Thatcher understands the outcome and is positioning her thoughts for the entertaining discussion that will come. We will have to watch this closely because it isn't often one gets to watch a nation "talk themselves into doing something" that helps all their citizens.
We also have to correlate into the equation that; if building a defence in Europe is economically good, then dismantling NATO will further slow this part of US GDP. If it's good for the goose, it's bad for the duck!
England knows that if they go with Europe, their political reason for defending the dollar will be gone. No reason to hold dollar reserves; no reason to support a paper gold marketplace; indeed, no reason to trade with the US. Except to sell us their beef (smile). Yes, as the UK slides into the Euro fold, others will take note and

follow. America will be forced to withdraw inside itself and
increasingly share the world with the world. None of this would be so bad if only the dollar was not so dependent upon others "holding it for reserves" as opposed to "using it to buy US goods.

Thanks USAGOLD,,,,,,,,,,,,FOA

Note; I reread my earlier post and am sorry if it was not well put together. Am very involved right now. Will reply to others later tomorrow.

FOA (12/11/99; 16:21:18MDT - Msg ID:20767)

Comment

PH in LA (12/09/99; 08:21:12MDT - Msg ID:20632)
As Time Runs Out

FOA:
Today Bill Murphy writes: "Some in our gold crowd talk of settlements of physical gold. The Frank Veneroso's of the world believe the big guys are SO SHORT gold they cannot get out. That is the reason for this continued manipulation. The gold loans are over 10,000 tonnes now. The shorts are trapped. Thus the gold loans are not loans because they cannot give back the asset. Ted Butler (I Accuse) is right. The loans are a fraud. THERE CAN BE NO SETTLEMENT - what BANK makes loans on something that cannot be paid back?"

If I read your thoughts correctly, the evolution of this situation has been as the intentional laying of groundwork in preparation for the new reserve currency status of the Euro as it takes over from the dollar. If the bove -mentioned 10,000+ tonnes is truly "unrepayable" and the ultimate solution (after the collapse of the current dollar-based settlement system) is intended to be the establishment of a Euro-based gold trading mechanism with final settlement being allowed in Euros to establish it as a
viable reserve currency, would it not be fair to say that the new trading/market system in Euros must be openly established soon to provide for a (quasi-?)orderly transition as this all unravels? With the public accusations now being launched at Congress by GATA, isn't time running out even faster for the Euro organizers? It seems unlikely that they would have anticipated such a developement to be coming from within the United States in this way.

What a story!

Good Day PH! I'll build on your observations.

It has been quite a process and is becoming more open as time goes by. Even now, regular gold bugs that are high profile traders are coming around to the implications of all of this. The public is learning about all of this well before the fact. Something Another wanted to happen. GATA is doing a great service without the legal actions. If they wanted some real support they should jump on to the direction this is going and advocate a new physical marketplace. Having opened some Western investor eyes, this direction would impact the thinking of the mining industry. Before it's too late.

Still, a large segment of the Western mindset has been trained that gold should be in

the $500/$600 range because fabrication demand says so. They give no thought what - so - ever about what gold would be trading at if it were supplying the demand of a pure physical market. A market that must satisfy the void created when the dealers that trade 30 million ounces of paper gold a day, have lost so much equity that they cannot quote a paper price any longer. Add to that the further demand equation of world investors "holding real gold" as a "background currency"! An action that will mimic the ESCBs in their new style of using gold as one of two currencies to settle real accounts. The IMF has already begun new action of accepting gold as a real account payment and now the Dutch follow this trend.

Under these circumstances, most modern investors cannot see the leverage that holding just one ounce of pure gold implies. Yes, everyone accepts the point that a huge domestic dollar inflation would justify a super gold price. But reject the fact that a coming currency crisis could trigger this as a sudden event. They wait for a "typical" price inflation, like in the 70s, to point the way, but it never comes. However, present the facts that the dollar has already been inflated more than enough to bring such a high gold price prior to big price inflation and they do not believe it.

On top of this already in place dollar inflation, the Washington talk is all about the Fed's current "largest expansion of dollar liquidity" ""ever""! Within this environment, create a situation that cuts off all foreign dollar holders from domestic US gold and watch the fireworks. They must chase the Euro physical markets with dollars that can't go home and are no longer needed for savings reserves.

To build further: Again, the present circumstances do not require a real high domestic inflation rate to drive gold to extremes. Once the dollar begins it's retreat from being used as official "reserve holdings" overseas, the US treasury must shield the local economy from this coming price inflation by erecting a whole wall of controls. In other words, "if you don't want to play with our currency, we'll show you"! Import limits on goods and currency, duel exchange rates for dollars, etc., all put in place before the fact of a major price inflation. We are talking about 5% inflation on the way to 30%+. The realm of super gold before the super inflation can justify it.

Yes, this will create shortages (and the usual big mess), but it will also hold the goods price line to just a panic level (using the same precedent of cooking the current CPI books?). During these times, the price of foreign "official gold" will be traded on and off the books at sky high levels. The LBMA will be in a crisis and physical gold will be in the many thousands. Local gold will move at even higher levels. Again, all taking place with only 5% to 12% inflation. This is a text book example of a process that has always followed when a currency is devalued, internationally. Only, this time it's a reserve currency not just being removed from settlement use, it's being replaced as a reserve holding.

MK noted that the ECB needs to get the Euro "in use" for it to gain acceptance. Yet, the stage is being set for a virtual "run" from international dollar trade settlement. OIL, GOLD, minerals, food, you name it, it's just as ORO is following; "refinance all debt and trade into EURO accounts while the dollar is strong and liquid". Once the tide turns, the need to pay off trade financing in this different currency creates a spectacular demand, even if one does no business with Euroland.

Why do it? If one owes dollar debt that's subject to nation to nation trade outside the

US, it's better to transition into Euro payments because "eurodollar" (dollars outside the US) price inflation will play havoc with your business. Opposite, if one holds dollar notes the resulting dumping of unneeded CB dollars from the ECB, China, etc. will also kill your return. In other words, no one wants to trade in a currency that is about to see it's float mushroom from a fixed holding into a liquid holding on world markets.

What of all the gold contracts being settled in Euros? You bet! And the DRAW here, is that the ECB marks it's gold market to market with the process, later, extending to using "official" gold deals as the market price, not the paper LBMA. When push comes to shove, they will settle
Euroland gold notes at the official gold price, "in EUROS"! They can do this because their currency holds exchange reserves in gold that adds value as gold rises. The extra Euros printed to supply this demand will only fill the dollar void and be represented with gold reserves. When the dollar "paper" price starts it's "final" dive into the pits by discounting it's present credibility, it will drag every
contract holder with it. This risk is real and will fuel the drive that demands a new Euroland physical marketplace.

Until such a market is created, miners will continue to settle their production at the dollar / IMF market price. They have to because the Bullion Banks of the LBMA and their affiliates, handle almost all mine finances. To this day they direct most miners marketing practices in the interest of "collateral security". Besides, no one is going to be selling gold into the private BIS system until they are ready to accept it. Even as the "Official" prices begin to gravitate above the paper price. Most likely a local US dealer physical market will appear that also sells "hard to find" "on the spot" physical at the higher than paper price. All of this fuelling the rush into physical and away from the risk of paper. Even mine paper.

Hope this adds a little to your perception and shows what we should watch for in the news.

Thanks PH and everyone, I enjoy this quiet time to understand your thoughts as you understand
mine,,,,,,,,FOA

FOA (12/11/99; 20:53:10MDT - Msg ID:20779)

Reply

Joey (12/10/99; 10:08:48MDT - Msg ID:20693)
FOA: Re Physical vs Paper Gold

1) To my mind, the two prices can only explicitly diverge (setting aside forward pricing considerations of course) when some of the writers of paper contracts actually default on calls to deliver and that fact is recognized by the broader market. I add the latter qualification because both
Ashanti and more particularly Cambior in effect did default but the fallout was absorbed by the financial institutions most closely involved and so a public default was at least postponed.

Hello Joey,
Ashanti and Cambior did not fail to deliver gold, they failed to deliver margin. A big

difference. Prices for contractual instruments can diverge greatly from the items they represent. Even when a bond is defaulted on (it fails to pay interest or return the principal) it continues to trade at a discount to the physical (currency in this case) it represents. I submit, that when a gold loan is actually
defaulted on, it can and is often sold into the secondary market at a discount. There is always a "gambler" ready to buy anything discounted in the hope it will pay off.

Comex gold is discounted in price, everyday as players speculate weather gold "could be delivered" at the "current physical price" settled at days end. To date, these futures have mostly shown a "premium discount" because no one has defaulted "in size". Some see the "premium" of future months as somewhat of a "contango" that represents the current interest and lending rates. Yet, in reality, the pure recognition of this is that it is a "premium discount" that compares to present returns on other instruments.

Most likely, Comex would not allow the discount to go "negative" from a lack of physical delivery because the leverage is so great against their members. A cash settlement on close would lock all contracts into accepting whatever discount to physical existed at that time. In a true disorder, it could be in the hundreds, or more!

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2) Once a public default does occur, then to my mind one of two things would happen. Either, as you say, the markets would in effect shut down for a period, probably with official "encouragement" (ref pt. 4 below) and when trading resumed, gold's nominal price would be a great deal higher.
Meantime, presumably, black-market trading around the world would have worked its price discovery magic.

Joey, I a true international default, "price discovery magic" is usually created from extremely thin volumes. In paper markets, high prices bring supply. In commodities markets, high prices cause dishording. In a currency crisis of biblical proportions, gold is held "at all costs" for things dear. History shows this as fact.
Yes, trading will resume in gold. But it will be for physical only for some time.

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3) Alternately, if the initial defaults were peripheral as opposed to occurring at the clearing level of COMEX or the LBMA, the markets might continue to function while attempting to discount the risk of further defaults. Paper contracts would then trade at some discount to the physical gold price, the degree of which would be determined by the quality of the individual issuer. Given the extravagant degree to which this de facto fractional reserve system has extended credit and fiduciary media, I rather suspect any such interim period of paper discounting would be brief and
ultimately unsustainable.

Sir, the present leverage inherent in our gold market will render any peripheral default as lethal. Even though many fractional reserve dollars will be made available

to settle claims, even these dollars will be discounted against physical gold. The markets know better than you and I that "par" is an even trade when perception is lost.

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4) When the gold liquidity crisis finally does occur -- and I confess to being surprised at the continuing survival of the current farce -- my best guess is that the mechanics for dealing with it will be that most paper contracts (such as those on COMEX and the LBMA) will end up being mandatory settled (in cash) at a price or range of prices determined after much intrigue and high drama. If you like, a sort of industry wide and officially managed force majeur.

I agree! Many gold traders will be depositing "force majeur" into their bank accounts. These loses will drive the run into physical all that much more.

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5) From that point on, any future paper contracts -- or any which have survived the carnage -- will be accepted only very warily and writers will have to regularly establish that the backing is in place. In this, I would have thought it won't be all that different to the aftermath of bank runs back in the good old days before central banks, deposit insurance and lenders of last resort. As one example, high quality, well financed miners might well choose to sell gold bonds direct to investors rather than going through the extraordinary sham of recent years.

After the fact, we shall discuss #5 again and compare our observations.

Well, FOA, it certainly seems the few comments I'd intended to make have grown somewhat. Always seems to happen when I start trying to explore a good, juicy topic! I hope you find it so as well and greatly look forward to hearing your thoughts.

Thank you sir, please continue,,,,,,,,,,,,,,FOA

FOA (12/11/99; 21:13:41MDT - Msg ID:20781)

Reply

beesting (12/11/99; 17:51:29MDT - Msg ID:20772)

Beesting,
I just wrote a full post to you and my system lost it?? Oh well.

Your question of time? I expect it will begin as the present markets start to fail. Trading will be driven to another arena. Prior to the Euro, the BIS would have been seen in the physical markets creating a premium over paper. Yet, I now think that the decision was given to the ECB and they

concluded that it was politically better to allow the IMF/Dollar gold faction to self-destruct. In retrospect it was a good choice rather than be seen as the aggressor. The same holds true with the establishment of a Euro market for gold. This question was put to them in public and they denied it. Again, a smart play.

Thanks FOA

FOA (12/11/99; 22:24:54MDT - Msg ID:20785)

Reply

ORO (12/10/99; 14:19:38MDT - Msg ID:20704)

From the role of LBMA as the main conduit for gold exchange and the core of physical gold distribution, where both buyers and sellers meet incognito, there would obviously be a problem for producers to sell their gold without a location for meeting their buyers. The need to start with cash for gold trades of producers and buyers on a bilateral trade basis would obviously cause many of the gold producers problems, since they do not fabricate and have no direct connection to the retail markets.

ORO,

Marketing concepts evolve in funny ways. Miners assume all the process of finding, mining, milling and then shipping dore bars. Who said it should start or stop there? The term mining could have only included the actual digging, leaving out all the rest. Following this same line, why could they not have included fabricating the gold into industry standard certified bars? I know, the gold used to be shipped to the government and stamped into money bars and coins. But, after the governments "publicly" got out of the "gold is money" business, the miners left themselves open by substituting the BBs as the government arm for the process. Today, they should include the cost of fabricating the gold to industry standard and selling it directly to the end users, be they are investors or manufacturers. Let's face it, it would have been better for them to cut deals with the actual buyers of the product than let a middle man control them for the
privilege. For every ounce of gold borrowed and sold to create a forward deal, the mines could have just sold their own production with an interest rate premium. You know, the reverse of the forward deal.

Currently, in a straight deal, the gold is borrowed at a few percent and sold. The money earns interest and some of that interest becomes the premium that the mine brags about as selling over spot. In reality they are just earning low interest on their unmined ore. Yet no one talks about the
interest the person loses that purchased the borrowed gold. That's right! The money man buys gold and receives nothing on it. So why can't he cut a deal with the mine to buy it's gold over the time of production and pay him an interest premium over a fixed spot to do it. Then the buyer does the
same thing the mines now do. That is earn interest on the unused money until the gold is mined and sold. He splits part of it with the mine.

Honestly, it was the greed of the mine owners that stopped this. They said "we mine gold for our stockholders and will never lock in the price for such a small return". Then they turn around and entangle themselves in the same deal, except it's sold to them as a hedge for a falling market.

You see, they left the physical arena and jumped into a political game with wolves. And never knew they were being eaten up!

The emergence of the BIS as the trading organization for cash based trading once

the LBMA (mutant ninja derivative of the old London gold pool) is closed, should provide a market for the producers and buyers to meet. The transition would not be smooth, however, if the producers are allowed in by the BIS, or their CBs are allowed to participate, the producers should fare well till their home countries start laying significant royalty and export duties, and should still do well afterwards.

Well, I think a physical market will arrive using the new BIS official price averages. Then it will transition into some ECB sanctioned Euro Physical market. Perhaps conducted by the Swiss as Beesting suggests. Still it's going to be a rough process for mined gold to travel.

Why should there not be a way for them to trade? Would the (unhedged) producers be excluded purposely by the new BIS based market? Would the (surviving) producers be allowed to trade with the fabrication buyers? With the retail customer? PDG's old coins come to mind as one way of doing this.

All good questions we will have to follow as this evolves.

Thanks FOA

FOA (12/13/99; 16:44:34MDT - Msg ID:20942)

Reply

Joey (12/12/99; 02:30:15MDT - Msg ID:20792)

Joey,
OK, I see how you perceived my reply. Let ne go further with you and then I'll present a different light to everyone in the next post.

Your words:
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1) You're quite right, I should not have suggested that Ashanti had in effect defaulted. Cambior, however, is as far as I can judge in a slightly different class in that they had sold considerably more calls maturing in 1999 than warranted by their production capacity. In this sense at least, they only avoided default by an effective "restructuring" of their committments.

Again, I point out that both of these companies did not default. They failed to place more margin (cash money) behind their hedge positions. It made no difference to their broker Bullion Banks that gold was not delivered. As long as they covered their risk with more cash, the position could stand or be extended without physical. The outcome, as we all know was that they had no extra cash!
Recently, in London a big deal was made over the fact that many players in the paper gold arena were not being required to carry appropriate collateral against their short gold position. Whether they were miners, hedge funds, commercials or

whatever, they shorted gold in the form of paper and bullion and this was being treated differently from all other asset trades. I submit that this practice has evolved from the past political position of supporting a lowering gold price with official gold sales, lending and most importantly "guarantees". Now that the Euro group has walked away from this position (at the absolute correct time for them), all the players in this field are left holding
positions that suddenly require much more margin, even with gold at these levels. No one is playing the gold lending game today except from being pressured from the possibility of severe risk if they don't. They now perceive this real risk in that physical gold could be withdrawn from supporting the paper marketplace by moving to physical trade only and doing so first on the official BIS levels.
Under these circumstances, commodity gold could become "super gold" and the reverse cash margin leverage against shorts of all kinds could be just enormous. The $600 "drop dead" level for Barrick could seem like the good old days of no margin exposure at all.

Now, with that in mind:

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2) In response to my point (1), you suggest that defaulted paper could trade at varying discounts to physical. As is I think apparent from my earlier post, I agree with this but believe that given the degree of leverage extant, any such interlude would be brief and the markets would soon "lock up". In your comments on my point (3), however, you seem to imply that any peripheral default would be lethal. No doubt I misunderstand your intent but these two reponses do appear to be in some slight conflict.

Joey,
The discounts will first appear small for some time as players assess the situation and begin to conclude that default is possible. First notice day on comex will find some players actually getting bullion at a discount, but most will begrudge the cash close as not representing a fair market. They are the ones that always roll over or close out without delivery. Not that default has happened or will soon, but that it is a possible risk that will create the first uncertainty. We are "on the road " in this direction as I write. It is becoming apparent that some OTC paper gold may be at risk of forced settlement in some kind of "physical discounted price" of dollars if any "peripheral default" does show it's face. Again, I submit that the discounting of all paper will begin small prior to the real
default and this action will slowly kill the modern paper gold markets. Until! Like this:

Some 95% of the Western traders in paper gold today, do not take delivery. They are in this game only to receive the cash price gain (or loss) as a means of gaining the increases value of gold. For them, the integrity of the market is not in it's delivery ability, rather in it's ability to mark their long contracts to the market price of physical. In their perception, their only risk (outside of price movement) is that these contracts are not settled at a cash price, close to buying spot physical. This is the little known "weak spot" in this system.

If delivery of physical does become somewhat of a problem on the massive OTC world arena, it would show itself first, not in an increased price of futures over

physical but in a discount of futures to spot physical. Yes, the futures would rise in price as some shorts cover and the contracts try to keep up with physical. But remember, in a real physical shortage, the world BBs that make this paper market will be selling paper to the very limit of their ability to keep the paper prices from going against them. For them, the physical price is secondary as it's the paper market that creates price discovery and controls the settlement margins. Our recent run was not how the end will
appear. When the real play begins, physical (not futures or paper) will soar ($100, $200 or $300+++) the first day! The futures will try to run and then fall far away. Some in the media will no doubt say that the physical bars are trading at a strange premium to the real price of gold. It will
come across that the paper price is not in discount, rather it's at par as the coins show this huge premium. I know that's nuts, but we will hear it.
This dynamic will manifest itself in the form of futures being bid to discount not only from the BBs but from the commercial traders not wanting to risk a "par" trade for what may be cash, not gold. In the end, because the spot month creates the settlement price, trading could be forced into immediate cash settlement on close before delivery and not marked to the higher physical market. Or, all futures could see a "cash liquidation" decree as trading locks. Indeed, a close that will find physical trading much higher than that cash close. Large players will understand this well before the fact and dive head first into whatever physical can be had, further gunning it's price.
This is the realm of "super gold". It's what being on the road will feel like. However, the ending of our present paper gold markets will not end the coming rise in gold. No, that rise will have only just begun.

Please read my next post, FOA

FOA (12/13/99; 19:15:01MDT - Msg ID:20954)

Comment

Mr Gresham (12/12/99; 14:04:52MDT - Msg ID:20807)

" " "Econ 675, Advanced Graduate Level Money and International Banking: Market Disequilibrium Scenarios, otherwise known as USAGold Forum" " "

Hello Mr. G,
Ha! Ha! That is some class you are taking. One of the things Another wanted to accomplish is happening. That being, getting Western citizens to reconsider exactly what gold was in the eyes of other real people. In order for that to happen, people had to understand the evolving modern
politics of gold and how it has created a "New Gold Market". One far different from the one goldgugs of the 70s had grown to know and love.

In the beginning, many readers had no basis for comparison when reading most of Another's Thoughts. Yet, we walk this evolutionary trail of gold today with eyes wide open and better able to grasp the impossible road ahead.

Onward:

I have seen one sure sigh that Westerners don't really know what has happened to their wealth. This is demonstrated when one "bemoans the loss of good times" if

gold goes very high. It comes across the same every time; " " "if gold goes to $30,000 we won't have a dime and everything will fall apart" " ". Well, Another made his point that the dollar said your wealth was worth more than it really was. Let me demonstrate.

Like this:

Ever been to a high priced auction. They bring out the "Strad" violin and start bidding at $500,000. After a while it goes for $1 million flat and it's over. After that we listen to the perceptions around the room.

One guy in the back, who has 10 million cash, thinks the Strad was cheap at one mill and will pick one up next year. In fact he may get ten if they are offered. Some rich woman has 3 million and she figures her wealth is equal to three "violins" if she ever wanted them.

All around the room the feelings are the same as perhaps 100 million in assets are represented. They all equate their buying power to this one auction. Even though only one walked away with physical, everyone knows they are "strad rich" in wealth. Each goes home for the evening cognac
and relishes in this knowledge. Their lifelong effort of hard work and shrewd investing has positioned them to own the wealth of many rare violins. Life is good, very good.

The one problem with all of this is that they based their "wealth holdings" on the outcome of just one auction. Truly, had they all bid, the violin would have gone for much more and their wealth would seem "not so much".

In much the same way our world of dollar assets carries the same risk. All of us stand in the same world auction room and watch the daily bidding for goods and services. We watch the prices of cars, gas, houses, clothes, etc. and conclude our wealth balances based on what we could
acquire at this auction should we choose to bid. We see our economy in a light of infinite goods and services but fail to balance this with the potential of others to bid, "in mass". In this light, few have a valid perception of just how many dollar assets are out there. Indeed, without this grasp of "dollar inflation" we blindly consider out wealth and position in life using the present price structure of
"things". A system in which we trade paper IOUs of infinite number for real things of finite number.

So, our belief that life is good, largely rest not on the confidence in the dollar. Nor is it in the confidence that others will value and accept our dollars. Life is good, because all of us do not "bid" at the same time! If we did, our life would not be as good as our dollar wealth says it is!

This is the deception in our Western grasp of what wealth is. Our life savings are valued at what they can buy today, even though, in reality it is based on an unknown purchase price in the future. Just as all of the wealth at the violin auction was a phantom in self delusion, so too is our present good life and bank account numbers. The evolution of a people that once griped gold for the real
wealth money it was, has proceeded to the hoarding of bookkeeping entries of account credits. History has proven that once humans begin to question the value of this dollar "wealth owed them at a future unknown price" they run a race to

outspend their loved brothers. Buying goods now at the "known" price quickly balances the books so no one is any longer fooled. The currency equivalents remain as a trading medium, even as real things are held in the background for value proof.

No, a high price of gold will not rob us of our wealth. It will rob us of this perception of money value that was but an illusion in the clouds. Wealth for tomorrow is found in this context for today; one cannot lose something they never owned. Buying physical gold at today's prices ($200 to
$500) will not help you maintain this modern illusion of wealth we never had. But will allow us to later spend the true value of gold that presently exists today. A value few will accept or believe.

Thank you all,,,,,,,,,,,,,,,FOA

FOA (12/15/99; 19:54:05MDT - Msg ID:21108)

Reply

A large thank you to everyone that enjoyed my #20954. Fortunately for us, it is but one in a very large selection of good thoughts presented by all the writers on this forum. Later I will pick up where we left off "on the road", as we consider "what to look for in this political game" and "what
to do as events progress".

Strad Master (12/13/99; 23:12:31MDT - Msg ID:20985)
My friend, you are no doubt very "Strad Rich" in your ability to play. And yes, I did think of you when writing that piece (smile).

PH in LA (12/13/99; 22:58:37MDT - Msg ID:20984)
PH, your statement that --------" money invested in rare works of art has no need to be invested in stock markets or anywhere else"------- carries your years of wisdom. During all the great wars, invading armies carried off little currency, bonds or stocks but fought with themselves over the paintings, jewels, rare antiquities and certainly old gold coins! Our friend "The Master" can thank the stars they, at least cannot take his "talent".

Peter Asher (12/13/99; 21:11:36MDT - Msg ID:20972)

Mr. Aster, Sir,,,,With this one statement you have said what it took me pages to describe!!

----- "Put their money to work?" But, money doesn't 'work', people use money to buy thing to work with. The passive investor abrogates his responsibility as a capitalist, and he does so at his peril!"---------

Excellent!

Crossroads (12/14/99; 11:18:44MDT - Msg ID:21003)

Thanks for your comments!

GFD (12/13/99; 20:58:41MDT - Msg ID:20968)

Hello GFD, you write: ---------- The irony here is that most would not even consider going to the strad auction - they feel that they have to keep their money working so that it will be there for them in their 90's. ----------

Yes, I know. But the whole world of money is not wrapped up in Western Thought as is evidenced by asking the question; "who has been buying all the gold?" Out there, somewhere, people are buying a value that is not expressed today but will be spent tomorrow. Indeed, buying one ounce of physical gold today is like buying a highly leveraged investment for retirement. That is, leveraged to the extent that the dollar has been printed.

We can do nothing to change the mindset of everyone, yet a few will understand now. Later, if a person has even "one good eye" and is shown where to look, the progression of events will mark the trail. Of course, the price and availability of bullion will be much higher them. This is why I fill in for Another until "politics makes a grand stand" "for all to see". After that will begin the "real" bull market in "physical gold" that I believe will bring more Posts from him.

The whole reason behind this effort, is to implant what is evolving in our gold markets in peoples minds, before the fact. This market is "not as before" and has evolved several times during the past few years as the chess players are moved on the board. Truly, an international power and money
game that gold is but one aspect of. It may very well be the most profitable investment for our time, but it still remains only one act of a large play. For this segment, the eventual outcome will remain the same, the rejection of the modern dollar based gold marketplace and it's effects on all the industry that uses it.

If one knows where the fire exits are ahead of time, some will get out without getting burned. But, some still think gold derivatives (gold stocks included) amount to the same exits. When this market matures, they will find those doors locked. Even more so today than in years past, investors are finding this to be true. And the real fire hasn't even started yet!

So, don't worry about the ones that are well fixed in their overall investment mindset. They may not make a good exit, but exit they will. This world has a way of teaching old dogs new tricks.

Thanks,,,,,,,,,,,,,,,,,,FOA

FOA (12/19/99; 9:25:05MDT - Msg ID:21318)

Quality counts!

ALL:
Long ago society recognized the need to control "confrontation". The history of human behaviour demonstrated that "uncontrolled disagreement" always degenerated into it's lowest form of communication. War! Too avoid this, nation

tribes responded with unwritten and unspoken "rules
of engagement". Early on, during individual field negotiations, generals would position themselves so their opponent could clearly see the large forces that stood behind their words. In other words talk came first, and if the rules of talking did not allow some common ground, a
ruthless slaughter would follow. After some bloodletting, they talked again.

Time and death forced a maturity of sorts upon the worlds social skills. It became apparent that human existence along with trade and commerce required lawful conduct to be extended to lawful talk. Without this, the trading of coherent thought was lost at the slightest disagreement. Of course, there would always be some that required a "physical removal" because they did not wish to be part of these national, state or private rules of discussion. We witness this today on the internet.

These "rules of engagement" marked the early stages of our progression to a "more civilized society". The rules were reworked many times and eventually became part of civil conduct on the individual level. Slowly, we created private person social rules and mores that limited just how far
we could take a "verbal disagreement" without evoking physical force upon each other. In addition, police were authorized to stop people from using "the verb age of location" from creating a "hostile environment" disruptive to the common good of all.

Yes, we have the right of "free speech" to say what we want "without slander", but we cannot say it anywhere one pleases if it breaks the rules of that location. We may not stand on an airport runway as we exercise our right. Highways (or freeways for the West coast), sea ports and
railways are all governed by these same rules of the road that some would even think infringe on their free speech. Still, "majority law" and national law rules where and how loud we may talk. As an example, one may not use a radio transmitter so large that it blocks out all other waves, in an effort to make your point.

Every "private" communication medium has rules and laws that govern how much we may "degenerate a conversation" before it creates a "hostile environment", causes "emotional pain" and eventually impedes the flow of discussion. Again, this action is in the "common good for all", in that
it affords us the other right. "The right of free choice"! Because of this, we today may choose to meet at a "town hall" or a "local church",,,,, a "gun shop" or a "protest meeting",,,,,,a dinner club or a local bar", each with it's own "verbal contact rules". The law says a restaurant owner may remove a person for conducting himself "out of fashion" from traditional clientele.

Today, the same majority law allows "private rules" to establish "private meeting sites" on the internet. As a people, we may "freely choose" to occupy our "place of discussion" in accordance to it's "owners rules". Indeed, the owner may fashion those rules in accordance to the clientele he may wish to attract. Using a business decision where demand creates the need, his "rules" can structure
the product offered as the continued success of a site dictates. Be it at the "USAGOLD town hall" or somewhere in the back alley, our freedom of choice is not jeopardized. Nor is our free speech lost as we may go where the "level of hostile environment" meets our needs.

To date, the incredible success of USAGOLD, indicates the demand and approval for the "private rules" and "private enforcement" that govern this site. Here we stand

upon a stage and present our views to tens of thousands in the audience. An audience that packs the house and overflows into the streets to hear discussion of the logical progression of world events. Not the "slanderous" accusations of week minded children. My friends, we are on this stage before Centennial clients and mature adults of this world. They pay for their seat by offering their attention to our thoughts. Many have brought season tickets because the house rules create the format they seek.
Thank YOU Mr. Michael Kosares for your "rules of engagement" and supporting our right to choose!

FOA

More on gold later today.

FOA (12/19/99; 16:55:07MDT - Msg ID:21351)

Look at it this way!

JA (12/16/99; 0:08:58MDT - Msg ID:21128)
Questions for FOA
In your post of: FOA (12/15/99; 19:54:05MDT - Msg ID:21108)

Hello JA, If you reread your post 21128, my reply will be more clear.

Our gold market is a confusing, non definable place for most people. Few have the immediate grasp of it that only 30+ years of eating, drinking and living gold can bring. On top of that, even fewer have accepted the impact that an "evolving" market can have on a static mind. Frozen in past
beliefs and concepts, modern long traders have been ruined as gold crosses an unimaginable gulf of time and space to regain it's roots as real money. Such are the days we witness in our time.

It would offer very little indeed, for us to stand on stage, puff our credentials and say, follow us because we know! In that crowd of "longs" there are perhaps hundreds, no thousands of gold security analysts that have lead their clients and friends down the road of "past performance tells us where we are going". Technical analysis, contrary opinion, supply and demand figures, traders commitments and yes, even future price inflation projections have left them all performing the duties of "managing their substantial, long term cumulative losses". The only group that has survived this ongoing transition are the "physical gold advocates". They have counselled against leverage and
espoused the use of real gold as a long term hedge against their other assets.

We have taken a step further and proclaimed that gold should be held as "real money" in a savings account concept. A concept supported by overwhelming evidence that the world's paper currency system is at the threshold of a major change. One of such scope that it has initiated the
world-wide buying of gold by large players that also hold this view. In this light these buyers of gold presently own an internationally accepted currency that is highly valued by the ECB nations as the Washington Agreement spells out. A currency who's exchange rate fluctuates only somewhat more
than many others. Still, a money that has the potential to become the best investment of the new millennium. And today the loses on this physical position pale in comparison to the performance of all it's derivatives.

As the world loses it's decades old reserve currency system, official gold usage will only accelerate as nations mark their holdings at an increasing premium to the leveraged paper gold markets. A premium that this modern market cannot match as it's magnitude will destroy their over extended equity. This process of discounting paper and building a premium on physical will become a visible example for citizen savers who wish to escape the effects that deleveraging a world will bring . International trading of physical gold will be used to fill the equity void a fallen dollar and fallen dollar paper gold market will leave. The initiation of returning to gold in an account settlement
function will drive the demand of physical gold and be a benefit of common people. Background gold currency will be held as a new paper digital currency takes the stage of account settlement. I believe the evidence points to the Euro as that digital money.

But who am I and why do we say all of this? I am the voice you cannot know, therefore cannot measure. The reader must build their own understanding of this as "events build the credibility", not our words. No favour will flow to us for your success! For, we believe that it was the wholesale,
blind following of accepted "Western money views" that created this generation of question less savers! They gained their understanding by accepting "past track records" and "credentials" instead of striving for their own reasoning ability. A mindset that is destine to lead to a massive loss of wealth as this unfolds.

You are offered more truth in these Thoughts than many will admit. We say that the major core Central Banks of the world are truthful when they give their gold statistics. Yet some say it was this CB gold that has covered the physical supply deficit. I ask, how can that be when the World Gold
Council figures show that most of the sold CB gold has stayed in their system over the last ten years? I say that this deficit is covered from the discarding of gold by Western investors as they exchange their real physical in return for modern gold derivatives holdings. The CBs only offered political backing for this to occur. One has but to examine the LBMA volume figures that Another said would verify this trend. It was noted that this form of trading would explode if gold went below $360. It did and it did as the London pool was several years ago forced to publicly offer their numbers! Today, others declare we are spinning a tail without proof and the CBs are lying.

Even today, the acceptance that CB gold is largely transferred within their system has turned the search for guilt to Fort Knox! Again, we state that the official gold stays put. I submit that the eventual acceptance that paper derivatives are at the heart of this problem will only confirm the eventual destruction of our beloved paper gold marketplace. A change that many in the industry "do not" want to happen. Once all other explanations are exhausted, all doubt will focus on this modern over leveraged marketplace. As official gold prices begin to climb, only then will the "loss of supply credibility" begin the paper discounting phase. Investors will realize the tremendous
leverage inherent in holding just one ounce of physical gold and attempt every means to demand delivery. From these paper markets they will find mostly cash payments that will greatly discount the ongoing physical price.

I openly state that the present paper gold marketplace is not the same as the physical gold market. This will become apparent as the paper market wildly fluctuates between $0 and $xxxxx, all the while discounting an ever increasing

official and private physical gold price. Yet, the "static mind" of yesterday year cannot comprehend how physical gold can be priced in the thousands while paper gold contracts and the industry that depends on them fall away. Truly an example of the impact "western thought" has had on real values in our world. The grasping for bookkeeping entries of
account in an effort to save something that is nothing.

A bull market in physical gold is coming as this paper marketplace fails. Indeed, an even larger gold bull is coming after that, as "Reality" and "Modern Western Perception" converge. Here, at USAGOLD we will "watch this new gold market together". Truly, a market that is "not as before"!

More later,,,,,,,,,,,thank you for reading and thinking FOA

FOA (12/19/99; 17:12:15MDT - Msg ID:21355)

Comment

Good words Mr. Farfel, good words indeed.

" " "When I finally see the gold price soaring, then and only then, will I believe that America is re-embracing pragmatism and common sense in the financial markets." " "

Ha! Ha!, sooner than you think.

FOA (12/19/99; 17:47:33MDT - Msg ID:21359)

Comment

Aristotle (12/16/99; 2:20:51MDT - Msg ID:21132)

Hello again Aristotle,
In light of what is being discussed I had to offer your wise words for review:

" " " The destination in any journey is always the easier vision to perceive than the forecast of details to be encountered in route to that destination." " "

Truly the road to super gold will offer interesting encounters! Also:

" " "My best advice to anyone pondering the future of Gold is to always remember that it is a globally recognized and utilized asset, and that not every person's experience and perspective (6 billion of them!) is the same as your own or that of your neighbor. Your perception of Gold could be rocked overnight by a development in China that you never saw coming." " "

Did you know this was coming before Farfel? (smile)

Peter Asher,
Thanks for the words. With this nice meeting hall, we are all going to learn a lot about gold in the
years ahead.

Thanks,,,,,,,FOA

FOA (12/19/99; 18:04:39MDT - Msg ID:21361)

Reply

Cavan Man (12/15/99; 19:20:25MDT - Msg ID:21105)
canamami
Well, if it is intellectual combat I am engaged in then, I am woefully unarmed. Here's a thought on FOA/Another and OIL/GOLD:

Probably not in my lifetime (I'm 41) but oil will eventually be displaced as the #1 "resource" in the world by something else. What? You decide. Without even reading the article, I will agree that the role of oil in the world economy has been marginalized and diminished by the author's uppositions
simply for our conversation's sake. The Arabs know this. So, not only is it important for them to obtain REAL VALUE instead of FIAT for their oil product while the world turns, they have a strategy to utilize the REAL VALUE they've accumulated when the world's monetary reality goes into paradigm shift overdrive. I believe the ultimate end game is not for the ME to sit on their chips and continue to supply oil but rather, to become a dominant entity in world finance. Well, they have been for years if you read Aristotle in the HOF (petrodollars). They've simply traded one valuable resource in this lifetime for another to be deployed in ANOTHER lifetime. We're dealing with a lot
of wisdom here. Their genes go back over 5K years. What do you think? You have a better mind than me (in all honesty). Tell you what though; I strongly believe I'm right.

Sorry for the shabby thought processing. Perhaps the forum can help me out.

FOA: Do you agree?

Hello Cavan Man ,
You are certainly taking a large jump ahead in our timeline, but this concept must be correct. I know Another has more imput on this your take may be some of it. I, personally think they will join the EMU eventually and use their oil, gold wealth to build a financial empire. Under the umbrella of a united europe, fairly priced oil could propel this entire block into this new millennium as a super commerce arena. We shall see!

Good tidings to you also,,,,,,,,,,FOA

FOA (12/19/99; 18:40:19MDT - Msg ID:21366)

Comment

USAGOLD (12/17/99; 9:31:27MDT - Msg ID:21207)
Today's Gold Market Report: Gold Zooms Higher; Armstrong Closet Gold Bug (Literally)

Hello USAGOLD,
Armstrong is a good example of how many high profile people do own physical gold without the world press knowing it. The more money people have the more they buy gold insurance. And they do it in private, not because they are afraid of government controls, but because they want to buy
more at lower prices. It's only the leveraged gold bug that bemoans the falling price because it destroys the short term bet. Just like Farfel said, if the paper players ever grasp that this is a "house game" rigged against them, the market will zoom. Still, the odds are that they will ride the paper

train all the way down, without ever understanding it's a separate market.
I wish some readers would come out and discuss this without going into "overload". Myself and many other physical gold advocates are also "gold stock owners". Only difference is that our perception keeps us most fully in physical. The real gold stock boom will come after all the controls have impacted their current prices and gold is much, much higher. Then, even with official taxes and all, their profits will run up a great deal. Just not as much as current conditions will allow.
In any event, the worlds real money is into physical gold, waiting for the transition that must come. Does anyone really think the Bill Gates and W. Buffets of this world don't have a block of gold? It would not surprise me if Centennial was their broker! (smile)

thanks FOA

FOA (12/19/99; 18:59:35MDT - Msg ID:21368)
Reply
PH in LA (12/18/99; 18:14:17MDT - Msg ID:21282)
Questions About America's Gold

Ph, I think just about every other major country (outside the IMF / dollar faction) has private audits of their gold. Too date, it's mainly been the US gold stocks that have worried people because the dollar is so leveraged over this holding. I understand that the gold is intact, but they don't want to draw attention to it. Any audit only highlights how little gold is backing the trillions of dollar assets. That's the reason for the stonewall.

Too a lesser extent, any audit carries overtones of eventual dollar backing. Something the BIS would have a major say in as they could attach it at the old $42 rate. Let's be serious here, if current international law demands the compensation of German slave labour and Swiss Gold value
reparations, all hell would break lose for the payment of dollar backed gold confiscated in 71. Both the official and private levels would be after any gold backing our present dollar. The only way the US gold could come into play would be with a new currency. And any whiff of that process (an
audit is the beginning) would literally tank the dollar big! Well before the fact. So, good luck to GATA and MR. Turk!

FOA

FOA (12/19/99; 19:03:30MDT - Msg ID:21370)
(No Subject)
Time to go.

Good luck all,,, FOA

FOA (12/22/99; 17:53:18MDT - Msg ID:21522)
IMF
Town Crier,,,, ORO,

You both are moving now! Good work. I want to add some things, but cannot comment now. A few things going on, taking up time.

Season greetings to everyone. I'll be here this weekend. FOA

FOA (12/28/99; 8:34:38MDT - Msg ID:21734)

IMF

TownCrier (12/22/99; 13:16:51MDT - Msg ID:21505)

Hello TC,
You and ORO have opened this up. Below, I reword some of what was already said and add some things. In reality, the IMF could have just accepted a cash payment from Mexico and left gold out of that picture. Then they could revalue a separate portion of gold and issue equity to the BIS for poor country payments. This would have been much too great of a shock to the dollar system as it would openly appear that "gold" was saving the dollar! No, a slow boil allows the transition to work. See below.
Also, the IMF is keeping their gold at different valuations. Profits and loses on assets need not be totally realized. Only the items mobilized. By selecting this process of "revalue after use", it sets a long term precedent that allows the ECB to "transfer" gold from it's ECBMs OR the BIS can use available CB dollar reserves to buy gold at higher rates, as needed to mark the dollar lower!

ALL:
If everyone does not fully understand the IMF gold deals, that's ok. The IMF managers, who for the most part have long been dollar advocates, are still fighting about the real meaning of it themselves! They make statements, then backtrack. Make more statements, then backtrack again.
It's the same as when a politician makes a "clean explanation about policy" on a live camera; then realizes that by making this revelation public it may end one of his departments. Then they say's all sorts of strange things trying to cover their obvious (to them) slip of the tongue. The media falls all over the stage wires, trying to be the first to offer their assessment of the meaning of official words. In the process, the news wires are filled with conflicting, ridiculous accounts.

Like this:

" " "WASHINGTON, Dec 17 (Reuters) - The International Monetary Fund, raising cash to pay for debt relief, sold gold to Brazil this week and bought it back in a complicated deal." " "

Too put this into true life context:

Tell me this,,,,,,,,,,The last time one of you went into your bank and made a car loan payment, did any of you ever hear the banker tell his associate "Old Jim just came in and made his payment. I sure enjoy buying dollar from my customers in this fashion."

Now, in IMF context:

"Old Brazil just came in and made a payment on their loan using gold instead of paper currency. Yes, you heard me right! We " " brought " " gold from them"

Here is another one:

First in IMF context:

" " ``We sold slightly more than 7 million ounces of gold to Brazil and accepted it back immediately from Brazil for payment of an obligation due the same day,'' IMF Treasurer Eduard Brau said in a statement. ``Thus the gold did not enter the market.'' " "

Now in true life context:

" " " Old Jim just called and told us to use his saving account balance to TRANSFER cash into his checking account. Then he wanted us to withdraw from his checking to pay on the car loan. Thus the DOLLARS did not enter the market." " " (Didn't want anyone to worry that those dollars would be sold into the marketplace and depress it's value???)

Get the picture?
By announcing these deals in this fashion, the whole process becomes lost in a twisted logic that forces us off the trail. Just as banks make currency payments and transfers "in house", they also do it with gold against currencies. And have been doing so quietly for a long, long time. The problem with the IMF action, is that it was forced out in the open by Euro advocates, "for everyone to see".
Even the congressional denial of IMF gold sales was presented as an effort to stop the price of gold from falling. In reality the IMF no longer had the support of Euro / BIS cash contributions. Without new wealth for the IMF to draw from, international dollar debts were going to fail. A process that would have quickly marked dollar assets to market. Deflation, is the word! Without new contributions, selling the IMF gold would have exposed the system. For, without gold, there was nothing else to "upvalue" for the purpose of maintaining dollar debt. And by extension, the use of the dollar as a reserve currency.
Indeed, a western public, completely unaccustomed to the thought of gold being used as money, has a hard time of grasping this. Let alone understanding it in the fashion as it is reported.
We think of dollars as a real value only because they continue to buy "things" at a relatively static price. All
thought is focused upon the amount of gold that CBs could sell and no consideration is given to the amount of dollars that could be sold. As gold continues it's journey to becoming an official "currency in the open", the public will make a comparison of outstanding dollars to "available outstanding gold". By available gold, we mean whatever gold the physical market will provide (sell) as backing for the dollar. Not how many paper gold contracts can (be created to) back the dollar, as is currently the fashion. As this understanding advances, the leverage inherent in just one ounce of gold will cause "thinking people" to run for physical, in mass! They will forget the present day need to leverage gold using risky paper derivatives. A need created because gold was not allowed to rise to match current dollar currency inflation (perhaps 18%??) Later, physical will be seen as more than enough.

Today, gold is once again being shown as an "official" wealth, currency and money asset; and it becomes such too the loss of the dollar.

Onward:

TownCrier (12/17/99; 16:36:43MDT - Msg ID:21217)
" " "Sure, the gold value would be viewed as the equivalent value necessary for payment on their loan, but there would still remain the lender's obligation to remove the principle quantity of dollars from existence." " "

ORO (12/18/99; 2:35:37MDT - Msg ID:21249)
" " The IMF, acting as a bank, can issue cash in amounts equal to booked financial assets that include country bonds and loans - and gold. Gold reserves are the only way a bank can issue cash that is not backed by debt." " "

ORO, TC:
The IMF currently holds loan paper as assets. Once paid with revalued gold, that portion of gold is held as the new asset. It replaces the portion of the loan "taken down" with that payment. So, the dollar portion of this loan does disappear, just as in a cash payment. Yet, the dollar supply is maintained as the "cash dollars" the country used to buy the gold, is used to maintain other dollar debt. That being the "fund" at the BIS that's used for poorer countries. It was essential for the BIS to pull the dollars away from the IMF bookkeeping so as to keep the dollar floating, if you will. A destroyed currency does not float against anything and creates havoc. A floating system, "in transition" can slowly reflect new values in the marketplace. All along, this has been the goal of the ECB/BIS. Transition the dollar reserve system so as to allow dollar asset holders time to hedge.
Today, this message arrives at your doorstep, on this forum. Consider it well.

Further:

Again, This process is a major blow to the dollar as it introduces gold back into the system. And does so by showing gold as a growing reserve currency alternative! By using gold in this manor, it precludes a deflation of the dollar system by slowly marking down the value of dollars by raising the official price of gold. And doing this outside the valuations of the paper gold marketplace In effect,
new dollar inflation is not created, where as the existing dollar currency inflation is maintained and slowly becomes apparent in the gold price! Yes, rising official gold prices, in dollars, will eventually lead to price inflation, but only to the extent that "real goods prices" were not evident in our present world dollar money supply.
Note: The "money pump" term ORO uses to lable this is more like a pump that keeps our system floating. Again, in Western eyes, it's wildly price inflatiobnary. Yet, in reality it only turns lose the price inflation the dollar already has built in! ORO, your view yes? No?
The current dollar reserve system has hidden these "true gold prices" and "real goods prices" for many years. The above process will allow the orderly transferee out of this system without imploding the banking sector through deflation. Only dollar asset holders will lose wealth. But, as I offered before, it is wealth they never had in the first place. We own only a bookeeping entry that described what one "could buy" as long as everyone doesn't buy together. Looking closely, we can now see how "physical" gold dollar inflation will "lead" dollar goods price inflation. The end of a reserve system requires such a transition. A reverse transition most gold bugs do not expect.
All of this brings us back to the present price setting mechanism for gold. The LBMA. Their entire paper gold marketplace cannot survive a return of gold as official money.

Reflecting the present world dollar inflation in dollar gold prices will wreck this market and most of the mining companies that need it as a financing tool.
As we walk this trail of gold, official gold transfers will first mimic the paper price. Then, they will exceed the market as they are labelled "premium trades". Then, the paper discounting will begin as "premium bullion" in the public dealer market no longer allows paper to be "marked to the market".

Gold, the only investment needed for the next thousand years!

FOA

FOA (12/29/99; 7:51:39MDT - Msg ID:21774)

Reply

Leigh (12/28/99; 20:15:43MDT - Msg ID:21752)

Hello Leigh,
My reply to your comments / questions:

-----I have a few questions to ask, and I hope you don't mind if they seem to cover old ground. I'm trying to clear up some fogginess in my understanding. First, regarding the proposed three world currencies -- will they be gold backed (like the Euro), based on a true gold standard, or backed by nothing at all? Will the three currencies compete against one another? Do you think that eventually the three currencies will merge into one world currency?-------

----------Also, you've mentioned about digital money, and I assume you mean that a gold owner's gold is placed in the bank and he can draw upon its value. What if the gold owner (or cash owner) doesn't trust the bank or the government to take good care of his money? Could he refuse to use the smart card and function on a cash basis?----------

Leigh,
Let's take a short walk.

I don't propose three world currencies and neither do our Euroland friends. There is only room for one world reserve "digital" currency that would take on the trade settlement functions of our present dollar system. We understand that the Euro alone will become that "digital settlement reserve currency".

The Euro is not and never will be gold backed like the various gold standards of the past. The ECB / BIS have no intentions of making that mistake again. The whole reason for allowing gold to return to it's free market "physical" price value is to use it as a background official / private
currency. A real money (gold) that will trade at whatever level it seeks because "this new" Euro currency will not be defined in a set amount of bullion. It's price (gold) will rise as a function of world supply and demand based on gold held and used as a "wealth asset", not it's commodity use.
"Wealth asset" money is an old line function gold has always had throughout history. This use exists today, even as it's value is hidden in the fiction of a "paper gold" marketplace. This "Wealth money" is the very attribute the Western financial system has so much tried to destroy as it competes against the retention of our debt structure. A structure ingrained in the dollar world and requires that

no one discount dollar debt.

The old gold standards needed gold to completely back their moneys because without gold, they (cash) had no purpose of exchange. Except to denominate a fixed gold transfer during trade. Today, modern commerce has evolved to the point that paper "digital" settlement is the cornerstone
of an efficient trading system. Indeed, without international computer settlement, using fiat currencies, our system would not function. Too this end, our modern commerce and lifestyles require "digital" currencies and that need imparts a new value to their use and existence. One that did not exist during the relative "slow society" of the gold standard days.

Therefore, this modern reserve "digital paper currency" will not be backed using a fixed amount or price of gold, rather it will "use gold" as a real money reserve. A reserve that can be traded, lent or retained as national savings. As such, any world "free market" value rise of gold will only be seen as an "good" increase in savings and therefore better "reserves" for a national society. Not to mention any "physical gold savings" held by the private citizen. Contrast this with the today's Western view that any rise in the gold price means a loss of wealth and a economic disaster. Truly, this will not be a disaster for the majority of world citizens. Just those that tie their saving assets into the illusion a dollar presents.

The modern reserve currency will be in demand for trade settlement in conjunction with gold, but will not be in competition with it. Their values will move up and down against each other using their true attributes. Gold as a "real wealth settlement money of slower speed" and Euros as a "modern digital money of high speed".
Our modern currency history (the last 20 years) has shown that the world needs both of these moneys, but needs them in a different format from the past. Our present dollar could do the same but it carries the baggage of huge unpayable international and local debts. Debt made non payable by the dollar reserve system that forces the social needs of just one people upon upon the world using unbalanced, rigged exchange rates. It eliminates the escape route of a "free market" gold price and therefore locks down the ability of other nations to trade outside this system. Free the world of this system and a great deal of American wealth will be seen for what it really is, an illusion of
bookkeeping. Indeed, create a workable reserve medium, based on world needs and wants in a settlement format and the race will be on to use your product. I submit that that product is in the process of being built today. A return to a new one world currency is the best thing for all of us.
Especially if it "includes" the money the world has wanted for all it's history. Gold!

Onward:

Mr. Holtzman, does not understand how the diversity and different social nature of Euroland will become it's most profound currency strength. It they were a more homogenizing people like the US, the Euro would become just another dollar! Their "Old World", "Hard Money" conflicting nature will be reflected in a "New Gold Market" and a responsible world currency. Their practical "Real World" focus will not allow them to reject this "digital currency" as we move forward in world trade. The very best balance for the next 1,000 years.

National states and broad based cultures, such as China and India will wholeheartedly embrace such a system. The prospects of using the Yen in such a

world demonstrates the lack of understanding about how that currency and it's society functions. More later.

thanks FOA

FOA (12/30/99; 6:30:21MDT - Msg ID:21836)

Reply

Cavan Man (12/29/99; 8:55:03MDT - Msg ID:21777)
FOA 21774
"The whole reason for allowing gold to return to its free market physical price value is to use it as a background official/private currency". Hello FOA. Isn't gold an official/private currency for central banks, ME oil, large blocks of wealth etc today? What I mean to say is; gold for those "in the know" and fiat for the masses? Thanks.

Happy Y2K C Man (and to everyone (smile),

Consider Historic Reality:

Yes, gold has for some time been accumulated as a savings / reserve currency by people "in the know". What do they know as opposed to the masses? They understand how gold gains in value directly in proportion to the amounts a currency is inflated. Even though the long term inflation of
our paper money has yet to be reflected in real goods prices, gold holds these gains "before the fact" of this price inflation. Hidden from view to the masses, these (gold) gains date back decades and form a kind of savings account that always balances once the currency begins it's final timeline.

A Dangerous Trail; walked by many people nations in the past:

The quest to "get something for nothing" is what the modern "Western View" is built upon. Sold by a political machine, this concept nourishes this grand illusion. An illusion that requires leveraged paper wealth administered by a super leveraged paper currency. This quest for wealth from leverage is what drives the "Fiat for the masses" mentality.

We Walk This Trail Today:

The balancing of this "Western" bubble by a revaluing of the currency will not break the dollar system as most think. The US and it's dollar will continue, yet it's only the illusion of this bubble wealth that will meet world reality. That reality will be in the form of a super price inflation that demonstrates the real buying power of "something for nothing" saving / investing! Denominating your wealth in today's dollars is like numbering your savings with commodity futures contracts. Truly Dollar credibility is completely dependent on others delivering physical goods against our dollar contract when we demand real delivery! Many will find their dollar assets in "Force Majeur" from this new and changing world.

The Leverage Of Physical Gold Against Dollars; it dwarfs the grasp of a Western Mind:

Today, the (gold) price making function of the dollar based gold market is affording

the opportunity to trade an "illusion of nothing" for "something". A process of lowering the paper price of gold until physical delivery is no longer an option. All in an effort to buy time for the dollar. We may have already reached that point (dollar price) where physical gold will be purchased no lower.
Or more Western gold hoards may yet come to market in exchange for the fraud of paper gold. In time, the holders of leveraged gold paper will find themselves caught in a maelstrom of events that crush the the entire concept of our modern gold market. This firestorm will burn through any entity that makes this marketplace it's financial lifeline. We have seen only a tiny beginning of this today.
When the gold market break's, it (the rushing price of dealer physical gold) will lead the downturn of the dollar and mark the great price inflation that follows. Gold will run in dollars as never before seen in history. It will become the investment few "Americans can understand". A
savings account already full with the years of interest and gain. All equal to the past printing and leveraging of dollars world-wide. As a people, citizens of Western Thought and investing concepts are free to choose their future wealth. Some will buy a value that is not expressed today, yet as real tomorrow as rain from clouds in the spring.

"Gold, The Wealth Of ations, Gold One's Future In Our Hands"

As Another would say;
"We watch this new gold market together, Yes?"

Thank you all for reading and thinking,,,,,,,,, FOA

More later.

FOA (12/30/99; 6:40:45MDT - Msg ID:21837)
the finish?
Well, I didn't quite get this one right. Must be Y2K! Here it is again.

"Gold, The Wealth Of Nations; Gold, One's Future In Our Hands"

Be back later

FOA (12/30/99; 16:38:17MDT - Msg ID:21859)
Reply
Hello and welcome Permafrost,

I'll comment on your items in order:

PERMAFROST (12/29/99; 3:21:27MDT - Msg ID:21765)
FOA Msg ID: 21734
Dear Sir, Based on your logic, two outcomes are possible.
1) If you're right and we are witnessing the re-monetization of gold than all those that benefited from the fiat money scheme will lose their power. ----------

Mr. Frost,
Not all of them! Only the ones that did not hedge their power effectively. Surely the Euro will carry some of the same political agendas the dollar currently does. Only, it will be controlled more so by the cross currents evident in the various old world countries. Let's face it, we all need a dollar like currency if our modern economy is going to function. What we don't need is a single reserve
currency that precludes any avenue of escape if it hurts other countries.
If gold is trading in a free physical market, no one is going to run to gold as a single currency and leave the Euro entirely. Indeed, a free world economy needs and demands a currency that can expand and contract with changing conditions. The curse of the old gold standard was that it didn't allow this latitude and always created a crisis when needs required this flexible money supply. Only a separate gold market can offer a means to truly measure the success of the money creating treasuries. This is the direction we are heading, for better or worse.

----------A gold backed and restrained financial system (An oxymoron, in my belief) will simply preclude them from accumulating goods and services against monopoly money -- the source of their power.----------

Well, the power you speak of can also be held through the use of gold itself. Many a king and monarch ruled the land with the effective use of bullion. Your oxymoron is not in the restraint of the monopoly money, rather in the present lack of a free choice between "gold wealth" and "dollar
wealth". The blending of these concepts will create a new power block that must conform to the needs of all.

----------2) If you're not and gold is merely being used as a relatively-untapped "new" source of non-debt-backed dollar creation, than it's a very old game we're playing, indeed. Was not gold itself responsible for one of the greatest INFLATIONARY explosions in History when the Conquistadors "expropriated" Aztec gold and brought it all to Europe to consume (chaseafter) a "limited amount of goods and services"? Colombus turning over in his grave? ----------

During the time of the Conquistadors, we must consider that goods were not being inflated in price, rather gold was being devalued! At the very least gold did not disappear as bank notes do. No, the coming run in gold will be a reflection of the tremendous dollar inflation already in the system. It's only in the eyes of the Western dollar saver that this price inflation is unwarranted. Again, they are only loseing something they never had. An illusion of wealth on a grand scale.

------QUESTION: Do you know of any emperor (I think you called them 'Grandees' here on this forum) who's willingly abdicated power--Besides God himself?----------

My friend, power belongs to the swift of heart and mind. This world waits for no one as power flows from peoples to peoples. Even the strongest emperor knows to occupy the high ground before the flood. The powerful in tomorrow's future will own gold today.

Thank you, FOA

FOA (1/1/00; 8:24:33MDT - Msg ID:21968)
Comment

Good day everyone!
Looks like the world will have a chance to move on with life without any of these Y2K problems. Good! There will be enough monetary action to follow and understand without the
added impact of computer control problems.
Jeff (of USAGOLD) good job keeping the system up. And while I'm at it, good job to all the other thousands of dedicated computer professionals who made the turn over work.
Michael, TownCrier, ORO and everyone, our golden century begins today.
Preordained to be in our financial future by the planers of tomorrow. I'll do some thinking ,writing and make replies later.
Thanks ALL FOA

FOA (01/01/00; 14:40:22MDT - Msg ID:21992)

Comment

Cavan Man (12/30/99; 6:43:30MDT - Msg ID:21838)
Hello FOA and, Many Thanks
Please consider this:
I am 42. Will I live to see it and perhaps enjoy the knowledge that I made the right decision???????????

Cavan Man,
42? Oh boy, I didn't know you were so old! Well, at that age one should be careful with your body. Get plenty of rest, eat well and take your vitamins. If lucky, one could live another 40 or 50 years! (big smile)
Seriously, it was so long ago that I passed that age I lost the records. And for the record, I know I'll see this gold change. So, all in all, you don't have to live long enough to see the next gold bull, "you just have to outlive me"!! Ha Ha (huge great big smile!)

Happy new year CMan.

FOA (01/01/00; 14:42:33MDT - Msg ID:21993)

Comment

Golden Truth (12/31/99; 15:09:49MDT - Msg ID:21912)
Paranoid Thinking Runs Amuck Here!
Now a year later i still have an enormous amount of respect for your knowledge about Gold. Yet, I still respectfully say, the World markets are just to big and to unpredictable for one person to know with any certainty.----------

Hello Golden Truth,
Reading all of your post tells me the (non physical) gold markets have been rough on you. I can understand your feelings if you can grasp what groups we are talking to.

All of Another's Thoughts and my comments are directed toward "physical gold owners and by extension "physical gold advocates". These people have read all of these ongoing posts (some have been involved privately long before the current "gold forums stage") and know the thinking is
strategic as it applies to a moving, evolving political target! Each group of posts are but a snapshot in time as it applies to this changing chess game. Yet, the end results remains the same, the destruction of our present pricing system for gold, a huge increase in the dollar price of physical gold, the eventual use of gold a Euro reserve settlement currency along with the new free market that must evolve with it.

"Physical Gold Advocates", such as I (and readers) have brought gold from the high $360s into the low $280s because of this ongoing timeline of events. A timeline that is now quickly being depleted as the Euro builds it's position in the world. I submit, we are not hurting in any comparable
way as our gold holdings are in a good large proportion to our total assets. And certainly our asset values have not been impacted as the gold derivatives players have (gold stocks included). When behind the stage power plays are in progress, the possible short term outcome is presented. Yet, it is presented with the knowledge that readers will think bullion, not derivatives. As such, if the chess game moves into another stage, no hard loses are taken by anyone.

ALL:
The historical record of physical gold alone is enough to justify a real gold holding. I add that the record for mining shares and the other leveraged derivatives are lacking in their long term comparison. These items are as new and peculiar to the modern investment scene as is the current dollar "off the gold standard"! Players often tout these paper investments to be as good as gold, yet they are truly only as good as the dollar marketplace for gold! Still, I own some gold shares (gold), but only in a small proportion.

We conclude that the coming bull market in gold will be unlike anything before it. Today, the leverage is in physical gold, not paper gold. This latter day track record of derivatives, gold stock options, gold options, gold stocks, etc. all clearly demonstrate this changing function. The horrendous ongoing, long term loses, built up by these paper bull traders is evident. With each downturn, they search for greater and greater leverage, in a attempt to return to "even". All the while, the bullion buyer slowly amasses a large "highly leveraged" position, just by channelling his would be trading loses into paid up physical and rare gold coins.

One day, the dollar paper gold markets will be driven into "Force Majeure", during a transition from the current dollar reserve system. With each political announcement, the stress on the London market will grow. We know this position and understand it well. Yet, no one can guess when the
last bullion delivery will spell the end for paper credibility. I only offer the month by month level of stress and how it may impact bullion.
As for this Y2K item. I fully acknowledged it potential for impact on the dollar. Yet, in my posts, I offered my feelings that it would not be severe. Clearly, we have larger items to address that this.

More later. FOA

FOA (01/01/00; 20:34:38MDT - Msg ID:22008)

Comment

mhchuck (12/31/99; 19:13:55MDT - Msg ID:21928)
Just Another Squashed Bug.----------
----and----------
mhchuck (12/31/99; 19:22:25MDT - Msg ID:21931)
Do We Have Free markets?
Yuk, Yuk, what an industry, if the price of the item they are producing rises...they all go bankrupt. Please come and get me, I'm ready for the nuthouse.----------
-

Hello and welcome mhchuck,

Well, if you have come this far down the gold trail, we might as well finish the hike. The end of this is closer than many think. My dad always said don't worry about the big bully in town. There is always someone bigger and tougher than him wait for the chance to ?????
The same is true in the money power game. I never said that the Euro was not going to be a tough "dude". He is and he will work the dollar over with the help of gold. We are only pointing out (to the average person) that the timeline of the dollar is ending and the transition will be sudden and harsh on dollar asset holders. Truly, gold will not be an "innocent" bystander in this fight. It's historic power to break empires will certainly come into full use.
Again, bullion will be the survivor with the most leverage in this battle. Yes, the gold mines will still have valuable reserves and be in full operation as this all unfolds. It's only the equity holdings of these "businesses" (not all, just most of them) that will be ransacked as the gold marketplace is up-ended.

FOA

FOA (01/01/00; 20:36:19MDT - Msg ID:22009)
Comment
Golden Truth (01/01/00; 18:17:00MDT - Msg ID:21998)
TO F.O.A----------

Golden Truth,

No, G.T. I am the one who thanks you for telling us what you think and how you feel. And doing so without using a sword to try and cut my head off (as some have done)! Truly, all the success, wealth and social standings are lost if we as people cannot clearly air our thoughts without physical
and verbal violence.
No one can walk this gold trail without a modern, updated map. And no one can read this map without a good understanding of the road signs that daily events create. Further, human understanding is developed by allowing ourselves to weigh "reason", by viewing these new events
as others see them. Not just accepting them in the light of past performance. Things change, life evolves and so too do the reasons and motives for gold. In this respect, oil influence has played a major roll in the evolution of our gold markets. Not to mention the birth and success of the Euro. There will be much more on this later.

Thanks FOA

FOA (01/01/00; 21:19:45MDT - Msg ID:22014)
Comment
USAGOLD (01/01/00; 20:07:21MDT - Msg ID:22002)
Series of posts....

Hello USAGOLD,
I have really enjoyed your recount of the Golconda writings. How true to modern life it is.

Philosophically thinking about our present situation; the current run up in the stock

market is a perfect end to a long play. This mad rush to buy anything at any price is indicative if a financial order run amuck. I am struck at how the same process is repeated again and again by our Fed,
each time with greater intensity. Starting with the 1982 Mexican default and the Dow at 700+/-, the federal reserve pushes money into the system. Right into this present day, each and every possible threat to the dollar system is addressed with a more intense cash flood. Now the flood
becomes outright and open with little consideration of the eventual repercussions. Yet, the entire population accepts this illusion as real wealth for the long term. Truly, a mass of deluded opinions ripe for reality.

Further,

I could not agree more with your #21977! In present time, the Washington Agreement has turned the "Thousand ton Gap" into a ticking time bomb. Even before the agreement, stocks of gold were being drawn down. I have often stated that this gap was being filled by private gold holders
exchanging old line physical for derivatives. Because this process was backed by the CBs, there partial withdrawal from the business has set off a mad scramble in the BB camp. Far from the past official leasing announcements and sales, guarantees were hidden from view. This loss is the real
story behind the market facade. The recent small official announcements to lend by other countries indicates that we are at the end of private stock supplies. I expect that the "gap" will now work it's magic in short order.
How this will end in a pricing format is completely uncertain to many. The world has never had to wait out a transition from paper into physical. Usually, it's been the other way around (the dollar in 71). We watch for physical to move as paper becomes frozen. We shall see.

Thanks FOA

FOA (01/01/00; 22:49:45MDT - Msg ID:22020)

Reply

canamami (01/01/00; 21:08:25MDT - Msg ID:22013)
Question re Remedies for US Breach of Contract
This is open to the entire Forum, though it may be of particular interest to FOA.

Hello Canamami,
Your thoughts:
--------Is it possible to distinguish between pre-August 1971 Bretton Woods/gold-backed dollars and post-1971 dollars? It would seem that only those dollars which existed prior to August 1971 represent a breach of contract by the US. ---------

I have to put your items in context. Why would it be important to separate the pre and post gold backed dollars? That was not the thrust of the logic presented. The point was that foreign entities would take the US to task in trying to reclaim their gold at $42 per dollar. Simple international contract law does not allow the same contract to be honoured today and not yesterday?? Our present dollars have not changed in legal interpretation from their beginning. Only the Treasury committed an outright default by not supplying gold back then. Truly, the government should have reissued a new currency at the time of default.
Today, any return to backing the dollar with gold would open up a can of worms for the US. Especially in light of the success of the German and Swiss WW2 payments.

Again, the whole reason for pointing this out is to highlight the political repercussions from backing the dollar with gold. Many suggest such an avenue and we point out that a new currency would have to be printed to avoid this. It's just another reason why an argument for backing the dollar with gold is impossible and dollar assets are at risk. The US gold stocks valued at any price will not save the dollar.

------Further, even on a purely moral basis, given that the rest of the world accepted US dollars after the 1971 breach of contract, would such acceptance constitute a waiver of the breach, thereby nullifying even a moral claim to US gold? ----------

Would the US risk such a move using this light argument as a loophole? I doubt it and so do a lot of others.

--------Moreover, it appears that by the early 1960's the world knew that the dollars outstanding exceeded the gold backing, yet the world continued to use the dollars? Again, the world accepted the US dollars knowing there was realistically no gold backing, thereby nullifying the moral claim.---------

So, in the same light, if the world stopped paying off dollar debts they could not pay, does this action nullify the moral claim that everyone should pay dollar debts? Further, if you buy a junk bond that is trading without payments, does your purchase relinquish the issuers obligation to pay you any interest? This logic does not work in your presentation or mine as offered.

-------Does not the continued prominence of the US dollar reflect value to US currency which stems from more than mere "gold backing" or "acceptance for oil settlement"?---------

I ask you, does not the high level of the US stock market reflect it's prominence rather than mere earnings or rational P/E ratios? Truly, the mind in a crowd thinks the common thought, no? Again, Western views are skewered by group acceptance of the contract that "bookkeeping entries" are representing real wealth. It's a fragile view that can be fractured from the competition of a less leveraged alternative. The Euro!

------(Kindly note I am not diminishing the possible importance of the Euro as a competitor to the dollar, or that at some point the huge overhang of foreign held US dollars and the trade deficit will have an impact. ---------

It is impossible for the production of any country to support it's currency if it's currency always flows "out" in a trade deficit. In this country, the negative effects of a reversal of this long term trend will bring on a dollar currency crisis that runs the price of gold well before local price inflation. This is the primary reason why recent investment profits will never transition into gold before it overtakes the illusion of these realized gains. This is the focus of our "reasoning" and push for the purchase of gold "before the fact". Gold will run well before price inflation is evident (in a large degree). And before resource stocks create an up-trend based on this performance. All in conjunction with a severe downturn in local equity markets that will overwhelm all forms of paper investments (gold stocks included).

Yes, we may see minor runs in these areas prior to the crisis, but these moves will not be connected with the major bull market in gold that is coming.

Thanks FOA

FOA (01/01/00; 22:50:45MDT - Msg ID:22022)

Reply

JCTex (01/01/00; 20:59:08MDT - Msg ID:22012)
FOA: end is closer than many think
Any truth to the rumor that the Saudis gave the CBs an ultimatum concerning gold sales?

Hello JCTex,
You must not have read the Hall Of Fame posts by Aristotle and others?

FOA

FOA (01/01/00; 23:16:07MDT - Msg ID:22023)

Comment

canamami (01/01/00; 22:36:25MDT - Msg ID:22017)
The gold "subculture" - Reply to Number Six, koan

In the future we will read of the paper gold "subculture" that invested mostly in gold derivatives instead of gold. Even with the leverage of mining shares clearly working against them, this group will be questioned as to why they stayed the course. I suspect that they will eventually be buying gold at ever increasing prices, kicking and screaming all the while. Eventually enjoying the benefit of the only way to beat this dollar manipulated marketplace. Physical gold.
I never thought that I would see the day when investors brought into a business that tried to sell it's product (gold) down?? And defended their action with more suggestions to buy! Then when someone suggested to change their investment mix to buy mostly the product (gold) and less the business (mining),,,,,a move I add that would drive the product (gold) price up,,,,,,,,,,,,that logic is
attacked with pitchfork and fire?????????? Indeed, this logic does belong in a "subculture".

Be back later FOA

Note: ORO, I'm still working on a reply to you.

FOA (1/2/00; 11:36:40MDT - Msg ID:22048)

Reply

Mr Gresham (01/02/00; 02:30:24MDT - Msg ID:22030)
FOA -- 30k?

++++++++++++++++++
Good stuff Gresham! Re-read your post for a refresh then come here. This is something we can air out. I'll just rummage around some and see if any of this hits home. Will place some of your post comments inline where usable.

Two additional observations came into play years ago when this whole timeline was being worked out. One of them:

---A major flaw in the fiat system was in selling people the idea that money need not be wealth.--

This is something Martin Armstrong pushed a great deal in his pronouncements. I made an open post to him on this forum because his position was in direct conflict to human nature. Lo and behold his personal clandestine actions later proved out my point. Truly, most modern thinkers don't trust
contract fiat money and understand "things" much better. Only they try to hide their perceived weakness. Indeed, he quietly owned a bunch of gold!

Onward:

In real life, everything is our wealth and simultaneously our money. Houses, cars, furniture, pots
pans, you name it, it's all tradable in a duel format as money. In fact real things were what people traded in the beginning. Modern economist love to regress this function and use the term "barter" in a way that "dirties" it in the eyes of modern educated man. The use of things as money has always been the natural way people trade and the most understandable method to compare value by applying an "efforts to acquire" worth to unlike items.
Advancements in our infrastructure brought on the need to use contract wealth (receipts for delivery) as a means to trade efficiently. (You know, the old receipts for gold in the vault story bankers started.) Over time we lost the grasp that by using money to buy and sell real wealth we
were still just trading real wealth as in the beginnings. Only now we are using money to denominate the trade. Again, modern economists contradict the facts by trying to convince us we are really trading dollars, not the wealth they represent. As if I buy a house from you, I get the house and you get the dollars as the end trade. In reality you have only taken what the dollars can buy, "real wealth", not the subjective paper value. I could have just as easily given you ten cars for the house and we both would know exactly where we stood.

So, in a larger sense the entire world economy is in effect trading "things wealth" for "things wealth". The nation state's moneys have nothing to do with how rich we are. Today, the grand illusion of paper money has evolved into -------we equate our life savings with how much we can
buy, not how much we have------. The concept holds little reason for most people to worry as long as the world works. But, if the world changes, our savings are suddenly not what our wealth really is!

Further:

The second flaw arrives in the form of: --------"currency inflation slowly transforms fait money into a futures contract"-------
In a broad sense, IF the money supply is created in "lock step" with the ability of the economy to produce, everyone could take their money and buy a "newly made" item the first day,,,,,,, And the persons that received those paper dollars could turn around and buy another "newly made" item the next day and so on. In time, more and more items would come into ownership and there possible supply on the resale marketplace would increase. But, as the money supply was only fixed to the new

production ability these increases in real goods, the increase supply of "owned" goods in the
marketplace would drive up the value of paper money.

This would not be a problem except that our money makers decided to name this affect "deflation" as the paper value of goods in existence fell as the money value rose in direct converse fashion. This process would not effect anyone if it was a known effect that everyone planned for. But bankers and governments never plan for it nor do they want it.

So, along the way path to money inflation, someone decided that the money supply should increase in somewhat matched step, not only with the production of new goods, but rather with the total supply of owned goods. This was accepted as good economic practice and it's application
ordained an ever increasing world money supply to match the perceived world wealth in existence. Our constant building money supply is always viewed as a good thing. Indeed it is even a major component of all relative tools that measure our economy. An illusion that says "if our money is
increasing, our economic system is growing". Again, at the very least, this guaranteed that the value of money would not "increase" on it own (hence the need for a "return" on cash in the form of interest) and the money denominated value of "goods" would not deflate. But, perceptions changed
and the process evolved further.

In time, the perceived purchasing power (and worth) of dollars was extended to include what goods could be produced and therefore brought in the future. Not just today's production plus the existing supply of owned things, but also future delivery from a perceived infinite economic
production base. This is where they justified the long term, massive debt build-up that has leveraged our economy far into the future. And done so on a scale unknown to mankind.

In effect, the world has accepted a money supply that created a money supply in gross excess of the worlds present things. Truly, this present reserve system does not price our real wealth of today, rather it prices our "perceived" wealth today as if it is produced or purchased today. Yet,
this "real trade" for "real wealth" cannot happen until far in the future. This is the fundamental reason why dollar inflation on a massive scale has not produced a matched price for wealth owned today. People hold the ideal that any amount of US debt is as good as "real wealth in the bank", also known as "money in the bank". All the while lacking the grasp of any tools to measure just how far out of reality "existing debt money" is in relation to what it can buy, in mass.

----------Your words:----They see it as wealth storage, FOA says. It also turns out to be a wise use of Gresham's Law, encouraging the use of a wisely-managed ("I only have to run faster than you," said the Euro to the Dollar) fiat currency in trade, and keeping the gold slightly off-stage
(or well-displayed in the bank window as in the old wildcat banking days in US) for effect in earning world respect. Kind of trying to blend the best of 19th & 20th centuries. ---

Our present financial structure and debt leverage was built on a platform that said " " "the dollar would always be credible as a "contract money" far into the future. Lost

in this credibility is the risk that any move from world dollar use would force this contract into a bookkeeping change that revalued the dollar in present tense. In other words, a huge price inflation that matched the dollar to
current goods and production. Such a change has happened to other currencies and peoples all through history as money power moves from nation to nation. Only never before was it done when gold had not "marked to the market" the currency value loss on a regular, ongoing basis before the fact. Today, this transition of real wealth buying power from a single reserve system to another will force the dollar price of gold to soar to levels, we cannot understand. From this stance we can understandy why many have viewed gold as a riskless holding that will be revalued. If it was part of
your mix, the transition would always make up for any return lost from not holding other assets. Indeed, it is the very untimate in a super leveraged investment. No other currency today could expect a 1,000% to 10,000% rise in value against the dollar, none.

Now, if one can look closely we understand the need for gold in the background of a new reserve currency. Only gold has the ability to carry the load of this perceived wealth transfer without a catastrophic loss of world economic process. And do so in a format as common as any stock of treasury bill asset. Gold at $10,000+ will be as common as Yahoo at $400+. Just like a US treasury bill at $10,000 face, one ounce will be just another "money in the bank"!

-------Your words again: -----Most of us would settle for protection against inflation of things in general, in a time of crisis. And that is something we assume gold would give us, whether the inflation increment turns out to be 2x or 10x. FOA says the dollar supply is out there for the 10x
inflation of things in general (?), but is the same pool of dollars being "counted twice", once to go into things in general and the other into gold as a default crisis insurance?----------

My friend, count it at least once+ for the present and ten times+ for the future. This will match the lost future buying power of dollars held in savings today. Then you will know where the real dollar value of gold in transition lies.

Thanks FOA

FOA (1/2/00; 11:39:33MDT - Msg ID:22050)
Welcome!
Welcome back Stranger. There are two sides on every trail.

FOA

FOA (1/2/00; 18:34:26MDT - Msg ID:22078)
Comment
TheStranger (Msg ID:22056)

Thanks Stranger, that's all in the past now.
The future is before us.

Mr Gresham (1/2/00; 14:17:31MDT - Msg ID:22060)

Thanks Mr. G..
My #22048 was a hard complicated piece to produce. After reading it again I saw many spelling and english usage mistakes. But I hope it offered a springboard for concept. I'll write it again more clearly if you want.

This perception is the basic foundation that has fuelled the drive for a new reserve currency. Even if this only amounted to an establishment of another like the dollar (without the lineage of debt for baggage). Understand the reasoning in this and we can clearly see where the dollar was going without any political leverage to change the US course. A world wide hyperinflation that would impact every economic aspect of world trade. Today, that same inflation results will be contained by devaluing the dollar in gold with another reserve currency available for use in international settlement and reserve holdings. Instead of a world-wide event, the effects will be mostly felt only in
countries that have little gold and no Euroland trade reserves. Yes, the US has some gold, but this limited amount is frozen from effective use by the "duality" of the dollar. Today, the dollar is a citizen of two worlds even as the gold that must back it belongs "politically" to the a single
American people. There can be no clean resolution of this as we can't print a new money and we can't back the one we have.

Granted, this transition will amount to a financial paper deflation and goods price hyperinflation in some of the largest economies (US, Japan, Canada, Australia, etc.), but the majority of the worlds population will be somewhat shielded.
I am jumping way ahead of the fact here and should wait for political motives to set gold on this new trend line. But, I feel many here will understand this now. We shall see.

Thanks FOA

Note: This week is going to be big. I bet gold ends the week with a gain and the dollar is hit.

FOA (01/03/00; 06:13:31MDT - Msg ID:22110)
Reply
PERMAFROST (1/3/00; 3:35:05MDT - Msg ID:22106)
Dear FOA
Sir,
I thought you may mistake the tone to be on the inflammatory side.

Hello again PERMAFROST,
Did you ever go to a family gathering where everyone is in the living room after dinner. They are all talking over each others conversation,, get the picture. Then someone asks uncle Bill a question about his favourite political / religious subject. He goes on and on and soon is on the edge of his chair talking ever louder. Next he is up, walking around waving his arms in the air and seemingly telling everyone about his views. Finally, someone says, "Bill why are you shouting?" Bill says, "I'm not shouting"?

PERMAFROST asks, FOA, why are you answering in a defensive way? FOA says, "I'm not defensive!" (big smile) Sorry PFrost, I'll try to sit down when I talk.

Be back later (answer the rest)
FOA

FOA (01/03/00; 18:06:02MDT - Msg ID:22156)

Long over due reply to ORO!

ORO (12/29/99; 12:15:39MDT - Msg ID:21792)
FOA - Pump

Hello ORO,
Your follow up post about the IMF money pump was very interesting. You state: -----
You are indicating (FOA), it seems, that the current consensus in the G20 is that the dollar reserve system should be allowed to slowly dissolve into cash full oblivion. ----
---

Yes, offering this analysis from the view that the dollar is being driven into a "cash position" is right on the mark. In hind sight, this would be the only way to prevent the reserve currency from deflating through the obliteration of world dollar debt. Further, as the Euro takes a larger and larger portion of debt financing, the left over dollars holders are forced into an ever more short term maturity. If you were a dollar holder and could see the transition ahead, you would not want to lend long either. This effect is well understood looking backwards, as it was usually caused from the Fed tightening credit. Today, the squeeze (on longer term dollar credit) comes from a perception that this market may be falling away. Making room for the Euro. Eventually culminating in an "almost cash" position for the dollar, the fastest moving currency derivative of them all.
I think this has to be the first stage of "flight" before a true gold run begins. This is the period where no past guidelines direct the trading. Everyone is looking around and saying, what are you going to do? Most will shorten maturities offered and feed slowly into the Euro and gold as a hedge. As you know my thoughts about the paper gold market; the enormous sums of floating dollars will easily crush this illusion. Long before any significant paper is exercised into physical gold that market will discount cash price in a big way and close.
Back to your thinking; notice how the Fed is still pumping money even after the year turn over! The liquidity squeeze is arriving and it has nothing to do with price inflation, Y2K or the stock markets. Another force is at work in the world today and it is attacking the dollar behind the bushes. You mentioned the Japanese and Eu banks in the carry trade. The Japanese are and always have been up to their eyeballs in US paper. They have to stay this way because of their dollar trade deficit. As they continue to decend into deflation, the strong Yen still locks their hands from selling our debt and the BOJ has always known this. So, they continue to add dollar reserves on balance with this deficit in an effort to keep the Yen from rising even higher and killing their US market share. These people are done in and will eventually print Yen (hyperinflate) in and effort to match any US dollar price inflation. Locked step to the end! The EU can play the carry game as long as they hedge in Euros (or gold) because it will balance the dollar fall. They will some day be seen borrowing Euros at 4% (??) and buying Eurodollars at 30% (??) or something like that. What else can be done with the eventual pool of Eurodollars floating offshore the US? It will already have
been devalued against gold and they will still want to trade with the US. After working through Exchange Rate controls that is.

ORO, more clearly, the period directly before us will be like a fiction book. Good reading, but I don't believe this is happening! Once the Euro gets it's legs, there will

be no use for a Eurodollar holding as long as the US keeps it's trade deficit wide open. As the dollars flood in, we cannot
spend them in Europe because we will have to buy Euros first. As the existing Eurodollar holdings go further into cash mode their value must fall. And fall big! These paper bullion boys at the front desk talk about all the excess ECB gold that must be sold. They are going to sound like the Y2K bugs after the fact. When the ECB and the BIS start moving unneeded reserve dollars for official bullion (this has started already) off market, we will see it in the US % rates (like today) and the Exchange rates (like today). The real bugs in 2000 are going to be in the paper gold market. Just watch it all unfold!

Thanks FOA

FOA (01/03/00; 18:46:32MDT - Msg ID:22158)

This tells it all! I'll be back much later.

http://www.siliconinvestor.com/insight/contrarian/

Read it on this site!

http://www.siliconinvestor.com/insight/contrarian/

On borrowed time?... Last but not least, I want to share something that Dennis Gartman wrote late last week when I was out. It is the perfect period piece to capture the mood of what is really going on. To any sane person, it should be frightening; but then again, anyone who's frightened isn't having any fun. And those who are not frightened are making gobs of money speculating their heads off. Here's what Dennis said:

"As a final aside for the year, we went to our local branch bank yesterday to transact some business [Ed. Note: we actually got some cash for the Y2K `turn'...just in case!], and spent some time chatting with the branch manager. She does not know what business we are in, so when we asked her if she'd seen any increase in personal loans she replied out of hand that indeed she had. Indeed, the personal loan demand at her branch had escalated rather substantively.

"She then proffered that the sole reason for the sharp rise in personal loans was the investment in the stock market. She said that local doctors, lawyers, farmers, auto dealers... all of the leading figures of the local economy (and their wives) had been in recently to borrow money to `put into the market.' We asked her how long this had been going on, and she said that the branch had been making personal, signature loans like that for some while, but that the demand had really escalated in the past several months and has really become `hot' in the past several weeks. She wondered if it was too late for her to join in the market's enthusiasm!

We said, `We don't know,' and left bemused and afraid.

"It is perhaps not new news, but we find it odd that the public is borrowing money on signatures without collateral (other than CDs and/or sizeable demand deposit accounts) that is then used to buy stocks, very probably upon margin. The leverage is immeasurable, for the public is apparently `Reg-T'ing' money that it has already borrowed with nothing down. She said that those who've been borrowing the most indicated that they `could get more out of the market than the interest charge,' and considered it unwise not to take advantage of the circumstance.

"Friends and clients, if this is not rampant, tulip - bulb' - like speculation of the worst sort, we've no idea what is. Of all of the things that we've read about, heard about and discussed at length concerning the mania that is the U.S. stock market, this is the most manic of all. When speculation comes to small-town southern Virginia, it is rampant and it is dangerous. We have at this point said enough."

FOA (1/4/00; 19:24:50MDT - Msg ID:22282)

Comment

ALL:
I guess everyone knows by now that I am somewhat "irregular" in my replies here. Still, I read
most everything when time comes my way. My linkup saves all the forum (even when I'm not around).
A few quick notes:

Aristotle (01/03/00; 17:39:33MDT - Msg ID:22153)
Aristotle, you prove the point that one person cannot understand everyone, nor can everyone understand the thoughts of one. You have a wonderful way of presenting things. Thanks, so much!

PH in LA (01/03/00; 20:59:55MDT - Msg ID:22175)
Another's e-mail address
" Geneva Steel Company, located in Provo, Utah;" ????

PH,
I'm thinking real hard as to why someone would set up in Provo to do that,,,,,,,,,'still thinking.
No, can't make any connection in my mind. (smile)

There is an old saying; "children of the sand curse the sun, yet run from the night". Adults often act the same way when they lack understanding of the world around them.

I'll be back when I can, PH. And be certain, so will Another.

FOA

FOA (1/5/00; 21:29:01MDT - Msg ID:22374)

CHINA VOTES NO FOR SILVER

NO LINK
Wednesday January 5, 5:24 pm Eastern Time

Silver Falls on Dumping Fears

By The Associated Press

Fears that China will dump silver on the market sent silver
futures prices sharply lower in trading Wednesday on the New
York Mercantile Exchange.----------

----------Silver prices plunged on a report in the semi-official Peoples Morning News that the Chinese

government will sell some of its silver reserves. The amount of silver to be sold was not mentioned. However, China is believed to have 93 million ounces of silver in reserve, according to analyst James Steel of Refco. Inc.

China is currently producing about 1,300 tons of silver annually, while consumption in that country is about 800 tons, making it plausible that a sale would take place, Steel said.----------

FOA (01/08/00; 17:34:05MDT - Msg ID:22538)

Reply

To ALL: I'm trying to catch up now. More to follow.

Hello PERMAFROST,

Sorry to see you go (if you still are gone?). I'll reply to your comments, somewhat in order.

You write in :----------

PERMAFROST (1/3/00; 2:31:57MDT - Msg ID:22103)
FOA Msg ID: 21859 Part 1
Dear Sir, Thanks for your response.
--------You are advocating a global financial system predicated on the peaceful and mutually-beneficial "concubinage" of gold and the "new girl in town" fiat money the Euro which you unwarrantedly presume to be relatively more "chaste" than the Old Whore, the US dollar, ONLY
because it is not "backed" by as much debt as the dollar, and its "lovers" (the EU Central Bankers, the Rothschilds?; an assorted variety of Illuminati and various other power brokers playing both sides [the sheeple?] against the middle [more sheeple]) tip their hat at gold without solemnly
declaring their allegiance at sovereign money, PM etc. ----------

No Mr. Frost;
I don't advocate that. I think this is your perception of future events. This transition will not be "peaceful" in any way. Any time one large official faction (Dollar/IMF group) has it's money power replaced by a new official faction (Euro / BIS), it's never peaceful and not without significant loss of wealth by some of the players. I add that both little and big players get hurt when these events happen. Usually, it's the little "uninformed" players that lose the most. Your observation that people are "sheeple" comes as they step in front of a train with no breaks. Then
you tell the world that "someone" is out to get them. My experience is that the average investor is much more intelligent than that and they can do a good job of "moving" off the tracks if it's pointed out to them that a train is coming.
The dollar is giving up it's reign as a reserve currency, not "only" because it has so much debt. It's being replaced because it's inflation (total money supply, dollar derivatives supply, dollar debt supply and the official liabilities foreign nations hold as reserves supply) has discounted so much future real US production, at a constant exchange rate, that it is losing the ability to function as a reserve currency. Every currency on earth has one day come to this end. We call it a "fiat money's timeline". At this point the users of this money begin to either "deflate it's supply" through debt and payment default, or the they devalue it by bidding up the value of real goods (price inflation). Once either of these begin, the money function of that reserve currency declines. Further, one will find

that deflation is only a choice is no other official world currency is available to run to. World citizens vote with their feet at this point and greatly discount unpayable debt thus causing said deflation. Inflation is the choice when people can "refinance" into another currency media. Leaving the old to contend with an ever increasing velocity of the useless money supply. This is the fate that waits the
dollar.
Is this some structure brought about by a New World Order? If you want to see it this way, then remember the world has been doing this from creation. I only add, why bother to put the "New" on it? Let's just call it "Next World Order"! Besides, it's only one peoples as a nation group (EURO / BIS) trying to protect their wealth because another nation group of peoples (Dollar / IMF) borrowed more that they could ever pay back! Still, I read this New World Order faction (NWOF) as loudly declaring the Euro as a fraud, yet they (NWOF) are hip deep the dollar assets of a country that "defaulted on it's gold delivery. Twice! Then they (NWOF) yell because no one is creating a new gold or gold backed currency. Why do that? So we can be defaulted again by the "NEXT World Order"?

You write:

This fiat money is necessary, you say, because it will allow management [manipuation] of the economy without suffering the deleterious side effects that a rigid gold standard has saddled us with in the past. Would you care to draw for the benefit of the forum the the philosophical line that
separates you from, say, an Alan Greenspan, as per the gold/fiat money relationship? do we not have TODAY a fully-floating POG alongside the dollar? What shall we gain in re-baptizing fiat money with a different name, i.e., the Euro? except the prolongation of the Game? IF gold IS
money than nothing else is. Disagree?

No PM;
We don't have a fully floating price of gold today. This is the illusion (paper gold) that has many people (such as yourself) locked into a narrow view. Mr. Greenspan has always seen the gold money relationship from a US dollar perspective and holding the US as the only dominating
financial power. He knows that the dollar could never retain it's position if gold became a "separate settlement currency" through a true world free physical market. All of the dollar price inflation that is currently locked into the present dollar supply inflation would present itself. Dollar reserves held world wide would become useless unless they could be used to buy real US goods (at a non inflated price).
Truly, Mr. G. only sees gold from a Washington view and even that must be locked in the cellar. He manages a system built by others and must use the tools this system allows. The present paper gold market is as much a function of the dollar value as interest rates and it is controlled as such.
Today, gold is money, I agree! But, it is not and never can be a fluctuating (in supply) digital money of high speed settlement. For it to work it's past magic in this modern world, it must trade in physical form without derivative use. It will.

You write:

PERMAFROST (1/3/00; 3:02:19MDT - Msg ID:22104)

Reply to FOA Msg. ID: 21859 Part 2
Capitalism, this familiar but insidious term really stands for the willful confusion of a descripitive proposition [that private property exists] with a PRESCRIPTIVE one [that private property and the wealth that can be generated from it is GO(O)D]. ----------

No PM, not at all.
This is the standard (higher level) teachings in modern Western education. History proves that "real private property" has and always has been both wealth and a purchasing power medium (money). Through the best of times and the worst of times, in war and peace, people have always had private property. Even in Russia of old, they had to allow people their things. Even if these positions weren't recorded "officially". A universal truth is that no form of
official ruler-ship can function unless people have some private wealth. Never has worked for even a short time and never will. Further, generating more wealth from private property (owned wealth) is only good if one can overcome the "RISK" that comes with it. This is nothing new to most of the world. It's just a different concept for modern Western man.

You write:

It's a logical fallacy that doesn't survive the glare of critical analysis. Omit the adjective "private" from the premise and what you end up with is the other side of the coin, or communism. Both systems are basically worship of materialism and humanistic (man is the measure of the universe) propaganda. Now, whereas communism theoretically aims at generating its "GOD", or 'goods and services' in economic parlance, via the sweat and toil of its fellow gods (the proletariat), capitalism is predicated on CONSTANT INSTABILITY [the insidious rhetoric of the bankers
notwithstanding] of the prices of these very goods and services, the [managed] fluctuations of which allow the people Greenspan works for to earn wealth they did not work for. ----------

PF:
I'm glade you understand this ages old function of humanity. Through out time and space our life quest is influenced by others that try to control our desires. The successful time traveller lives his days in harmony by adapting to the "lay of the land". Today, it's time for gold and Euro assets. Indeed, what you have just written is the very action that has brought the dollar to the end of it's
timeline.

Again, your words,

PERMAFROST (1/3/00; 3:09:12MDT - Msg ID:22105)
Reply to FOA Msg. ID: 21859 Lastly,
As to even the 'emperor running to higher ground when he sees the flood coming'--if he were to do so, he'd be emperor no more for what makes an emperor an emperor is the "land" he rules. Without it he's nothing.That's why captains do not abandon their sinking ships; and why sometimes even emperors get their heads chopped off. To die an emperor is perhaps preferable than to live as a normal human being for some...You?----------

In addition PF, the history of gold shows how one may remain in their chosen land and retain their wealth. For gold needs not return to a native place to receive it's value. We do indeed chose the high ground, with or without our heads. (smile)

Further you add from :Msg ID:22104

Therefore; I find myself obliged to conclude that, due to your avowed devotion to the Euro and the "The King is dead; long live the King" tradition it propounds, the only difference between you and an "Alan Greenspan" lies in your respective handles. If you already are not one of them, you wanna join 'em. Incorrect?

Very incorrect my friend. The difference lies not between myself and others, rather between the life experience of "you" and "I".
Somewhat like the movie "The wind and the Lion":
You like the wind hold the power of force in your words. I as the lion roar in defiance as the sand stings my eyes in a
land I cannot leave. Yet, as a lion, I know my place on earth while as the wind, you will never know yours!

Thanks much,,,,,,,,,,,,,,FOA

FOA (01/08/00; 18:04:52MDT - Msg ID:22540)
Comment
USAGOLD (1/2/00; 14:16:18MDT - Msg ID:22059)
Once in Golconda.....More Parallels: Soaring Averages a Rousing Spectacle/Decay Underneath
-----The persistence of the idea that all stocks were going through the roof in the autumn of 1929 is a monument to the power of popular myth." ----------

Michael,
Your Once in Golconda was wonderful. It speaks volumes of our present situation; the inflation of the dollar as it is presented in equity valuations. Mountains of currency supply with nowhere to go! The difference between now and then? Today, we have an alternative currency that unlike the
past gold standards will not force a "deflation effect". We will have our dollars and we will have them in good supply. To the end.
I (We) expect this to continue until the dollar is devalued thru a defaulted gold market (and soaring physical gold price) and further devalued from "settlement function" by the Euro. This is going to be an exciting time to witness. FOA

FOA (01/08/00; 18:06:38MDT - Msg ID:22541)
Comment
mhchuck (1/2/00; 20:29:16MDT - Msg ID:22082)
FOA
----------There's an old saying that "A man with one watch, always knows what time it is, but a man with two, is never really sure."... I have discarded all other time pieces...you're it. It is not such a dangerous maneuver for me personally as some might think. You see, I "know" where the trail is going, but with your higher perch, I will improve my visibility. But whether or not any of your
"pre-vision" comes to fruition, matters not, (although it might matter to you for having put it forth)

....the fact is, I like the way you tick. ----------

Thanks mhchuck!

Watching the world turn with a physical gold watch will be an easy experience. And an educational one for us "regular people". The human interaction between "high standing" paper financial players will teach us all where the truth is. Indeed, they are not losing something they have. Rather something they perceive they have. A big difference. FOA

FOA (01/08/00; 19:55:11MDT - Msg ID:22544)

Reply

Hello canamami,

You write:
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canamami (1/2/00; 22:43:33MDT - Msg ID:22091)
Reply to FOA - Possible Demands re Gold Breach of Contract
FOA,
I believe the recent demands made against Germany/Switzerland flowing from World War Two, and the end of gold convertability under Bretton Woods, are almost completely disanalogous;I don't see any demands ever arising against the US flowing from August 1971. The demands against Germany/Switzerland are heavily tied in with moral questions relating to Holocaust-type issues, and all that that entails. Whether rightly or wrongly, portions of world
opinion (particularly important groups in the US, and the broader world community) continue to view a continuing moral culpability on the part of Germany and Switzerland. On the other hand, the end of gold convertability was a pure commercial matter, somewhat akin to a bankruptcy, not
giving rise to important moral issues. ----------

No Mr. C;
A great many people were impacted along with their lifestyles. The dollar was devalued through price inflation during all of the remaining 70s and this directly lead to much of the stress in world affairs. Many smaller countries saw their citizens almost starve because of the changing cost of goods.
Further, important people only recognize a wrong as a "moral issue" when a public door is opened for "resolution" of that issue. Regular people must wait for justice untill the force of reality comes into play. Just as the demands made against Germany/Switzerland were buried for decades,
that didn't mean they were concluded, nor would this repudiate other precedent setting actions that occurred later in time.

You write:

Remember, every other country ended gold convertability, and some of these countries did not disestablish the previously gold-backed currency - for example, Canada kept its dollar and Britain kept its pound, though gold-backing ended for these currencies. ----------

Indeed, these countries held dollars "as their gold" by international treaty. Just as a person has no more money after being robbed, dollar reserve countries after 71 were forced to use whatever money existed (they had no gold because the law said the

dollar was a contract for it). People are not so shallow as to accept your "disestablish" reasoning. Watch someone in a store, given a choice of two, they will purchase what offers the best value. Only when one item is offered does the obvious become a naive selection.
Canada and Britain did not later back their currencies with gold, did they. Nor will the US!

Your words:

Also, neither Germany nor Switzerland expressly stated - "no more claims will be recognized flowing from World War II". However, the US has expressly extinguished any demands
for gold against the Treasury, except for some very old issues of certificates and dollars. Thus, the US has made an express policy decision that no demands are to be made against its gold. This has not stopped the rest of the world from continuing to view the dollar as the pre-eminent currency.

Mr. C,
If the US expressly stated as policy that the sun will not rise are we to accept it? Again, a world pre-eminent currency is one accepted from a background of "choice". No other currency was presented for use in a major settlement function capacity. Today the Euro has.

I offer Journeyman's post (thanks Journeyman)as a further argument:

Journeyman (1/2/00; 23:41:12MDT - Msg ID:22095)
Stealing is not immoral? @canimami
The stealing of the gold from "foreigners" in 1971 by the US Gvt. in cahoots with the Federal Reserve by refusing to redeem redeemable notes, specifically redeemable in gold and as specified in the US Constitution was the SECOND biggest robbery in the history of the world. The FIRST biggest heist was pulled off by the FED & USA Corp. in 1933 when the same perps, this time headed by Franklin Delano Rosevelt, similarly stole the gold from its own citizens.
The question is, I guess, since these two events are the two biggest thefts in history, is "Is stealing immoral?" Well is it? Or do you excuse those organizations calling themselves "government," no matter what they do? Or is only when YOU are the beneficiary that anything goes? Regards,
Journeyman

Further from your post:

The bottom line: the US will not entertain any claims against its gold on either a moral or legal basis, and I don't believe any claims will be made against it either. This matter has been resolved, and the US would disregard any attempts to make this an issue, though I doubt such attempts would even be made.----------

Sir, you have spoken a very clear "Western viewpoint". Truly, it does look different from other directions.

Thanks FOA

FOA (01/08/00; 20:52:00MDT - Msg ID:22547)

Comment

Only part of this post:

USAGOLD (01/03/00; 21:47:51MDT - Msg ID:22184)
Deja Vu...
I thought it a deja vu. This afternoon I read the following in Adrian van Eck's "Money Forecast Letter" for January which I received about two weeks ago and just got around to:
----"We are of the opinion that the Money he and the Fed have been creating in the past two months (going on $200 billion...an awesome amount) reflects his efforts to avert a crisis situation that is being kept hush-hush."--------

Michael,
They may take some of this back, but only a small bit of it. All one has to do is follow ORO's posts to get a feel for what is happening. (ORO, I'm getting to your good stuff!) The dollar is being challenged by the Euro in a very big way. And it's happening even faster than expected. I think several other measures were available to the BIS if the transition had not already begun. It's possible that the dollar will come under massive pressure this year if we continue this way. The Fed has no choice but to cover the liquidity drain. Eventually, this will break the paper gold pricing grip on the physical metal. Truly, the ECB is letting the dollar system rip wide open from it's own hand.

FOA

FOA (01/08/00; 20:54:42MDT - Msg ID:22548)

Reply

Hello Beesting,

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beesting (1/4/00; 10:00:31MDT - Msg ID:22242)
To FOA
http://www.bis.org/index.htm
Steve H- "Good one #22209!"
ORO- Great posts today--Thank You!!
FOA, I have researched the above URL "BIS" site, and my conclusion is, the BIS only conducts business with Central Banks. So, in the recent Dutch sale of Gold, and future Gold buying by the BIS, ALL that Gold would stay withen the Central Banking System, and have NO effect on world
"normal consumption" of Gold.----------

Actually Beesting, you hit the nail right on the head. The BIS is the only entity in the world that the dollar/IMF (and LBMA) worry about. That is because they can move gold between CBs at any value they want and do so without any supply passing through the paper markets first.
As this sinks into the minds of paper players, they will realize just how inflated the contract market is in relation to what physical gold is available to it. Remember, Euroland backed away from the dollar gold price illusion early last year. They would have stepped in and brought physical
to support the price. Instead they stood back and let it drop down to the $250 range, as they must have had the "Washington Agreement" in the works.
It no longer became a question of price, rather a question of when? I think it was because the Euro started out "too strong" in the beginning. They needed market

acceptance and usage first, then begin the process of marking dollars to the gold price. I am expecting this year to produce some concrete moves in this direction.

You write:

FOA, do you agree with that analysis? Or, do you think the BIS could enter the world Gold market, replace the LBMA, and buy and sell non-paper Gold only? In My Opinion it would be a large European Bank that would first compete with the LBMA, and then after a collapse of paper Gold, join forces with The LBMA, sometime in the future. Your thoughts and opinions are always greatly appriciated ....beesting.----------

I think the ECB will eventually sanction a physical gold market in Europe that trades and settles only in Euros. The LBMA will eventually fall completely out of the picture as their product comes into question.

We shall see FOA

FOA (01/08/00; 21:08:07MDT - Msg ID:22551)
Comment
Peter Asher (01/08/00; 18:00:01MDT - Msg ID:22539)
FOA, fan-tastic
WHAT A GREAT SEMANTIC HIGH!!

Peter,
Thanks, I thought it made a point. (smile)

Cavan Man (01/08/00; 18:22:11MDT - Msg ID:22542)
FOA
Don't sugar coat it my friend!!!! What do you really mean?
Have you forgotten Cavan Man? Questions like; "...is Dr. Mundell's work just a coincidence from your perspective?" and, what is emperor AG up to? Will he take the high ground?
Kind regards this evening.....

Cavan Man,
No didn't forget, just trying to cover as much as I can. Dr. Mundell's work?? Well, I'm only one slice of a big information pie. As events progress, the opinions and thoughts of many will become reality.
No, AG cannot take the high ground. You read my other comments about him earlier? He is doing damage control, that's all.

Thanks, more later FOA

FOA (01/08/00; 22:15:47MDT - Msg ID:22557)
Reply
More discussion, my friend:

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canamami (01/08/00; 20:43:12MDT - Msg ID:22546)
Reply to FOA - #22544

FOA, for ease of reference, I will repost a reply I made to Journeyman, then I will add a few brief comments. First, here is the repost:

Of course stealing is immoral, and it would have been preferable for the US to comply with Bretton Woods, or to withdraw while it was still able to meet extant obligations, so there would not figuratively have been a "breach of contract".

That being said, we are dealing with the actions of sovereign states, which are indeed immune from the ordinary principles of contract law, including the principles of private international law as they relate to contracts. My post related to the assertions of FOA, that the US would face demands for the honouring of gold backing just as the Swiss and Germans faced demands relating to Holocaust-related matters, years after the fact. I countered that the two matters are too dissimilar for there to be a valid analogy - i.e., like comparing apples and oranges.

Mr. C.,
I ask, were not the Swiss and Germans also sovereign states? Were their actions allowed as related to international law? In addition, I'm not trying to draw an analogy as you perceive it. The precedent was that the dollar was a certificate for gold in storage, not a debt owed to someone else. The closing of the gold window in 71 was a "taking of physical property" in much the same
light as "taking someone's private property". I make this point not because the BIS "is" about to ask for gold, rather that the US will never again back the current US dollar with it's gold. They must create another currency medium first.

You state:

However, if obligations relating to 1971 are to be dug up, then the US is free to dig up the defaults of countries after WW1. Back then, basically all currencies were completely gold-backed. In the course of WW1, the major countries became indebted to the US. Except for Finland, all the Europeans defaulted on their official debt to the US. So, if some countries can dig up ancient breaches of contract like 1971 (at law, an ancient issue, and I would also say a breach that has already been waived even on a moral level), then the US can dig up the WW1 breaches of contract by European countries - with accumulated interest. Also, such demands for compensation are made against Ger/Swit because Germany/Switzerland are willing to listen to such demands. On the other hand, the Japanese have ignored demands to compensate Hong Kong veterans and others
who were tortured, and to compensate the victims of the Rape of Nanking. Thus, few demands are even directed at Japan. This is how sovereign states generally operate. Given that most of the putative complainers concerning 1971 have "shafted" the US in the past, I doubt any demands for the honouring of the Bretton Woods gold backing will be made.

Again, the closing of the gold window was not a debt issue. None of your above items are relevant. The US seized gold belonging to others by not shipping what was in vault storage.

You say:

Thus, FOA, I disagree with your assertion that the US will ever face demands relating to the 1971 closing of the gold window. Subsequent to closing the gold window, the world agreed for a time to currencies directly pegged to the US dollar, and then that arrangement ended. ----------
---

My friend, the dollar reserves held in foreign banks were not these "pegged" holdings you speak of. Foreign moneys pegged through exchange rates to dollars is one thing. However, there were real dollars held as gold certificate reserves by these Central Banks. There was no arrangement on this issue. The US took their gold plain and simple.

Your words:

However, the fact that the rest of the world adopted the US dollar as the baseline currency after the closing of the gold window suggests that most of humanity did not view that a great injustice had taken place by the closing of that window; in fact, that closing was seen coming for years prior to 1971.

In the same light, was the inaction on Swiss and German issue a sign of acceptance? Apparently not!

Onward:

Remember, the US did not seek out the role as reserve currency to the world after WWII, it agreed to accept that role only after pleadings from other countries. Moreover, any country that distrusted US dollars could have demanded gold instead.

My point exactly. The very fact that the US shipped so much gold prior to closing sets the precedent that the dollar was a gold certificate, not a debt or IOU. It was payable on demand for many years.

Further in your thoughts:

It is fanciful to believe that demands concerning 1971 will be made now against the US, and even more fanciful to believe that anyone would take such demands seriously. To use legal language, the limitations period has passed, and in any event the breach was waived. Further, a history's worth of demands could then be reopened. The US could demand repayment of WWI-era debts, with interest. It could demand reparations from Germany and Japan for WWII, against the Arabs for oil supply contracts broken during the Oil Embargo - it would never end. This is a can of worms the world will leave closed.

I submit that it is "fanciful indeed" for one to think that the pre 71 dollar was a debt of gold. Clearly, all the evidence says it was not. The dollar represented gold held on deposit for any Central bank that requested it. Because most foreign citizens could own gold in their countries (US
citizens could not), they were free to ask for gold from their local banks in return for dollars. Thus, the US having taken the gold would become a private action if they ever backed the same dollar again Will this is a can of worms stay closed?

Absolutely! The dollar will never be backed with deliverable gold again! Believe it!

Thanks FOA

ON to ORO!

FOA (01/08/00; 23:38:28MDT - Msg ID:22560)

Last post for a while

Hello ORO,

ORO (1/4/00; 8:09:17MDT - Msg ID:22235)
Talking Physically.
FOA (01/01/00; 14:42:33MDT - Msg ID:21993)
--->All the while, the bullion buyer slowly amasses a large "highly leveraged" position, just by channelling his would be trading loses into paid up physical and rare gold coins.

FOA has clarified the issue further, but I will post this anyway.

In the way of clarification for others, I think FOA is trying to tell us that the leverage is indeed there, just that when one buys bullion without leverage, the leverage you have is that put against you by the couner pairs to your "cash" position. Most notably, the counterparties in a typical gold transaction have claims traded among themselves and physical gold sold into the market. The trades involve a lender, a borrower, a bullion bank, and a physical buyer.
--The bank is both long and short gold denominated or gold indexed obligations. This is a complex multiple contract position. More on this later.
--The borrower is short "physical" which is due for delivery. This is a contract obligation. Gold miners and bank trading desks, as well as speculators hold these positions.
--The lender is long gold denominated obligations. This is a contract position. The contract is as good as the counterparty. If you own a gold account, or are long a derivative contract, this is what you have.
--The cash buyer holds gold bullion and is obligated to nobody. His holdings do not rely on anyone fulfilling an obligation.

The leverage built into the market, which we goldbugs will benefit from in the long run, is that of the many obligations denominated in gold. We need not buy leveraged instruments, because the leverage comes from the extreme volume of gold obligations issued within the "paper gold" trading arena described above. The same elements that make gold an attractive investment at this time and a long term store of value (over a lifetime), particularly during banking crises, make the various forms of leveraged gold unattractive. One should note the point of gold being protection from an environment of default on obligations. The same obligations that gold derivatives are.

ORO,
Your presentation has described the leverage issue very well. This is the very essence of a gold run that manifests itself in the overflow "spilling out" from the paper arena into the much, much smaller physical arena. I doubt that very much

paper gold will be forced into delivery before the
entire market stops contract trading. Still, some have said that official guarantees, insurance companies and the large financial reserves of players will be brought to play in making this market whole. In reality this is true. But further into reality, the more the resources become available to "cash out this arena" with gold delivery, the further away the physical gold price will run. The point
always was that no amount of contract supporting dollars could ever balance the gold owed. The more they try, the higher the price gets.
They could let it run, but at what price does it fully settle? $1000, 5000, 10000 ????
I have no doubts that it will be closed long before important people are killed (financially) in this. Further, before this comes to a head the total outstanding gold derivatives could double or triple in supply (building from the US side alone). All completely unbacked and issued in a effort to drive the paper price lower. We only know that in the maelstrom, just before the close, the paper leverage against each ounce could be unthinkable. This could impact your thinking in ORO #22236. We can discuss tomorrow.
I have but to add that there is another leverage issue that will take over once this one is resolved in a physical market trading at a much higher price. This later item is the leverage of a "true world-wide gold demand" in the format of gold being a settlement asset. It's effects on a limited supply, both mine and open market, would be incredible. Again, few of us understand how money gold would interact with the modern wealth of today. In no way has the world gold stocks increased in any form of proportion to the productive capacity we now know. Again, this view is taken across the valley where the dollar was butchered.

Further you write:

The most important aspect of gold as financial disaster insurance is that it is immune from default. The second point, particularly important for the gold mining investor, is that in financial crissis, desperate governments are prone to disregard the property rights of large holders of industrial assets. The most captive form of industrial asset are the mine and the oil well. The most attractive asset for taxation and expropriation in time of crissis is a gold mine. Very large hoards of precious metals may prove attractive to a government seeking survival. The small hoards remaining in the West are not attractive targets.

Yes, sir. This seems as impossible as the question of the BIS going after gold rebacking the dollar. But, this is the way the world works and the dollar timeline is running out of it's future. The trick now is in getting some of your assets out of harms way, well before the fact. The problem is in the dreams of every gold mine owner; the spiking of gold! The next gold run will be caused from pressures far different in dynamics from price inflation. Indeed, it may rum so fast. so quick that every country closes it's borders to gold flow. Usually this is accompanied with foreign exchange controls. (Ever notice how gold is always included in these currency flows controls? Not silver, platinum, copper or oil. Just gold.). The next event would be an emergency 60% (or something to this effect) exchange rate tax on bullion that comes out of ore sellers pockets. Then, it's later made permanent in some form of "windfall profits tax" against the companies. Oh yes, the mines stay in
operation and the ore is milled, it's just that the costs (price inflation) and taxes do a number on the stockholders equety. This may not happen in every country. But that's another story.

Your words:

The use of gold futures and options in the battle for financial self preservation during a financial crissis is equivalent to a knight charging at his enemy with a shaking kielbasa. Gold mining shares are similar to waving one's title to the land in face of the Mongol horde's charge. Wouldn't it be rather smart to hold a sword on top of the ramparts of a castle? Taking our little Midieval setting further, one does not complain of the building of the castle, though long after its construction came no attack. The expense of time and effort, of missed opportunities
and reduced performance will come to be appreciated when disaster strikes.

Ha, Ha! ORO, I sent your "waving one's title to the land in face of the Mongol horde's charge" to someone and they loved it! What better way to put it. Just great.

More much later, FOA

FOA (1/9/00; 11:22:41MDT - Msg ID:22579)

Comment

Saturday, January 08, 2000
BOSTON (Reuters) - The United States has not sold any of its gold reserves and has no plans to do so, U.S. Treasury Secretary Lawrence Summers said on Saturday. "I categorically deny assertions that U.S. gold reserves were being sold off or that there is any plan to sell them off," Summers told reporters on the sidelines of an economics conference.
His denial came amid talk in the gold markets that some of the weakness in the gold price over recent years may have been caused by direct U.S. sales of gold. ----------
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ALL:
I posted once before that the US was not selling it's gold. Again, I completely agree with Mr. Summers statement and submit that it is a spoken truth in full context to the question.
Many reach for this easy reason (official gold sales) for our current low gold price. The reason this comes about is that without using this line of reasoning, one has to accept that: 1. the current gold price is mostly a paper contract fabrication 2. it's easily controlled as long as the "current price setting system" is functioning 3. this gold price everyone uses, could fall through the floor if the contract system comes into question 4. physical gold (dealers) prices could skyrocket in the future as no one accepts the credibility of any contract for derivative gold. Effectively destroying the paper equity of gold banking.
Most of the people in the gold industry do not want to hear this. For them, a break-up of the London gold market would destroy their financial partners and spike the physical gold price into uncontrolled levels. Most of the industry designed their business plan to embrace a "common
viewpoint" on gold. They expect, want and look for a return of a gold price that is in the range of $300 to $600. Something the paper marketplace can live with and their financing structure can survive "profitably". Above $600 and even ABX must post margin!
For one to embrace the knowledge that the "Washington Agreement" is real and that the other major nations are not selling into the market; we also must accept how the reverse leverage on physical gold will someday wipe out the entire dollar / gold marketplace. Clearly, this would imply the obvious, physical gold has more leverage

than any of it's paper derivatives (gold stocks included). Truly, if you are selling a paper product, your income (and most likely your private investment position) depends on your finding another answer to the low gold price problem!
The sales of official CB gold must be the answer for many. We have for several years (longer than that privately) been discussing this gold market resolution and it's meaning to private physical gold advocates. Our position is that this is a long term evolution of the dollar reserve system. A system that was extended in life for a politically "fixed"
term by changing the very nature of the gold market. Further; Only recently (the last few years) has the timeline of the dollar begun it's final turndown from international "settlement use". Today, the signs are becoming increasingly clear that the Euro (for better or worse) is indeed breaking the grip of dollar financing and use. We expect this to continue and intensify it's effects on the very existence
of a dollar gold arena. As such, we now live in a period we call "the time for super gold". Perhaps our year 2000 marke the beginning od that change.
Prior to this, the accumulation of physical gold could only be viewed as a "long term , extremely secure saving account". One that would contain all the past investment gains an improving economy could produce. And represent those value gains in a future "money settlement roll" that only a free gold trading market would produce. Many have forgone the current financial craze with the complete security that the historical record of gold will not be broken. Truly, gold will later represent a buying power that makes current paper gains seem small!
We do not present this as an investment in the usual sense. Rather one should buy gold as the real wealth it has always been. No different that your car, house, etc. are real money wealth also. Only today, gold wealth does not reflect it's true dollar price value because the paper marketplace does not reflect the trading of real physical gold. Indeed, a clear advantage for persons that can step out from their "Western world" reasoning.

Onward:

Hello ORO,
Yesterday in my (FOA (01/08/00; 23:38:28MDT - Msg ID:22560), I mentioned how ""before this comes to a head the total outstanding gold derivatives could double or triple in supply"".
This is an extremely possible event that is in no way different from our current mania in US stocks. The final act out of a money supply inflation is always reflected in the trading of the "popular wealth" of that era. Weather it is "real things wealth" as seen in the past (price inflation) or our current "Western" fascination with "contract paper wealth", fiat money leverage always explodes right at the end. With the paper gold markets holding a base trading level around 1,000 tonnes a day, any rush of events could easily gun the creation of gold contracts into a much higher
level. And therefore increase the leverage for physical gold "after the fact".

You write:

ORO (1/4/00; 8:16:45MDT - Msg ID:22236)
A (bullion) BANK NOTE
A note about the implication of the banker's situation: through the banker's borrowing and lending, all modern bullion owned outright has an equivalent part, nearly three times larger, of paper gold. The bankers have formed a 60,000-80,000 ton gold banking system using 20,000 tons of gold, most of which is now held by "cash" holders.

Common estimates of private gold bullion holdings available to the financial markets, most notably the one produced for the Fed in 1997 (estimated for 1995), put the gold at 20,000 tons. I have reason to believe that there are 10,000 tons more, bringing the total to some 30,000. I will not go
into the iffy details of the estimate, but note that one of the major components is "Yamashita's treasure", which has been in the gold markets since 1984, some of it even before that date. Whenever stories come up about the reappearance of that hoard to act as an overhang on the markets, you can rest assured that it has already been introduced to them in its entirety. These 10,000 tons are in "semi-official" hands of Royals of the Oil countries, the Vatican. Much of the
rest of the remainder (once the gold jewelry deficit is accounted for) sits in Rothchild vaults, and a few other large holders, "giants" much as described by FOA and ANOTHER.

ORO,
I have no doubt that these figures are in line with reality. In fact, they are losing their relevance as the insanity continues. Most people only look at the "writers" (short) obligation to make good on the deal. Yet, few consider the implication that a market "shut down" would create. Literally, both sides of the deal would be looking for "GOLD". The short, of course! But, in addition, he may be drawn to buy his own position in physical and walk from further adding any "deal equity". In addition, the "long" would observe the obvious inability of the market to deliver and undertake a physical purchase outside his deal.
The point is that during a melt down, the entire human infrastructure of a paper market would be looking to buy. In other words, the gross total of world open interest times two (X2) running for gold. It does rather overload the little CB holdings, doesn't it?

You write:

The volumes of gold paper traded by the LBMA become much clearer when taken in context of the gold banking system rather than in context of annual gold production. The 1000 tons traded daily are well proportioned to the normal trading patterns in currencies. Eurodollar interest
derivatives constitute about 5.5 $T traded on New York exchanges, and another 55 $t or so are traded OTC with 62% netting (figures are from memory so don't shoot me if I'm off a little) bringing it to 19 $t. This is equivalent to the estimated 21 $t in Eurodollar debt outstanding (my estimate). This comes to 7%to 7.5% of outstanding positions traded daily. Applying this proportion to the gold market's 1000 tons, one comes to 14,000 tons of net debt - the same kind of debt as Eurodollar debt. This is debt generated by the sale of physical gold in the four part transactions.

Sir ORO,
Prior to LBMA giving open figures, the trading was quite high. Even if one had no inside view of their arena, the fact that our 1,000 tonne figure didn't just arrive "overnight" should point to a long term trading build-up. We can be sure that from at least 1990 onward, the paper gold system was backing the dollar on a planned schedule of events.

You offer more:

While the physical supply actually went into hoards of all sorts, the paper remained circulating in the markets. The gold accounts now stand at an incredible level of over 40,000 tons by my reckoning. Nearly 30,000 tons are owed by bullion bankers directly - without counter obligations
denominated in kind. They have only 4,800 tons in credible gold mining company obligations, and another 9,000 tons were borrowed by speculative funds playing the carry trade. The remaining reserves, some 10,000 tons, can not be used to pay off the gold denominated debt because the reserves are mostly borrowed and must be kept on hand to cover obligations to Oil Royals (the major lenders of these reserves). Of the other 20,000 tons in private gold hoards, only 6,000 remain in private hands outside of the Bullion banking system. 14,000 were supplied to the market over the years, and hang around the necks and in the noses and from ears of a billion people. The total commitments of bullion banks (including derivatives) are most probably around 60,000 tons, with an imbalance of some 35,000 tons, where gold was "borrowed" by the bankers (in reality only
dollars arrived at the bank for most of this, and the bank issued a gold denominated obligation),and the lending by the bankers was in dollars.
Their remaining gold denominated assets:
- Gold reserves are 10,000 tons, (I hope)
- mining company obligations are at 5,000 tons,
- Speculative fund obligations are 10,000 tons.
The remaining counters to the bullion banker's gold obligations are denominated in currency.
Physical gold lent TO bullion banks, about 25,000 tons.
Physical gold lent BY bullion banks, about 15,000 tons.

Again, I agree, but ask the question "are these commitments becoming irrelevant in gold terms"? This is "gold banking" on a pure fractional reserve basis and very much reflects the dollar prior to 71. Years ago, we hit a point where the market place is just trading the price of gold, not gold itself. They have created a form of "gold currency" that is more a "gold price obligation" rather than
"gold supply situation". It simply could not function once real delivery was asked for. This is the corner the ECB / BIS have pushed the dollar into. Force a change in the need for "contract gold banking" and you break the credibility of the market. Break that credibility and the dollar is
exposed in a gold price move.
Here, we can get a sense of the massive effects a change in the use of the dollar would have on these liabilities. Once the dollar begins it's slide from trade settlement (happening now), a dollar gold currency is not needed. Any break in the gold banking market would render a "new price" for physical gold. That price would begin to reflect the past dollar money supply inflation.

Thanks ORO for your clear understanding. On to your #22237 later FOA

FOA (01/10/00; 20:39:02MDT - Msg ID:22663)
An Overview
ORO (01/06/00; 15:05:40MDT - Msg ID:22411)
Your words:

For years, I could not understand how the dollar could stabilize in 1980. It was a

complete mystery to me. Austrian monetary theory, which I studied with the intense interest of youth, alongside Monetarist theory, was giving no clue as to how the dollar could be stable at all once the arbitrage
to gold through redeemability was closed to everyone - CBs included. ----------

ORO,
It was amazing wasn't it? During that time, anyone that had any grasp of money theory just knew that eventual world wide dollar inflation was coming. Yet, right after the Mexico default crisis, the whole system came back to life. Never before in history had a country dropped it's gold backing, watched it's currency be devalued against gold ($800+) and then returned it to normal use as if nothing had happened. But something did happen and it sent the world onto a different trail. Thinkers, world leaders, common workers, and investors had just spent the previous ten years learning the true worth of oil! And they learned how it had two values.

Consider:

Duality of value is a funny thing.
If you have a gun in hand pointed at me and I have an identical gun pointed at you, their (the guns) worth is the same. Yet, if I am wearing a bullet-proof vest, my identical gun has more worth. Not much, just a little more. Strategic location?
You pointed out how in 1933 dollars outside the US were worth their weight in gold. Yet, inside the US they were not. The same dollar had a dual value dependent on location.
Oil, gold, minerals and ones bank account can all have dual values based on the strategic location of these items.
Another form of duality exists for most things. Gold has a jewellery value and a monetary value. It's price is reflected in the degree of total demand generated from each value. In fact everything we own has our personal wealth value and a "monetary" worth.
After 1980, oil also reflected this different duality.

Back to the main trail:

In the late 60s and early 70s some US strategic leaders were beginning to understand the "monetary value" of oil. It was becoming clear that local oil reserves, not gold was the real backing behind the robust US economic engine. Like gold today, oil back then was worth a whole lot more than the amount we were paying for it.
The simple fact was that as long as your economic system got more from (out of) the local oil it brought than printing ones currency took away, local oil was worth more as a "monetary backing" than gold. This was the changing currency climate some could see long ago. Modern society, as it functioned using digital settlement was restructuring monetary theory. The only problem was that it wasn't changing the importance of "human nature" or "strategic location".

By the early 70s the old gold exchange standard was breaking down, even as the worlds goods production system was just embarking on a new era of efficiency. Using the benefits of hindsight, we can today see that each year into the 70s, 80s and 90s all brought technological gains that were overshadowed by our currency system's flaws. The world was using technology to get more out of the life's blood in a modern economy, oil.

It was recognized that even though the old (gold) money system of the 60s had priced oil favourably for the US, it's (US) oil reserves were running out at that price. We needed a higher price for oil in order to build local reserves. At the very least, we needed higher prices to discover higher cost reserves located in the "Strategic Americas" (both north and south).
The potential (indeed, it was reality at that time) for the Middle East to continue producing reasonably priced oil for gold (dollars) stood in the way these needed higher prices. In order to resolve this, we moved off the gold standard (1971) and onto the oil standard. Again, in hindsight it was a masterful play. You see, in duality, oil in the Middle east was worth more than other oil if it
could back the dollar in world settlement.

Make no mistake, gold was and still is the center of the money universe. Only the way we utilized it was changed (indeed, it's about to be changed again). ORO, the US had already placed it's currency on an oil standard years before (in practical theory anyway). They were expanding the
money supply directly in relation with the increased production of goods that modern oil use was providing. Of course they ran away with the process as is always the case. Gunning the debt money supply and justifying it by extrapolating growth at ever increasing rates. Dollar creation overran the ability of the gold exchange standard to balance it. Still, in all fairness, the old system was built on a much slower creation of production efficiencies and couldn't accommodate this modern surge of wealth (and debt). Let's face it, the world has no precedent for the last 30 years of growth. By adhering to the fixed money supply, currencies would have risen in value creating a deflationary effect on the debt created from this growth. Our first experiment with this came as the US decided
to keep gold in the money universe but back the currency with oil. Better said: "continue to settle oil in dollars as long as the rate (oil price) creates more value from production than the inflation of the currency takes away".
This is the reason the BIS did not lobby the US to officially devalue the dollar in gold (raise the dollar gold rate from $42 to say $200) and continue the system. Even though many people were hurt from this, the system was failing and had to change. The tactic was not to stop using dollars if the gold was not delivered, but rather for the US to just stop shipping the gold. In reality the dollar is still a receipt for $42 in gold, but the it will never be connected to gold again. Ever!
In the background, the value of the gold backing lost was found in oil. In reality, the value of oil to the world economy was increasing much faster than value of gold lost from dollar default. Even at the higher prices per barrel the need and demand for oil proved to be a far superior "monetary backing" for the dollar than gold. As long as the majority of oil producers agreed to receive dollars
for oil, the stage was set for a renewed surge in growth the world over.
Yet, gold was still in the monetary game. Only this time the game was proving to be short lived and unstable. This new "free market" for gold was soon being leveraged in a way the old dollar was. Once again, the supply of gold contracts was exploding as they were responding to the new demands of an expanding world economic system. Only this time it wasn't the dollar that was about to default, it was the "new gold market".
Today, we find ourselves on the edge of yet another change in the world financial structure.

More later FOA

FOA (1/11/00; 6:23:10MDT - Msg ID:22690)

More Overview

Working from my FOA (01/10/00; 20:39:02MDT - Msg ID:22663)
An Overview:

" " Our first experiment with this came as the US decided to keep gold in the money universe but back the currency with oil. Better said: "continue to settle oil in dollars as long as the rate (oil price) creates more value from production than the inflation of the currency takes away".--------

Initially this created instability in the financial system. Through out the 70s players ran into gold, trying to regain the monetary security the dollar had lost without it. Soon, everyone realized that no amount of conversion would ever replace all the foreign dollars outstanding. The dollars stayed in circulation even as they were traded for gold. Further, the dollars were still being received by ME
oil producers in return for oil. Dollar price inflation was bad, but in no means did we see the "runaway price inflation" that should have come from a reserve currency without gold backing.

In practical theory, oil now backed the dollar as world oil payments were settled in dollars. In return, gold now backed oil from a US guarantee of an open market for the metal. Over time, a portion of oil dollars could be replaced with real gold through actual physical purchases or in
participation with evolving world gold banking (paper gold). Even though the dollar gold price had surged, the higher oil prices were allowing a percentage of those dollars to be converted back into gold at the old gold/oil rate. Slowly, the old dollar holdings (prior to 71) were effectively being used to reclaim gold. The expansion of the world dollar money supply was seen as reflecting the more modern importance (value) of oil in the economy. As long as growth in the production of economic goods outstripped dollar price inflation, the dollar could be expanded to match the unrealized value held in oil.

Again, "strategic location" of the worlds major oil reserves was the backbone behind this "duality" in oils value. Gold in fort knox could not back the dollar anymore, because the US had shown that they could just withdraw it from backing. In fact, the entire validity of backing any
currency with a fixed gold amount was in question with this new age of "super nation blocks". For it to work again, gold and the reserve currency backed by it would have to reside in different "power blocks" to guarantee delivery. That wasn't going to happen. Indeed, with supply of the worlds
major oil reserves being controlled outside the US, the dollar was now backed more effectively by a commodity that could be used to devalue it (through the oil price) should the money supply run wild.

This system balanced, as the value received from oil by the goods producing world outran the loss from price inflation initially created from rising oil prices. ORO, this does not explain everything , by any means. But, it does at least give us a handle on the dollar transition through out the 70s and 80s. Looking back one can see that "money theory" wasn't thrown out the window, only reworked
a great deal. It offers a reasonable understanding as to why the dollar continued, even as the US treasury took control of the world financial system.

Today, the situation is changing in a much more dramatic way. I'll later offer a view

as to where we are and where we are going.

Thanks FOA

FOA (1/11/00; 19:10:15MDT - Msg ID:22711)

Current events

Cavan Man (1/11/00; 13:08:03MDT - Msg ID:22702)
Dear FOA
---------I am not certain how many visitors here carefully read and digest what you write.
Furthermore, I am even less sure how many of us really believe what you write-------

Cavan Man,
Yes, I think you are right. There really is no point in going back so far. Nor is there any gain in diving so deep to explain political strategy just ahead. Mostly we want to understand the short term. Another warned me about this once before. Saying I should stay on the surface and discuss
events as they apply. Looking back I see why he doesn't send me anything now. The point has been made and the correct people have seen it. Now wait for events and discuss the market response.
So be it. I'll ride the soft river and stay off the hard trail.

Thanks Cavan Man, your words have helped, I presume too much, FOA

FOA (1/12/00; 8:21:11MDT - Msg ID:22768)

Thinking and talking out loud?

ALL:
What a mess! Cavan Man, (I know you are still reading) I used your Thoughts as a measurement of what I was doing. This is a "very" large group to walk with, as such we often only hear the nearby discussion, yet many are along for this walk and choose not to talk. So, I find myself walking in the middle, the front and the rear, in a effort to not only be close and hear the talk but to "see" the map they read. In life, I have seen how often "the more verbal ones" project the direction of the quiet groups and I take this in. Cavan Man, you did not change my will to hike, rather your post made me "think out loud".
There is no leading or following here, as we are all on this journey whether one acknowledges it or not. I am only a small part of the group. It's just much more interesting is we can see the real "natural wonders" on the right, left, behind and in front, instead of just the next step before our aching feet. Yet, I understand how some would rather see the trail as only a series of completed single steps. Each with definable distance, impression and easy to collaborate. Ha! Ha! Indeed, it may be more of an American Journey if one can "float on the surface of a river" within easy view
and "earshot" of those walking the hard trail! (smile)
Mr. Lawrence, I'm sorry I spoke so loud what I should have thought so quietly. You will return, yes?

I do thank everyone for their kind words and honest directions. I'll continue to talk and "listen" as we walk this golden trail.

FOA

FOA (1/13/00; 6:16:24MDT - Msg ID:22819)

one quick post

ORO,
Thanks for your "some comments" posts 1, 2, 3,. I have only read them quickly and am pressed for time. Will reply (rebuttal / agreement (smile)) to these excellent thoughts before I post my next "overview". In the mean time something to consider; by the late 60s, dollars were not "arbitraged"
into gold with the effect that "hard monetary theory" had envisioned . It was becoming more of a "concept" as the money supply continued to grow much faster than gold was shipped out of the country. This "soft" link to gold was growing as dollar production was being fuelled by the oil
perception. Officials brought into the concept that for much of our natural future, oil would always make "things" cheaper, faster and in greater supply. As such no amount of future debt and the money supply growth that followed it, was too much! This process of making the evolution of "oil
productivity backing" a more real backing than gold.

Sorry I cannot write now,,,,,,,,,,,,,,,,,,,,,FOA

ALSO:
Welcome Traveller and all the new posters here!

USAGOLD (1/12/00; 9:31:05MDT - Msg ID:22771)
Today's Gold Report: Swiss Lean Toward Liquidation through BIS

Hello Michael,
The background of this Swiss statement is more exciting than the announcement! We have offered for some time that future "official" Euroland sales would evolve into ECMBs (European Member Central Bank) buying gold "off market" and out of the reach of the LBMA . First the Dutch and now the Swiss have begun to open the door to this. The full 2,000 tonnes of gold covered in the Washington Agreement may not come to be used as collateral behind current gold paper. Truly, they (ECB/BIS) are cutting them off and starving the market. The next step will be the revelation that the "transfers" are occurring at higher dollar prices (and probably lower Euro prices, if they are done in that currency) than the spot market. Behind the stage, we have been "on the road" to higher physical prices ever sense the "agreement" was announced. The BIS has always had the power to break the Bullion Bank's from market controll by changing it from contract form into physical. Our current price doldrums do not indicate the frantic nature of life in this new "fast lane". Most traders are watching the paper markets and feel they are "dead in the water". This perception will change in the next act of paper destruction. We have had act #1 and each ensuing one should be more severe. Lease rates rise, paper prices gun up, major loses then a load of more
gold contracts dumped to force the price down. I bet they have run out of small lenders after the last run around. If so, (maybe the next go around) the contract discounting begins?

Note: Michael, I received your News And Views and read it for the first time. What a wonderful commentary it is! Everyone should get it!

Thanks FOA

FOA (1/13/00; 6:29:59MDT - Msg ID:22820)

(No Subject)

Aristotle (1/13/00; 1:17:56MDT - Msg ID:22810)

Aristotle, I could have just posted your item and not said anything! Just read it and had to note it. Good stuff.

Quickly Gone for good now,,,,,,,,,,FOA

Aristotle (1/13/00; 1:17:56MDT - Msg ID:22810)

How much wisdom in our anals of history; how much deliberate choice?

ORO,
On the whole, this output is your best yet in both clarity of thought and presentation. Kudos. A distinct pleasure to read.

But, (there's always a "but" isn't there?) the sheer size and comprehensive scope of the material, defies any reasonable means for me (if I were to be so bold) to provide some of the feedback you are seeking. The ability to apply digital "post-it" notes to your on-line text would be required--to rave at the many flashes of brilliance, and to suggest possible course-corrections or avenues for further thought and discussion.

Taken as a whole then, you are possibly making one mistake in your inferences/conclusions regarding the official decision-making process that rests behind the scenes now in monetary history. You are possibly giving the officials of the day too much credit. With your 20/20 hindsight you are able to see the events of the day with the benefit of a perspective they did not share. You do a marvelous job of making the several important arguments from the several sides of the issues, but in truth, these guys were often flying by the seat of their pants, reacting as necessary to bail enough water to keep the boat afloat. It would seem that even when considering the conference of Bretton Woods in 1944, (and the IMF revamping summit in Jamaica in 1976,) the world has not seen such a concerted, thorough, and intelligent thought given to monetary matters as your suggestions would imply until the era of Maastricht arrived.

To wit, the dollar wasn't backed with oil because it was carefully calculated to be the most superior form of monetary arrangement. You have had little trouble poking at the flaws of such a scheme. In the eyes of the officials involved at the time, what was done was perhaps the most expedient course of "policy," for the day, and the concept of oil "backing" the dollar by any fair assessment is most probably a de facto result of the path of least political resistance coupled with our perceptive advantage of hindsight. Meaning, at the time, it was not expressly determined that oil would replace Gold in a new form of "commodity standard," but effectively, hindsight reveals that's effectively what we got -- the approximate result of evolving policy and trade agreements that maintained dollars as the currency of oil settlement (even after the Bretton Woods notion of Gold for $35 went beyond a blushing fiction to unabashed fantasy--followed by the reality of nothing when the window closed in 1971.) Even in those following days, many significant players expected this condition to be temporary--with Gold to be refitted to the monetary framework under some new form of workable terms. (Or should I say, they expected the monetary framework to be refitted to accomodate meaningful Gold settlement--we all know that only Gold is "money" in this modern world.)

To reiterate, I'm not calling into question the quality of your analysis and arguments, but rather, that you have given credit (of dubious quality, to be sure) to the policy makers where none was due. You've assumed a "Method" where, in fact, there was only "Madness."

Final food for thought: policy is set by politicians (not by intellectuals), and the quality of those so employed has not changed much between then and now. (At least by giving them too much credit you've avoided the other popular fallacy of assuming them to be hopeless and complete idiots. <grin>) But had the likes of an ORO or Antal Fekete been given full latitude in shaping the policy of that day, there is little doubt in my mind that we would all be better off today. But as it is, we are only now after 30 years repairing the financial architecture with the euro, bringing Gold back out of the shadows.

And as always, being a mere child in the world, I reserve the right to be spectacularly wrong in my perception of these issues. After you consider how much rationalization is appropriate for painting our history as a deliberate and calculated act, you are free to carry on.

Gold. Get you some. ---Aristotle

FOA (1/15/00; 11:00:06MDT - Msg ID:22951)

Comment

ALL:
A few quick words then I'll post a reply to ORO with my next overview (perhaps an hour?).

Ha! Ha!, light sweet crude over $28! Now there is a fact one can chew on, right Permafrost! Tell me , everyone, what good were the "facts" from the beginning of 98 -1999, when they were used to point people to COMING $5.00 OIL! Not much, right?
Speaking of facts; In Barrons today they did an article on the Euro. I think they said "the Euro is the next biggest thing to impact us on a level equal to the internet" (or something like that). The major thrust of the write-up was to point out how the Euro had overtaken the dollar in international bond issuance. What a "blow out" in the first year of existence!
Can anyone remember all the negative "facts" being promoted regarding the Euro in 1998 and the beginning of 1999. All kinds of official statistics were used to indicate how it would never be born, never be used at any level equal to the dollar. In "FACT" every possible shred of evidence
was paraded about to show how the Euro would die, soon after it's beginning.
People, the point I'm making here (and to Permafrost) is that facts don't tell us what's going to happen, they tell you "What Happened"! Further, it's the motivations and political intentions of international leaders that shape the real world we live in. When these "minds with power" decide on a direction, the reactions in the marketplace then create the facts we all need to see. After the policy changes were made!
On this forum, you often read what is being promoted, what is being thought and what direction this may take in the real world. We look for "Events" to produce the "Facts" that pertain to these posts. Many of our loudest critic proclaim that our Thoughts are "dishonest" because no "facts" are available to collaborate out projections. Well, if their understandings, perceptions and connections to and about how leaders make "private policy" limits their (the critics) ability to look forward???
Truly, this is a curable disease, that's best defeated by reading USAGOLD FORUM

2nd and asking for Michael's News and Views 1st. (smile)
Finally, I add, we walk this trail looking forward "first". Before the left, right and back is observed.

Thanks all,,,,,,,,,,more in a little bit FOA

FOA (1/15/00; 11:08:21MDT - Msg ID:22952)
(No Subject)
007: All right Cavan Man, what is your price? Everyone has one.

How much do I have to "pay up" before you post here again?

I have this sack full of gold coins, is that enough? Or is it something that will break my Swiss bank, like an official apology? (smile)

Have payment, waiting contact. 007

FOA (1/15/00; 14:58:12MDT - Msg ID:22961)
REPLY
Some discussion for ORO beginning with:

ORO (1/12/00; 10:01:35MDT - Msg ID:22773)
FOA - some comments - Part I

You write:----------I am trying to put the two issues in perspective, (1) the break in the gold backing and (2) the need to price oil at a higher dollar price for the dual purposes of (2a)"strategic", locally controlled oil, and for the simple (2b) prosperity of the American oil patch and its highly connected people.
---

foa: ORO, the oil patch was hated in New York and Washington. Two different cultures, you know. The Government just wanted them to produce oil and shut up. If they needed to make money in the process, so be it. The "oil windfall profits tax" later proved the point that oil was more seen as a "public utility" for "monetary policy". Not something that was privately owned.

Your words:----------
Which do you see as having been more significant? Or was it a monetary decision based on a new concept in commodity money? Or, what I consider more probable, that it killed so many birds in one stone that it was just too attractive to let go without one good try? The additional seignorage
from this concept would also have made it attractive.

Besides, considering that the US was then so far outsude of any possible internal remedy to its gold receipt (dollar) printing problem, it was just a matter of a few months till it would all have broken apart in 1968 - the Fed and the government then facing the hard choice between having a banking system or a currency. I can see that the system was saved in 69, when the London gold market moved to gold pricing in dollars and the OPEC countries stopped taking currencies other than dollars. The US managed to even stretch that arrangement past the breaking point. -
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foa: ORO, my friend, they were not using this concept as a real "commodity money play" in the "gold standard perception". At that time we were buying local oil with "fiat dollars" (made so by the 1933 internal gold confiscation) and foreign oil with "gold dollars". But, as you pointed out, dollar production was so far past it's "gold backing" that it was obvious they (USA) were pegging dollar printing to oil prosperity. Still, with London gold and oil mostly settled in dollars, the foreign dollar oil deals fully well expected to cash in unneeded dollars for gold. As we can see, reality and present day events of that time were as "mismatched" as today!
All of the dollars success was ultimately made possible because oil could (and was) priced so far below it's "economic worth" to the world. At that time, even our Middle East friends had no idea just how useful oil would (and had) become to maintaining the world economic base. As we will
see in a minute.

Your Thoughts: as I break them apart and comment

Yes, among the true drivers of the US economic boom was the cheap domestic oil it enjoyed till the mid 60s. Economic freedom in the US was limited since Roosevelt took away our few remaining economic freedoms and the cash. The timing of the break in US oil production belies the truth of your analysis of the thinking behind this ingenious way of solving a stupid and costly problem. The steep drop of US oil production, as if off a cliff was impressive. But there were many alternatives to the solution chosen; oil could be imported and stored, and that would have set the price for internal production.----------

foa: No, they were already shipping so many dollars out and any more would further aggravate the "possible gold drain perception". This was everyone's problem then as the industrialized world wanted to still get gold if needed, but they also liked the "non inflationary" (relative to that time) expansion of the dollar base as it expressed the new oil economy and it's real goods produced wealth. The US wanted new oil reserves to be "Local" (the Americas), because it could be paid in "fiat 33" cash, not the more golden "foreign cash". Both our neighbours to the north and south ever asked for much gold. In this light they acted like the local oil companies that received post 1933
dollars for oil (as mentioned above). Yet, to get these new reserves for fiat 33, they had to prevent the very cheap Middle East oil from supplying it all (if dollar prices were higher).

Oil imports could have been taxed to provide local and "most favoured" neighbours with better prices. ----------

foa, they could have, but they didn't?? A lot of conflicting international political agendas with that one.

The reason the US went off of gold did have to do with oil offering backing for the dollar, on an "as needed" basis, but there was a reason that was necessary. The reason was the meteoric rise of government expenditure in that era. The US was throwing fiscal and balance of payments caution to
the winds till the last day before going off the gold standard. That day marked the end of the government expansion relative to the economy.

The 14% of GDP level seen in 1969-1971 was never seen again. In reality, we are back below 1959 levels at 11%, while the Federal government has shrunk to some 3.5% of GDP from the former peak of near 7% in 1970. ----------

foa, Again, I pointed out above, the new found prosperity from cheap dollar oil was being used to justify mountains of dollar debt. As long as a barrel of oil could be used to produce more relative real wealth than the dollars used to buy it represented, dollar inflation worked in the only political measurement that counted. "An increase in the standard of living"! Don't get me wrong, I didn't say, "an increase in the value of savings", that's something else in the minds of "Western Thinkers". Further: GDP measurements and SOL (standard of living) are clearly not relevant to each other then or today. All through the 70s the American worker groaned under a financial / currency
system gone bad. Yet, compared to the SOL of even Japan, we were always way ahead!

----------The question that comes at this point, is why were the Arab oil suppliers willing to do this? Was it because their oil would continue to be priced in gold, and this whole thing with the dollar just did not matter? Why did Europe go along with this scheme?

I think it was the "strategic" element of the time, a malevolent and reluctant Soviet system and China in complete chaos in the "cultural revolution", led by psycopathic crackpots, that played a part in convincing Europe and Oil to back the scheme. There was a need to continue support for the US so that it could retain/gain superiority over the Soviets. The "exorbitant privelege" had to be maintained for both the sake of the US and of Europe. For Arab oil, pricing was fine so long as they got their "fair" amount of gold per barrel. The Europeans would pay for the US military sevice by taking US dollars. Do you see this as the "whole" of the strategic significance of the deal?
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foa: ORO, First and foremost, everyone was caught flatfooted as the dollar broke from gold. Like I said above, the industrial world loved the dollar expansion in the oil context presented. Caught between what appeared as a good system based on cheap oil and the loss of gold delivery, they let it drift too far. Even as we left gold behind (71) and oil went up (78), the system still worked because oil was perhaps delivering $100.00 worth of value and being brought for $30. Yes, this new price did create a financial panic, but more so because everyone was leveraged for the status quo, not a rising price. Like a company business slowing down because they expected 100% profits and invested in equipment for it, yet only got 50%.
The producers never expected the cartel to get such a high price from their political embargo. They also wanted more dollars to compensate for the gold loss, yes. But the runup they got demonstrated to them just how good their product was. They thought a barrel was worth so much
gold (pre 69-71), yet after the fact (71-79), it was worth much more gold than they were ever getting. It was a real education.
As far as going along with the deal, they didn't! Hence the gold runup. But, I tell you that little gold run was nothing compared to what could have happened if they pressed for it. Later they experimented with circulating dollars as a stop gap measure until another system could come along.

MORE:

ORO (1/12/00; 10:03:24MDT - Msg ID:22774)
FOA - some comments - Part II

Your words: ----------The problem of oil as money is in two ways, it is wealth when it is in the ground, but it is a medium of exchange when it is taken out, shipped and used. It must retain a wealth money to back it up. The wealth money was to be found in the gold exchange of oil
to gold, as I take your view. Or, as ANOTHER put it, gold and oil must travel in opposite directions. ----------

foa: ORO, once oil is "used" it reverts back into it's wealth (and real money) in the form of the real goods produced. This "spent" oil wealth / money can be retrieved by buying some of these real things with dollars. Still, the portion of real value regained is very small compared to the oil wealth / money spent. This loss of value is partially viewed as payment for your " "strategic" element" "
mentioned further above. But, this is a gross amount to pay for this protection. Much more than regular financial thinkers understand. As such, this loss is made up by receiving a "kicker" in the form of cheap gold provided from a "paper contract marketplace". A market that reduces the
amount of real gold world investors hold by replacing it with "dollar derivative gold contracts" based on the price movements of gold. This concept has lured "hard money" players into an illusion and allowed the flow of real gold to move opposite of oil. It is this simple. (smile)

Your thoughts----------
The next issue, that of the US government floating currency in proportion to oil production through the 60s, in effect assuming that the oil, rather than gold is what actually backs the dollar, I can see that thinking in much of the theory written in the decade before, namely by Friedman and the Chicago School, but the problem I had then, and have now, is that the currency itself does not in reality allow for any value whatsoever so long as there is no direct arbitrage between the currency and its backing. In the US there was no arbitrage into oil. It was only by the tight control of oil supplies in one tiny block, and the happinstance of gold just being controlled on the other side of the trade that made this work, and as badly as it had.----------

foa: ORO, fiat currency today is little more than a future contract (I posted on this before) of human production. Yet, our SOL (standard of living) could not exist without it. Presently we are in a transition between "wealth money concept" and "digital money concept". History has proven over and over that fiat money can never be a valuable as "real wealth". Through out time, everything real we own has represented both out wealth and a spend able (tradable) money, gold included. Early on, paper money had no other purpose than to represent real things in contract form. Today, even with all it's government manipulations, that paper settles high speed trade better than real wealth
contracts (dollars backed by gold?) because it can match the efficiency advancements with a growing money supply. And do so without revalueing the currency upward (deflation) in the way hard money requires. It's a hard perception to stay with, I know, but people have proven that they want their currency to stay even with economic function, not move up in value against it. Modern humans (not necessarily western) would rather hold their wealth in part in real things (gold) and settle trade in digital currency.

There is a precedent to this even in the history of our world gold supply. As a pure hard wealth money, it does increase in amounts (ounces mined) over time. During the old world growth rates this could have worked, but gold supply cannot match modern advancements without rising in value
far higher than even I project. Truly, digital currencies can work for a modern world, if only they are not backed to gold in contract (fixed gold standard) form. Most of this latter days currency problems have been in trying to keep a "hard digital money concept". It has not worked.
Yes, the percent system has blown itself completely away from official inflation. Inflation far beyond any future human production. Still, had we witnessed a true "free trading" "physical bullion only" market place for gold and allowed it to function in a goods buying settlement,,,,,,,it would have marked to the market the over production of currencies. OK, now that we understand this:

You now state many of our modern money problems in
Your thoughts:----------
The economic expansion of the 50s and 60s in Europe and Japan was no less than that of Asia in the 80s and 90s, astounding. Similar to that growth that the US had under a tight gold standard from the end of the Civil War to the first World War.

The reality of deflation in a commodity money economy is fine if the banking system is either a "free banking" system (government is not involved but for prosecution of fraud), or the banks are regulated to disallow them the fractional reserve system completely, so that the fiction of having
bank debt balances being presented as money is removed. Thus the bank issues bonds or depository receipts (only for vault reserves) but can not stretch the meaning of customer balances to mean "cash". Thus banks are forced to either live up to their fiction in free banking, or prohibited
from the fiction altogether. The interest rates of the period before the Fed then were tremendously low. There was such a thing as a perpetual bond. Innovation was tremendous. Though this period was punctuated by bank runs galore, the system - as a whole - worked. This despite banks being
allowed their fiction and their being supported by many legal priveleges. There is no economic reason for fiat currencies at all.

The only reason is political. To allow government seigniorage and to allow its sometime friends in banking the assymetry of risk that raises their profitability and assures the great banking famillies of retaining control of their franchise at public expense. It also ended up costing them "ultimate" control in that their banks are now edifices of contracts that are all backed by the government
printing press and thus in constant danger of political expediency changing against them.

The expansion of currency in relation to the growth of the economy is simply another way for government to tax its people. In the case of the US, it was a way for the US government, in its true Roman idiom, to tax the world as a whole. That it was necessary is arguable. I would venture to
say that by 1959 it was not necessary at all. Europe had grown to the point of being able to support itself militarilly. The US was fearful of an armed Europe going communist, not needing the US and its military. Not paying tribute/protection money.

No, FOA, there was never a danger of deflationary spirals forming if the US had not insisted on socializing banking costs as the cost of the political bargain for subjugating the whole of the country's wealth to direct Federal government control. Did the war/wars both cold and hot make
this the only politically acceptable way? I think that was not the only way, even when going into a prolonged "cold" war. What it was for is obviously to "disappear" the cost to both Americans and Europeans. The decision to back the dollar with oil was based on any new concept, it was simply a new way for the US government to retain control of its economy through currency control. I could venture a guess as to Hayek being an intellectual backer of the compromise plan (compromise between reality and the wish of the Johnson and Nixon era bureaucracy to retain hegemony), since he understood well how oil is important economically, and how a currency works. .---
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foa: above you say:
"The decision to back the dollar with oil was based on any new concept, it was simply a new way for the US government to retain control of its economy through currency control."

ORO, I could not agree more. This was not a new concept, rather "A" concept that became "the official unwritten policy" that few understood outside Washington. It also evolved into a way for "others" to keep the dollar game going until a replacement was found. Indeed, our Officials now see the threat clearly.

More of you:----------
Second point on deflation is that it is healthy for the debt system. It removes assets from the weak and moves them to the strong. Businesses often fail, but rarely do the assets of the business disappear.It is only those businesses built on complete folly or on speculation that routinely fail
leaving behind no assets. It is this environment that spawns 1% short/2% long interest rates, at which the rate for gold remains to this day.----------

foa: Deflation under the old system deflation (rising value of cash gold) worked because it brought the dept in line with the rate of growth. A rate (growth) that was much lower then. Let's face it, during the last 30 years economic production and it's real debt rates of growth (not the
gross manipulated debt rates of present) were off the scale of anything ever seen from the beginning of time! Given the choice of borrowing "PHYSICAL" gold from a true physical market at 2% for trade settlement against borrowing "physical dollars" at %10, the dollar would have been
pushed from "actual market forces" to slow it's inflation to match real modern world growth. Match this against trying to keep a government treasury from issuing "too many" fake dollar gold contracts and it's no contest. It never worked.

ORO again:----------
Regarding oil as money, my second point is that oil has a couple of problems as money backing -one is its low value density, it is too expensive to move around for trade. The second is its susceptibility to political disruption. Both as wealth when it is in the ground and as delivery contract
relying on retention of smooth transport conditions (as exchange money), the black gold is not as safe as the actual stuff, and hoarding it is very costly. The only ways to trade it are in the form of obligations ("oil debt") or as title to oil reserves.----------

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foa: I covered this far above. No one was ever trying to actually use physical oil as money. Rather they (USA) were using the disparity of real oil worth to cover the inflation of the dollar.

ORO:----------
While dwelling on this, there is still another set of details to this issue. The electronic settlement demands on currency make no difference as to its backing. It can be gold certificates, it does not have to be fiat paper (a promise as empty as the vault). Even as broadly usable a commodity as oil, its marginal utility is lower when available at greater quantity - its price relative to other goods falls. A money must have a steady marginal utility. As the world grew to make better use of oil out of necessity, due to an artificially inflated cost and an artificial scarcity, the world lost much to the new oil backed dollar. It had to deal with an oil cost based on the cost of producing oil in the "strategically" preffered but economically absurd location. The capital cost, the wasted engineering talent, and the years of discomfort in cramped cars and public transport (particularly in Europe) are
but the tip of the enormous ice-berg this piece of idiocy cost.

There is no benefit whatsoever derived from the oil being local but for its strategic significance for military and political reasons. No amount of theory can find a benefit from the waste of resources on a problem we did not face (at least not for another 30-50 years at the time) and from the
uneconomic consumption of the intermediate range reserves. Now we have broken the natural cost structure of the oil industry and put in a big hole between the low cost oil and the high cost oil. In the meantime, we have destroyed the coal mining industry with a boom and bust cycle, we drove
natural gas exploration too early and wasted it, We broke down the economies of many nations. This folly did not allow the growth of the world economy to proceed unempeded by the restraints of gold, it slowed down the world's growth and diverted its energies.----------
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foa: Yes, to all except one." " " There is no benefit whatsoever derived from the oil being local but for its strategic significance for military and political reasons. " " "

As time went by (80s on), Europe encouraged this arrangement because backing dollar creation with foreign oil allowed a self destruct function.
Under the old gold standards, it was up the individual nation to pay out gold against it's money. A process especially usefull to others if said money was inflated. Still, modern power structures proved that this did not work. A large nation would just not pay out gold if it didn't want too. The US did this locally (1933) and internationally (1971). So what good does it do to back a currency with gold it that gold reserve is in the same nation? Obviously, none!
By allowing the US to back it's economic viability (and therefore it's currency over time) with further oil settlement, it allowed the removal of said settlement (backing) at a later date. Especially if another, closer to home and more appealing reserve currency came about. Unlike gold reserves, that resided in the US, playing the present oil deficit against the US economic need of this oil is
proving much better. Oil is a real commodity need, that must be paid for. A local (USA) oil reserve deficit can bust the dollar value if foreign oil rises in price. Much more so if oil is pegged in Euros while "parity" is in range!

More ORO----------
I suggest two things regarding the ill-conceived ideas of the decision makers of the time. (1) Their motive was not to secure "strategic" oil supplies alone, but to make sure the whole world pays the price of this strategic decision, whether they want to or not. (2) In the way a large debtor can destroy his creditors, the US and the global banking system built around its rag of a currency did not want to lose control of their banking and commercial empires through the process of bankruptcy, and resorted to threatening their creditors with it. The resulting rollover of US debt resulted in perpetuation of the problem for the next generation, and allowed the continuation of American debt accumulation.

The US, in banging o
[*post cut off*]

FOA (1/16/00; 10:23:29MDT - Msg ID:22997)

Comment

ALL:
It looks like we lost a big piece of my FOA (1/15/00; 14:58:12MDT - Msg ID:22961). It was all on this side as my whole system locked down. I lost quite a bit also. Most of the remainder of that post was agreeing with ORO's views as he perceived them. What happened back then could be accepted from several angles, as real events offered the same outcome. My purpose for presenting them in our perspective was to generate a beginning sequence
of influence for our present situation. In other words, this is where the official thinking started from on this matter. Did this influence monetary events to proceed as they did? I would say at least 70% so. Still that was the past and we have evolved substantially today.
If my computers (and their links) don't fail again, I'll post "Overview" and some comments / replies.

thanks all FOA

FOA (1/16/00; 12:52:52MDT - Msg ID:23002)

More Overview

Moving on from my earlier posts, today we see where we are and where the trail may lead::

FOA (01/10/00; 20:39:02MDT - Msg ID:22663)
An Overview

FOA (1/11/00; 6:23:10MDT - Msg ID:22690)
More Overview
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http://home.att.net/~gmoritz/public/Deficit.jpg
We stop and share the view!

In the early 90s the world was not experiencing any visible results from our new Euroland currency creation (Euro). On the surface things continued much the same as before. The EMU (European Monetary Union) was somewhat in order, but most of the world financial analyst completely wrote off any of it's possible effects on the dollar. A view that was accepted because the US and the dollar were becoming ever

more dominant in world affairs. Still, an increasing dollar reserve base impacted the economies of foreign nations as the US dollar trade deficit and the debt that represented it expanded without relief.

I'm told that an excellent graph of this is still available on the net at the above link. It shows how dollars have been building up overseas without fail from 1976. Yet, in this visual expression of dollar flows we can see the first fluctuation of a new currency order taking shape. Between 91 and 94 our dollar flows made an abrupt turn for the negative. Some would say that this was just a function of the dollar becoming stronger. We say it represents a new "hands off" policy by foreign decision makers. This turn was in effect allowing the dollar to enter a multy year self destruct mode, during which deficit dollar flows would expand into oblivion. The US would be flooding the world with dollar reserves at the exact beginnings of Euro success.

After over two decades of non-stop foreign dollar inflation, the dollar float had become so large that any transition from dollar settlement into "Other" settlement would permanently remove it from reserve status. This forward looking thinking would eventually be spelled out in the events directly before us today. In these events we will witness and document the "Facts" of a dollar fall from grace.

Unlike past bouts of local US price inflation affecting dollar value perceptions, this transition from dollar reserve use will be felt first in currency exchange rates as the Euro slowly replaces the dollar as the major trade holding. The later impact from this will be a massive "super hyper price inflation" in the local US marketplace. Much the same as seen in the third world country panics in Asia. But prior to this, the largest of all currency exchange rate transitions will try to express itself. That will be the true dollar value exchange rate of gold. A transition so large and all consuming that it will completely wreck the present leverage in the paper contract gold market we today call "the gold market". Long before this new real physical price of gold is realized, the marketplace will stop all function as physical deliveries, at any price come to an end for a time. Eventually, a world physical market will return.

Onward for another view:

The strong US economic success has been spelled out more in the our SOL (Standard Of Living) than if expressed in financial accounts. Dollar exchange rates, interest on dollars, stock market values, home values all represent what an American "can buy" if they decide to spend their wealth. Not what they presently have as owned wealth, paid up 100%. This leveraging of dollar affairs has created an "illusion of savings" that in effect allowed a high SOL. In other words, we live high on the hog today because our present equity values and savings don't really exist. Time has transformed the entire dollar system into a giant "futures contract" that only represents the wealth we could obtain in partial "future purchases". Just like the gold market, we mostly trade paper wealth and call it real. Yet, if a large percentage demand for delivery ever happened, the contracts would fail. Yes, our wealth and economy status is really based on us cashing in and buying just a little at a time. if we didn't, the illusion would be exposed. Only our present dollar economy is "super leveraged" not just into the future of US goods production, rather it also completely depends on future foreign fulfilment to produce

those real goods. Truly, most of our present sizeable financial
wealth is little more than a function of the "acceptance of dollars overseas" by others.

Few locals today consider the view from the other side. They proclaim that the dollar is king because the "others" want to spend it here. It's the very same mentality of a gambler that's winning. He doesn't want to hear that the house is on fire and will accept any other "good news" that
prolongs his current "prosperity". In reality, if the above dollar deficit chart was ever forced (from outside pressures, Euro?) into reverse, no amount of real US goods production could be brought using present dollar price rates. In other words, foreigners could never spend their dollars at a rate that matches our SOL values. Indeed, some of the biggest players now know it! It's all an illusion
that has spanned 25+ years from the loss of the gold standard and it's about to be tested.

Onward as we look behind and before us:

In the 90s, big oil understood what was driving the acceptance of dollars. And from my earlier posts, we can grasp how their knowledge was gained through the oil embargo effect. Still, as long as international oil could be settled in dollars at prices well below it's economic value return, US debt, dollar reserves and dollar investments looked very good This train would run as long as another system was being built. Keep oil cheap and the dollar deficit flood would continue.

Why would they do this for free? They didn't and neither did Euroland! People "in the know" knew the effects a new reserve currency would have on dollar values. They also knew the future impact on physical gold. As long as the gold market kept gold priced at a discount to the real value
of oil, buying some gold with excess oil dollars more than made up for any loss of investment or loss of reserve values. Europe needed this concept to work and they helped maintain the present gold market trend for this purpose. A good way to wait for a dollar retirement, no? If the Euro was not born (a real possibility a few years ago) big oil was more than prepared to include physical gold settlement into it's payment package. Just a minor inclusion of gold would have gunned the market and replaced any lost investment gains from a botched Euro introduction. So, the participation in gold and gold banking made good sense.

Indeed, even now the paper gold market expressed a major "duality" in real value depending on the strategic location of it's contracts. Some leveraged gold banking backed with Euroland guarantees is today far superior after the Euro success. (I think this concept is hard on most people.
Still, it will look much different after the train wreck that coming.)

Going further into the duality values from my earlier "overviews"; Oil prices today are on the rise and doing so in total conflict to perceived marketplace function. It's no mistake as to why this dollar price rise is happening now after the Euro was born (we have been discussing this for some time). Just as a high gold price would expose the dollar by presenting it's true past inflation (world dollar
money supply growth), a rising oil price exposes the US economy to the super leverage it contains. Especially if one can grasp how that economy was built on oil backing through dollar settlement. Once the threat of a dollar slump is made possible by high oil, expect big oil to run to Euro

settlement for international trade. Perhaps run is not a good word? Let's just say a transition will begin that shows the world the trail ahead. This is the period when the Euro will rise very much against the dollar (2.00 or 3.00 Euros per dollar?). As oil becomes cheaper in Euros, their local
economy (Euroland) will experience a dramatic positive shift in activity relative to the US and other countries tied to US trade. Does Japan sound like one on the wrong side? (TownCrier, yes, no?)

Because the ECB has no pressing need to keep gold prices in place, gold could initially run in Euros also. Still, eventually Euro gold prices will not be anywhere close to dollar gold prices as international dollar reserves are liquidated. In effect, the disgorging of dollar reserves will show no negative accounting on ECB books as gold prices more than make up for dollar reserve destruction. In fact, once the Euro becomes the world reserve, there will be no reason to hold dollars at all.

Onward, looking only forward:

In fits and starts, oil prices will keep rising based on an expected reserve currency transition, not dollar oil use economics. Any substitution of alternate oil resources in the US will run head long into a local cost inflation roadblock. $200 dollar crude will not be seen as enough to drill for reserves nor switch to other fuels.

The Euro will keep taking market use share from the dollar, especially if major US players continue to trade the Euro down to parity. Eventually (and presently as this is happening now), dollar reserves held outside the US will be forced into shorter and shorter maturities as the "return
on" these holdings becomes more important than their "use as trading currency". This will drive dollar rates far above Euro rates, draining liquidity and forcing the Fed to continue "Most" of it's pumping action (what so many thought was Y2K related). Rising dollar rates will be in response to
this new currency problem, not the present non-existent local US inflation. Later, the fed will be seen as far behind the inflation combating yield curve. However, these rising rates will fully cap the local stock market. Weather it falls will depend entirely on how fast hyper inflation later accelerates. In this environment, foreign exchange controls will play a major negative roll in pricing stocks.

Gold will, at some time meet it's 2nd bout of paper destruction. The next will be far worse. If the currency crisis becomes in full view, there will be no small physical gold lenders to soften the blow. We shall see.

More and replies later. FOA

FOA (1/16/00; 14:16:45MDT - Msg ID:23005)

Reply

Solomon Weaver (1/15/00; 22:16:10MDT - Msg ID:22983)

Hello Solomon,
Good post!
Your point about how average citizen there has a " "dramatically lower material quality of life" " is something I completely agree with. I have known more than a few of them. This is the real difference between their "leveraged experiment" and ours (US). Theirs was based more on trading
with America and it's dollar to the effect that it built "paper asset wealth", not a

better SOL (standard of living). Because we own and print the reserve currency, we gained the same "leveraged wealth" but also increased the SOL. When this system fails, they will never have had anything to show for it. This is the road they are on now as their currency function has run flat into a failing dollar world. Hyper inflation is in their future!
Their social fabric and organizational skills did create a producing machine, but at what cost in human means? You see, it's impossible to produce yourself rich if you trade the efforts for some "rights to future buying power" like the dollar.
I wish we could all operate a well as they do and also use their ethics (well some of them). Perhaps, in a later time, across this dollar valley we will unlock the creative spirit in all nations as have the Japans done for themselves.

Mr. Weaver, you write:

----------But will you not agree with me that the example of how the dollar could leave gold behind or how the Japanese could bootstrap themselves as an island nation with no resources to have more wealth than any Arab nation who has all the oil and gold...that these examples show that
"the creation" of wealth in the future is not connected to gold ownership.----------

Solomon, gold ownership does not create wealth, it retains wealth created. Just because gold today has a massive amount of past "wealth representation" hidden from view, does not mean that the new owner of gold will have had gold create this new wealth for him! It's no different than if you found a $100 bill on the street, "it's new "wealth representation" created by someone else and found by you". This is our main story. I think far too many confuse out thrust for gold today with "trading for profits" motives. This is not the case.

Further you say: ---------

But, humanity, and its technological economy is evolving into something which will always be filled with debts and promises...if it were to all collapse today..the gold owners would feel rich but there would be a lot less they could buy....----------

foa: Unlike most die-hard gold bugs, I view gold as another form of wealth currency in transition. Not a run for the hills the world is falling investment. Yes, the US will lose a lot of not real wealth. But, as I have said so often, this is a perceived wealth based on an illusion. We will not lose something we don't have. Still, I expect a great deal of prosperity as this progresses. Just as many other countries
have suffered tremendous loses as the US gained a greater SOL, the reverse can also happen. Many think that without a US powerhouse, the world will fail. It never has and never will. Just a Clark Gable (Mr. Butler in "Gone with the wind") travelled the world after the Civil war, I submit
that the same world will be waiting modern travellers that retain their real wealth. As you say " " humanity, and its technological economy is evolving" " , I agree and it will not stop if the US pulls back.

Also you note: ----------
.I see the large owners of gold taking gold out of the vaults and consigning artists to fashion massive sculptures each weighing several tons (about $10 billion of today's dollars and maybe $100s of billions later on). In time, there might be about 10,000

of these statues fabricated. They would be displayed in public places like banks, corporate headquarters, governmental buildings, world fairs, etc. Each sculpture would..... (and the rest of your post)

Ha! Ha! That is a good way to see it. Let's watch for this to happen!
Thanks FOA

Aggie (1/15/00; 20:27:06MDT - Msg ID:22970)
Another????

Hello Aggie, yes there is a new Another and he is from Provo Utah, no less. Stay with him and do exactly what he say's. I promise you your life will be forever changed! (great big huge sarcastic smile) Oh, by the way, I'll stay with the original here.

FOA

Cavan Man (1/15/00; 17:24:07MDT - Msg ID:22966)

Cavan Man, thanks FOA

FOA (01/16/00; 20:56:17MDT - Msg ID:23018)
Reply
Hello Cavan Man,

You write:---------- Cavan Man (1/16/00; 15:23:37MDT - Msg ID:23006)
I can assure you that most of the people I know who are highly leveraged, own no gold (not even gold equities) and are mostly invested in US equities for the most part do BELIEVE their perceptions however misconceived are their individual (and collective) reality.----------

foa: It's only been in the most recent period that such great wealth is held as "documented contract bookkeeping entries". Weather these numbers are stock values or saving accounts, they are all derivatives that indicate what "someone could buy, not what they have brought. As a percentage of American holdings, the actual converted and paid up wealth in the form of real useful things (cars, houses, furniture, etc.) is tiny compared to the overall leveraged paper wealth holdings.
Most people equate the system like this:

" " I can cash out my winnings anytime and buy a gold bar. In fact, I did sell a little today and brought a Maple leaf. This proves that we can time our exit for our benefit" "

Truly, what this person is missing is that his actions completely mimic the overall American system and are what preserves it. Just as I equated the dollar to a gold futures contract, so too is the total dollar economy. In this system, we are, every day, taking delivery of some goods (comex gold delivery), just not total delivery as stated in the "full money supply" context (comex open interest).
As long as all of us don't try to buy with more than 5% of our assets (calling for delivery for say 100 contracts), the system works. Yes, any economic system operates with some relative savings for future delivery (retirement, saving for

school, etc.), it's just the gross extent of our leverage
today has no possible comparison. The present risk is outside any historical precedent.
Without any yardstick for measurement, most people are comfortable that their paper wealth is somewhat real and remain with it. Only now, the foreign holdings of dollar assets has grown so large that if it "comes home for delivery", it will break the system without our buying help!

Your words:----------
I submit to you there are very troubled (social unrest) waters ahead in this country if events progress as you forecast. What do you think?----------

foa: C Man, from the beginning of time people have been gathering and losing what they have. It seems that as a people, it's our lot in life to, periodically do battle over "who took what from who" and "who failed to honour their contracts to deliver". It's nothing new. However, there is a
recent precedent that says things will be bad locally but not internationally.
The recent downfall of a world "nuclear super power" happened without a world war or the use of weapons of mass destruction. Russia was bankrupted without a shot being fired at the west for doing it. Does this mean that the US will sit still as it's dollar is gutted on the international markets?

You say: ----------I remember the animosity paid toward ME persons and nations during the 70's due to the oil crises. Americans can become inhospitable with great alacrity when it comes to their gasoline. How can all come to pass (as it evidently must) without major domestic and
(hopefully not) international upheaval? Add xenophobia to politics and the recipe for disaster becomes written upon all minds.----------

foa: I think that locally, the US will experience some bitterness as people realize what they never had. We borrowed so much from our unborn children that it could never be paid back. So, the international community changes the rules in a way that forces us to pay our own way now and we don't like it. Interesting, our debt supports a life style higher than most of the world and anarchy is
expected if we must repay it.

We will all have to see how this plays out. thanks FOA

FOA (01/16/00; 20:58:26MDT - Msg ID:23019)
Reply

Journeyman (1/16/00; 15:55:09MDT - Msg ID:23007)
Oil shale: A spoiler, FOA?

But FOA, there is one factor, it could be minor, I don't have the context knowledge to judge, which may affect your thinking a bit. Oro, you especially may be able to put this into context in terms of "strategic" value.

Clearly the size of the reserves is significant. The question is, is it significant enough to affect your
scenario FOA?

Hello Journeyman,
If not another drop of foreign oil was imported into the US, world oil production could be cut in half and still receive the same dollar revenue as today. You see, oil prices are only one part of this drama. Dollar use and value outside it's reserve roll is the main problem.

In addition, as stated before, even $200 a barrel for west texas crude may not spur oil shale development if local dollar price inflation becomes too great.

See the picture? thanks FOA

Strad Master (1/16/00; 18:39:13MDT - Msg ID:23008)

Hello Strad Master,
The same answer above applies to your question of using the US oil reserve. Also, in the past it was a real political card to play, Today, it's just a card.

You ask:----------
2.) Would it be prudent for those who speculate to buy Euros with dollars and just hold them against an inevitable price rise you see in the relative near future? ----------

I would say one should choose their savings accounts with all the considerations offered here. The world financial system is always slipping like an earth fault. The question is can your wealth survive a full quake? For myself, Euros look just like a regular way to save some of my money.

Also:----------

Do you remember my question of a few days ago about the circumstances in which you and Another might reveal your identities? Is that ever a forseeable possibility? ----------

foa: the major push of these posts is that you look for economic events that explain where we have been walking. If they tell you your trail is correct, then we are thinking for ourselves and perhaps seeing the world as others do. Not knowing us forces you to look closely with your own eyes. The understanding gained in this way is wealth that lasts forever. Thank you for reading and thinking
FOA

FOA (01/16/00; 21:39:45MDT - Msg ID:23025)
Time to go!
SteveH (01/16/00; 20:28:31MDT - Msg ID:23013)

" " one can only surmise that it is the dollars exit strategy or that all of what you say is mere conjecture." "-------

foa: Steve, every thing we humans say and think is conjecture until "something real happens as a result" of that conjecture. Ha! Ha! The real trick is in understand what is "mere conjecture" and "conjecture with a severe purpose". (smile)

Also: The man is doing the best he can with the tools Washington gives him. No more, no less. Besides, Peter has it right: Peter Asher (01/16/00; 20:33:14MDT - Msg ID:23014)

Al Fulchino (01/16/00; 19:17:23MDT - Msg ID:23010)

----------You are in effect stating that Alan Greenspan was not truthful when he said this money (I believe around 150 billion) was strictly for y2k confidence among the citizenry.------

foa: Al, did he really say that? (smile)

--------Secondly, is there evidence that dollar flight to the euro is taking place now? -
------

foa, I think it's more like the Euro is becoming more useful a tool than the dollar. Read the Barons article this week. If indeed, the assets are drifting towards the Euro as a rising US rate is indicating, then a flight could occur. However, I doubt they want a stampede now. A slow drift would be much better.

------Afterall, oil is in fact now making its run upwards, yes? ----------

foa: Looks like fits and starts to me. But the trend is there. Truly, someone is turning the valves to adjust the dollar oil price.

-------If, it is yes, gold should be being unleashed right now. ----------

foa: If the gap that Michael talks about is still working (I think it is), then the paper market is running out of physical supply. The fact that they had to call in markers from small official sources the last time (to get physical lent), indicates that we have reached the last of the private stocks. We shall see.

Thanks all,,,,,,,,,,,,,,,,,,,FOA

FOA (1/18/00; 6:57:14MDT - Msg ID:23098)

Comment

Solomon Weaver (1/17/00; 21:56:15MDT - Msg ID:23084)
Solomon Weaver (1/17/00; 21:16:27MDT - Msg ID:23083)

Excellent posts, sir!

On another subject:

ALL:
I view this forum as a large discussion group on the floor of a convention hall. Each of us roaming between different faction groups, listening first, then taking part in the debate. From group to group we walk taking in all the fine new points. We can best be viewed as a large body of

people all adding to the information pool in a mostly serious, thoughtful way.

Then some kid runs up and stands at the sidelines and shouts out a few good thoughts and immediately says "To the Forum: You're all stupid and being mind controlled!". Then he makes a face, sticks his tongue out and runs away. During this episode, most discussion stops, everyone looks, tries to respond, but eventually goes back to work.

So, should we have security lock these nuts out? Well, in my opinion, early on we don't have to as long as we understand them and they don't ruin the whole convention. By understanding them I mean; they are smart and have something to offer, but when they make a face at everyone, it's just
an expression of "emotion without real background" not serious thoughts or discussion. Just as we all have children or young relatives that visit, we usually tolerate their behaviour until the talk (and events) becomes more serious. Then they must leave.

As "PH in LA" once put it, "they come in with both guns blazing and never read the rules". Indeed, they don't care about any "groups" rules! They want to spit on you if they feel like it and proclaim that that's the only way for adults to communicate! They dirty the air with innuendoes that our very own conversation (yes, our private talk) is half truths and dishonest. And point out that no one here is smart enough decipher this. In the end, it's demonstrated that some children, even though they are now old and have been around are no more than just "old immature kids with an attitude"! A mind set that abhors humility and is usually brought on from a lack of real success in life.

FOA

FOA (1/19/00; 8:53:32MDT - Msg ID:23197)

Last "overview" for a while

Hello TownCrier:
I read your "Golden View" about the Euroland Gold valuations in (TownCrier(01/18/00; 20:42:11MDT-MsgID:23158).
Do we see the beginnings of a new official gold market being traded through the BIS system. One could almost see where the gold is moving into the EMCBs and only being traded and valued in Euros. We have promoted this shift for some time and anticipate it to grow as Euro use in the
international community expands. Especially as the Swiss sales begin. This lack of CB bullion liquidity will eventually starve the London paper gold system, mostly a dollar settlement system for the maintenance of dollar gold prices. Again, it (Euroland agenda) was a process that was designed some time ago and implemented with the Washington Agreement. Indeed, the WA is not the end of this "changing of the rules".

Further:

True, they (BIS) move a lot of gold for CBs and always have. Only, this time (from 1990 to date) they have shifted their agenda in favour of the ECB system. A shift that will strengthen the Euro as it weakens the dollar. This entire evolution of BIS direction and support has taken Washington, Britain and most economic thinkers by

surprise. Yet, over the last twenty years it was a very visible and logical move with the Continent coming closer and closer to a new common
currency. It's no secret that they (BIS) became ever more apart from political dollar support as this (Euro)new weapon was growing. We can trace this shift's beginnings from the Jamaica Accords (mid 70s)and the first creations of the EEU (European Economic Unit)(early 80s). Later (mid to late 80s) the BIS fully promoted the EMS (European Monetary system) and used it's stability as a selling point around the world. This new architecture is what drew in Arabia to become a member and now sees a new BIS office in Hong Kong (opened in 98??). China will be the next member and a big Euro / gold suporter.
The entire (current) process involves a gradual weakening of the gold market (the paper function of it, not the paper price) to match the Euro expansion (5 years per the WA timeline?). I expected the paper gold marketplace to fail sooner and fall into discount. But the market has yet to fully grasp the impact of these events and still bids contract gold at par. However, we look at the dramatic
speed of this change (Euro acceptance) and can see gold coming into severe stress much sooner now. At the rate that Euro financing (and use) is growing, they will be imploding the paper gold market much sooner as they must revalue gold faster.
We watch for the dollar to come into real stress when the LBMA has it's system tested. This is where the real currency transition begins to grow! Again, I do not offer our words as proof, watch for events to confirm. As Another said, "Time will prove all things"!

Also:

Our stance is and always has been that the world will be using paper digital currencies for the rest of our lifetime. I for one, have never heard any official voice his stance that we will move back into a gold standard. Their (Euroland) direction has always been to keep a reserve currency system and strengthen it with a free physical gold market trading in the background. In none of our meetings have we heard where a fear was expressed that the governments will lose control of digital currencies and give it (that control) back to gold. That is simply not going to happen, no matter how severe a down turn the loss of the American dollar system creates. Believe it.
This has been the fundamental thrust of this news. The dollar system is failing as we move into another stronger (relative to fiat currencies) money system. I support, use and promote the new Euro simply because it is and will create the next trend for the future. Not because it's a gold currency of extra hard value. This (Euro) future will see us all using digital currencies, for better or worse. Therefore, by logical extension if I must use a reserve currency of account, I move into one that has the best strategic ability to survive and denominate my assets. In addition, it's creators are restructuring the gold market to the physical bullion holders advantage. This is the only reason I "Walk In The Footsteps Of Giants". They created this bullion path and the world will follow in due time. Therefore, my position of Euro assets and physical gold. Mostly (because I am American), I lean to gold for this transition.

Further:

One can take the radical position that the world financial system is going to end without the dollar. You can also say that the Euro will fail as this process evolves. One can buy gold for these reasons only and still prosper, whether your grasp of politics leads you this conclusion or not. Our sole reason for writing is a private commission to share official directions and perceptions with the

average citizen of the world. Nothing else.
Still, stand alone logic and history promote that the world will lose the present system to paper inflation and move into another as it has done before. With this, gold will bankrupt (through extreme price devaluation, $10,000 - $30,000) the outgoing system as hyper inflation runs through it. In a broader view, all total dollar dependent economies (Canada, Mexico, Japan, etc.) will share this fate.
This view gives you no facts only our perceptions from the builders of the future. We offer only the events as they occur for our proof. Indeed, strong events are ahead on this gold trail we all walk.

Al Fulchino (01/18/00; 20:58:12MDT - Msg ID:23160)
Aristotle
----------And like you, I see what is coming. And I see where FOA's thoughts regarding the euro and oil lead us. ----------

Hello AL, as you have read all of our posts, one can see how oil is the swing power in this currency war. Their commodity has been used to back the outgoing dollar system for some time and in the process keep it alive. Their price in return was a "cheap gold market" and their percent of return will be a new stronger reserve currency and acceptance of physical gold as a real settlement option in international finance. We will all get a feel for this as the oil prices lead the US dollar, and it's world dependent Economy into a slowdown. At the same time, the entire Euro / gold market
changes will impact world perceptions about their values.

Solomon Weaver (01/18/00; 21:46:49MDT - Msg ID:23168)
Compliments to FOA
FOA (1/18/00; 6:57:14MDT - Msg ID:23098)

--------More than ever before, collapse will be of our own doing. Perhaps what we need most is a very dramatic shift in our SHARED UNDERSTANDING of what global politics and economics really is. Perhaps, as the cat gets out of the bag, the politicians and power brokers will not get it
back in...at least by the same hole it gets out of. ----------

Hello Solomon, add the above to my "overview" posts and we can see how the shift will affect Western investors the most. This is the segment that is most (mentally) unprepared for a true "marking to the market" of their paper dollar wealth. Again, they will lose nothing but their perception that their buying power was so great. It never was.

---
lamprey_65 (01/18/00; 21:47:13MDT - Msg ID:23169)
It's getting very interesting
http://www.itn.co.uk/Business/bus20000118/011805bu.htm
"The Japanese car manufacturer Toyota has threatened to pull its business out of Britain unless thegovernment signs up to the Euro."----------

Lamprey, I can just feel that dollar in my pocket that Michael will owe me. If Britain backs out though, my bet with USAGOLD may break me. (smile)

---
canamami (01/18/00; 22:10:58MDT - Msg ID:23172)
Lease rates tumble again
----------When will the Asian CB's (or the ECB as per FOA), or big Saudi money, or anyone, finally go long big time for gold?----------

Hello canamami, they already have, didn't you see it? No, you can't watch the paper contract markets, because they stopped buying those early last year. Also: Forget the current lease rate charts. It's so thin it doesn't reflect the real lending. Most of that has gone off-line. When they do come into the visible market again, it will be as before, in a big overflow that guns rates for the next crisis.

Thanks ALL Good Luck! I'll be after more info and will be gone for some time. FOA

FOA (1/29/2000; 8:01:51MDT - Msg ID:23806)

Nice Thoughts all!

ALL:
Thanks to everyone for all the excellent imput and discussion here. I have read only a small bit of what was offered, but what I did see was great. Also thanks for supporting a "civil" discussion forum. This method does work the best as contrasting the WTO meeting in Seattle against our current Dravos forum demonstrates.
SteveH, nice work of presenting the "New gold market" in a clear context. It's a good example of presenting something in a professional manner while leaving the emotions at home.
PHinLA, thanks for your post of support. Truly, we must all present our views in a format that allows the audience to think constructively about world events. People always see things more clearly when allowed to compare thoughts, not people.

Besides, in the end, we all spend our short time on earth as faceless fools. Ourselves, we are nothing, but our good perceptions and thoughts travel an endless road as the history of man. Indeed, every crowded road begins life as a small trail insights that are walked by the few. We walk this gold trail of the future, here today on this forum.

I'll try to post one time later (if able). Will close with these two (out of context, but interesting)
thoughts from Mr. Paul Volcker, speaking Thursday night during a speech sponsored by the Bank of Thailand.

----Ultimately, a world currency would be implemented --

-----"National currencies are only illusory,"----------

thanks FOA

FOA (1/29/2000; 19:12:43MDT - Msg ID:23839)

For anyone that would like to know

http://www.weforum.org/
DRAVOS

ABOUT THE FORUM

The World Economic Forum is the foremost global partnership of business, political, intellectual and other leaders of society committed to improving the state of the world.

Members, constituents and collaborators have a unique opportunity, through their association with the World
Economic Forum, to engage in processes of developing and sharing ideas, opinions and knowledge on the key issues of the global agenda.

The World Economic Forum is an independent, impartial, not-for-profit Foundation which acts in the spirit of
entrepreneurship in the global public interest to further economic growth and social progress.

NEW HEADQUARTERS

In November 1998 the World Economic Forum moved into its new headquarters overlooking Lake Geneva.

The new building reflects the culture of the Forum in the following ways:

Our environmental responsibility by being completely integrated into the landscape. The rooftops are covered with grass and recycled glass, and energy consumption is kept at a minimum
The offices are completely open space, creating a true team culture without any hierarchical differences
The new working environment reflects today's network society, not only by being equipped with the latest communications technologies, but also by providing 27 different meeting points and lounges for personal interaction
The building also serves as a "clubhouse" for members and constituents of the World Economic Forum, allowing board and other meetings for up to 120 persons.

The World Economic Forum's headquarters have been established in close cooperation with the Government of
the Canton of Geneva and the Commune of Cologny and will integrate a communal shelter equipped for several hundred people.

Message from the President

There are three reasons our Foundation is so special:

First, we constitute a unique partnership of representatives from business and government. Our basic philosophy is that the great challenges facing humankind as we move into the next century can only be met through joint efforts on the part of government and business. But these efforts have to be stimulated by the best minds and have to be made transparent to the public. In short, what makes the Foundation unique is that we are a truly global community, a global partnership of business, government, academia and the media.

Second, we are not only a unique community; we have a very special role to play.

At the beginning of each year during our Annual Meeting in Davos, we brainstorm to help define the global agenda. At this meeting and, indeed, during our numerous other gatherings throughout the year, we discuss the key political, economic and social issues.

And this leads me to the third reason our Foundation is very special: we all have a responsibility to fulfill its
mission: "Committed to improving the state of the world". We are aware that entrepreneurship is the basis for all
economic and, ultimately, social progress, but entrepreneurship has to take place in the framework of social responsibility. Therefore I call on each of you to keep in mind our motto: "Entrepreneurship in the global public interest."

We are building the network society. This means that elites will more and more disappear. The new network society will be open and access should be guaranteed to everybody. For this reason, the World Economic Forum has increased its exposure by creating a web-site that allows all the members of the global civic society to be integrated into our activities.

Klaus Schwab

Timeline 1970-79

1970
Klaus Schwab, Professor of Business Administration, takes the initiative and the personal risk to convene Europe's chief executives to an informal gathering in the Swiss mountain town of Davos in January 1971, to discuss a coherent strategy for European business to face challenge, in the international marketplace. He secures the patronage of the Commission of the European Communities, as well as the encouragement of Europe's industry associations.

1971
Klaus Schwab founds the European Management Forum, a not-for-profit foundation, as a framework for further
initiatives and activities. The foundation's Annual Meeting in Davos is now considered the global summit which defines the political, economic and business agenda for the year.

1973
Country Forums are created, to bring together the international business community with the political and
economic leaders of specific countries. By 1995, more than 500 such meetings have taken place - in some 30 capitals or at the foundation's headquarters in Geneva, making the foundation the leading interface for global
business/government interaction.

1973
After concentrating at first on management issues, the foundation increasingly integrates into its activities
(after the oil shock) political, economic and social issues. It starts to play a major role in confronting

environmental challenges as expressed, for example, in its role as an official adviser to the Earth Summit in Rio in
1992.

1976
With the creation of the first Arab-European Business Leaders Symposium in Montreux (2000 participants) and
the first Latin American-European Business Leaders Symposium in 1977, foundation activities take on an international dimension.

1976
The foundation transforms itself into a membership organization, becoming the catalyst for the foremost global
business network.

1977
The foundation starts to organize Country Forums in developing countries. In such a way it highlights the
potential of emerging markets and helps to integrate these countries into the world economy.

1979
The publication of the first annual World Competitiveness Report marks the debut of the foundation's research
activities.

1979
The foundation is the first non-governmental organization to initiate a partnership with China's economic commissions and starts activities in China. Since 1980, an annual Business Leaders Symposium is held in Beijing and a high-level Chinese delegation comes every year to Davos. No other organization has brought so many businesses to China; many flourishing joint ventures today originated within the activities of the Forum. The foundation has had a substantial impact on the economic reform policies of China.

Timeline 1980-89

1982
The first Informal Gathering of World Economic Leaders takes place on the occasion of the Annual Meeting in Davos, bringing together cabinet members of major countries with heads of international organizations (such as the World Bank, IMF, GATT). This serves as a model for similar initiatives in the global public interest, including: the Club of Media Leaders (editors-in-chief) the annual informal gathering of heads of the world's foremost non-governmental economic research organizations the Informal Gathering of Regional Leaders the Informal Gathering of Global City Leaders the Roundtable of Industry and International Organization Leaders.
All take place on the occasion of the Annual Meeting in Davos.

1982
A special Informal Gathering of Trade Ministers from 17 countries is organized in Lausanneby the foundation, which spurs the launch of the Uruguay Round.

1983
Governors Meetings, integrating the chief executive officers of the world's most important corporations, are created in specific industry sectors. These "CEO clubs" add an industry orientation to the foundation's well established country-related activities. Today, ten such industry groups exist with more than 400 Governors.

1985
Regular meetings begin in India, which have a substantial impact on the opening-up of the country. Concrete proposals made by business participants are taken into account by the government in shaping its policy.

1987
In order to reflect its increasingly global outlook, the name of the foundation is changed to World Economic
Forum.

1987
Hans-Dietrich Genscher, Germany's Foreign Minister delivers his famous "Let's give Gorbachev a chance" speech at the Annual Meeting in Davos. This is considered by many historians to mark the beginning of the end of the Cold War.

1988
World Link magazine is launched, covering global business and economic issues for 35,000 decision-makers worldwide, increasing the foundation's publishing activity.

1988
The foundation has played a role in major reconciliation processes in the world, with the first of these initiatives
in 1988. Examples are: Greece and Turkey: after being at the brink of war, signing of the "Davos Declaration" between Prime Ministers Papandreou and Ozal, Davos 1988 Korea: both Koreas meet for the first time for discussions at ministerial level at the Annual Meeting, Davos 1989 German Chancellor Helmut Kohl and East German Prime Minister Hans Modrow meet, accelerating significantly the process of German reunification, Davos 1990 East Asia: bilateral contacts lead to the normalization of relations with Vietnam, Davos 1990 South Africa: the first private meeting of all political constituencies of South Africa is held in the Forum's headquarters in Geneva in 1990; the first joint appearance outside South Africa of F.W. de Klerk, Nelson Mandela and Chief Buthelezi brought new impetus to the political transition, Davos 1992 Middle East: Israeli Prime Minister Shimon Peres and PLO Chairman Yasser Arafat reach a viable draft agreement on Gaza and Jericho, moving forward on the road to peace in the Middle East, Davos 1994. Middle East: Israeli Prime Minister Shimon Peres and PLO
Chairman Yasser Arafat reach a viable draft agreement on Gaza and Jericho, moving forward on the road to peace in the Middle East, Davos 1994.

1989
WELCOM is created, the first electronic networking system between the foundation's members and constituents. This pioneering effort, operated on a limited scale, has provided the foundation with experience to develop a strong digital information and communications dimension for its future activities.

Timeline 1990-2000

1990
The foundation launches in Davos an unprecedented All-European Summit of heads of state and government,
followed by substantial activities to integrate Central and Eastern European countries and the former USSR into
the world economy.

1992
The foundation initiates the annual Europe/East Asia Economic Summit with the objective to strengthen
economic and business links between the two regions. The first meeting in Hong Kong gathers 400 participants;
it is followed by a second in Hong Kong in 1993 and a third Summit in Singapore in 1994 attended by over 600
participants. Calls were made there for a meeting on the level of European/East Asian heads of government to
be held in 1995, creating between Asia and Europe an APEC-type organization.

1992
The foundation creates a new network, Global Leaders for Tomorrow, composed of young leaders from business, politics, academia, the arts and the media, all of whom are under 43 when chosen and are already well established through their achievements and their positions of influence. The first 200 Global Leaders for Tomorrow are appointed, to be followed by another 100 each year. The network provides an additional source of forward-looking ideas and initiatives.

1992
The foundation sponsors the creation of a sister foundation, the World Arts Forum, which convenes 200 artistic and cultural leaders from all over the world to a special meeting in Venice, Italy; based on this experience and
contacts, the foundation integrates a stronger cultural and artistic dimension into all its activities. From 1995
onwards, it awards a prize (the Crystal Award) to personalities who, in addition to having made a real difference in the world of arts, have also made an outstanding contribution to cross-cultural understanding.

1993
The first Southern Africa Economic Summit takes place and is followed by a second in June 1994, coinciding with the emergence of the first democratic Government of National Unity in South Africa.

1993
The foundation launches the Industry Summit outside the Annual Meeting in Davos, to serve particularly
entrepreneurial "Global Growth Companies". The first Industry Summit is organized in Cambridge Massachusetts in cooperation with MIT and Harvard University; the 1994 Summit takes place in Palo Alto, hosted by Stanford University, and with the collaboration of Caltech and the University of California, Berkeley. The cooperation of the world's leading universities ensures the latest technology-research and knowledge-oriented input into the activities of the foundation.

1993
In order to reinforce the club character of its networks, the foundation limits its activities to members and to
their special guests only.

1993
The foundation starts the concept of Forum Fellows nominating some 300 top experts in the political, economic,
social, cultural and technological fields as pertinent advisers and contributors to its activities.

1993
The Informal Gathering of Editorialists and Commentators is created to provide the media with its own networks and with the opportunity to interact intensively with the other constituents of the Forum.

1994
The foundation welcomes its 1000th member and launches two new forms of membership in addition to the 1000
multinationals forming the core of the foundation membership: the Global Growth Companies, a second pillar of
particularly entrepreneurial fast-growing companies; and Regional Membership which allows the integration of
companies with a specific interest in a particular region, such as Asia and Southern Africa. Already more than
half of member companies are headquartered outside Europe.

1994
The first Middle East/North Africa Economic Summit in Casablanca is convened by the World Economic Forum
in partnership with the Council on Foreign Relations, under the presidency of King Hassan II of Morocco. The
Casablanca Declaration produced at the Summit proposes numerous concrete mechanisms to support the peace
process in the Middle East and to launch the concept of a Middle East/North Africa economic community.

1995
The foundation holds its 25th Annual Meeting in Davos.

1995
The foundation takes members on a Special Trip to the Greater Mekong Subregion, creating a new identity and
new forms of cooperation in this rapidly developing growth area.

1995
The Forum has actively promoted the integration of Latin America into the world economy for many years, and
in 1995 the first Mercosur Economic Summit is held in Sao Paulo. The Summit is instrumental in overcoming a
crisis situation (an automotive trade dispute between Argentina and Brazil) which threatens the existence of this
newly emerging economic region. On the occasion of the second Summit in Buenos

Aires (1996), Chile formally
joins the regional trade group (Argentina, Brazil, Chile, Paraguay and Umguay) as an associate member.

1996
The theme of the Annual Meeting of Foundation Members is "Sustaining Globalization," and worldwide attention focuses on Davos as the centre of a growing debate, initiated by an editorial, written by the foundation's president and managing director, published in the International Herald Tribune and widely cited in other media.

1996
The first ASEM (Asia Europe Meeting) meeting takes place in Bangkok. This meeting of heads of state and government of European and Asian countries was initiated and prepared by our Europe/East Asia Economic Summit.

1996
The first Central and Eastern European Economic Summit is held in Salzburg, under the patronage of Austrian
President Thomas Klestil. Attended by all the relevant heads of state and government, in addition to a significant group of business leaders, the meeting creates a new identity for this region inside the larger European framework.

1996
The foundation publishes its Global Competitiveness Report . The report is highly valued by governments worldwide as a benchmark for their own performance. The foundation recognizes its responsibility in this area and brings back the report under its sole control. Jeffrey Sachs, Director of the Harvard Institute for international Development, is co-chairman of the Report's Advisory Board.

1996
The Council of the World Economic Forum meets for the first time at the Annual Meeting in Davos. The World Economic Forum integrates its Foundation members in the decision-making process via the Council, which is made up of some 40 eminent representatives of member companies. They meet twice a year.

1997
The Africa Competitiveness Report is published for the first time. This new study undertaken on a region's
competitiveness is based on the model of the successful Global Competitiveness Report. It is the first
comprehensive competitiveness study on the African continent.

1998
Creation of the Business Consultative Council, a group of over 30 heads of business associations from around the world and heads of several United Nations bodies meet for the first time in Davos at the Annual Meeting. This innovative initiative of the World Economic Forum offers the UN the support of business and aims to install a permanent relationship between the business community and the UN system.

1998
The Forum moves into its new headquarters at 91-93 route de la Capite, 1223 Cologny/Geneva, Switzerland.

2000
The Forum holds its 30th Annual Meeting in Davos.

FOA (1/29/2000; 19:22:46MDT - Msg ID:23841)

Is this more clear?

World Economic Forum in Davos, Switzerland
"Informal talks" as reality overcomes illusion.

I was just thinking:
In the January issue of News and Views" from USAGOLD, Michael Kosares noted that; "In my view, we are witnessing the breakdown of the dollar based floating rate system erected in the 1970s to replace the ill-fated Bretton Woods arrangement." He then gave his many good reasons for that view.

I couldn't agree with this more, especially the above statement. The late 60s into the early 70s is where our current gold trail began and today we are seeing more twists in this winding path. From the beginning, our gold marketplace has been little more than a reflection of the same forces political powers exerted upon all world markets. Indeed, gold has never ended it's function of being a major currency component of international reserves. Because of this, it has received the same exchange rate pressures that governments have exerted upon their own paper moneys. Today, our private gold marketplace is maneuvered to act as a proxy for the governments political needs as it (the marketplace) prints gold as needed to impact it's price. No different from the treasuries printing money and intervening in currency exchange markets.

Can there be an end for this?

In these power games we know that nations states always have an agenda. This purpose is slowly revealed as the repeating force of policy direction eventually exposes their thoughts. In time, these political thoughts are shaped into real events for all to see. The recent Washington Agreement
and the BOE gold sale are a prime examples of this. Still, if one can feel the political purpose ahead of time, just the background events can mark a clear trail. From our (Another/FOA) table we offer the "Thoughts" that in time can give birth to official acts.

The Currency Trail and The Gold Trail, two moneys on the same path?

On this forum (USAGOLD) and many others, readers are sometimes exposed to opposite extremes of "money" thought. I submit that History and Logic say neither of these extremes will "Play" in this "Modern Drama".

On the radical side, ..."the serious gold bug" says all currencies will fail and only gold is the correct investment. All currencies are created by the same evil, misguided governments and should be avoided at all costs. Even degenerating into a lower scale of emotion, they point out that all forms of money politics are gross manipulations of the public. All with Secret Agents and a New World Order that controlling the worlds wealth.....

The intrigue never ends! I submit that this is a "common view" that's been promoted

for 200 years. Today, serious investors know that as a modern people, we can only hold real wealth for endurance, not daily use in commerce. Patiently, knowing that in time society always creates the
political motives that unlock gold's value hidden by the "illusion" of today's reserve currency system. In gold today we find this hidden wealth and observe the march of "Giant Footsteps" in a direction that's unlocking it's value. Still, in the end, society will use a currency system to denominate this wealth transition. A different system, yes, but a digital one never the less!

On the conservative side,..... "the dollar inflation experts" have witnessed the ebb and flow of minor price inflation events over 25+ years and base their preparations on the next event being the same. As such, this view expresses an expectation that this currency (the dollar) will continue on indefinitely in inflation and deflation cycles. It assumes the dollar system has retained the same
fundamental values it had in the past cycles and the world will continue to use it. Yet, hidden below the surface is the rot of massive dollar expansion and the debt that has produced it. Each cycle of economic expansion was built on a greater multiple expansion of dollars. All without an overall increase in productive abilities of the American machine. Indeed, some measures show that the ability of the US to produce goods locally has declined in real terms as they transferred a large portion of said production to other peoples overseas. A dynamic that actually further removes more economic function from backing the dollar money supply.

I submit that this modern "American Experience" of dollar production has completely overtaken the ability of this system to engineer "one more cycle" of regular dollar inflation!

For ourselves, we walk far away from these two concepts. In reality our position remains in the absolute center.

In our view, the buying of physical gold should mostly be form dollar asset holders because this is the currency system that is going to change. A strategy for both foreign and native dollar investors with foreign holders changing settlement to Euros.

Yes, history does show that no currency has ever lasted and all will fail. A point we completely agree with. However, recent history of our modern time clearly demonstrates that as every past national currency failed, the world economy moved on to the next functioning currency system. We have progressed too far in trade efficiencies for us to function without a digital fiat system. For our world, there will be no going back to "gold alone" Therefore, we fully expect, accept and plan for a reserve currency system to be in operation as the old one fails, and so should you. It's a prudent, conservative concept. In this transition, dollar gold prices will best reflect the hyper inflation that will wreck the outgoing system.

Further in our view, we feel that the dollar timeline has ended along with it's past "minor inflation" cycles (8% to 15%). This time a new price inflation will take hold and "run away" as the world evolves into the next system of settlement. Again, the dollar will remain the the US currency unit. America will continue to buy and sell using dollars, much the same as other countries with major inflation It's the reserve currency settlement system that will change and effect the dollar value.

Onward:

Why so much gold now and not before?

It's always been a good individually policy to hold some gold. Especially after circulating gold lost it's ability to function in a modern evolving economic architecture (1933?). Yes, over all these years, one aspect for holding physical is that a natural disaster, a local banking panic or short term trade dispute could find one using gold coins. However, this has always had a short term impact with long-term effects on wealth. Look around at the other national economies that have been destroyed lately (and in the past)? Go there and we find that they are still using the broken, local fiat systems. Had they held some of their savings in gold or strong major currencies, most of their wealth would have remained intact. So, holding some gold (or gold stocks in a foreign account) worked fine.

But today, the world has evolved. In our modern perceptions we hold gold for two reasons. 10% (of the reason) is still for use in a temporary currency breakdown. 90% (of the reason) should be for gold to represent your real wealth in a form that negates the effects of a "failing WORLD DOLLAR reserve currency system", not a just another "local" cycle of inflation.

It's in this second 90% reason that we find the most misunderstanding of our times. Many gold investors of "Western Thought" own some gold for the above 10% reason. The rest of their wealth is denominated in the currency they expect to survive the best, the dollar. In addition, they retain gold derivatives that owe their existence to a world "dollar marketplace". For many years they have lowered their holdings of physical gold and replaced them with these leveraged dollar gold derivatives. All because they accepted the concept that the dollar and it's world markets will remain intact through the next cycle. This massive discarding of real gold has altered the physical marketplace by supplying gold for commodity use and creating a demand for paper gold products. In effect, Western Players shorted real gold, then brought into gold mines that also shorted real gold! To date, the massive volume on the LBMA is a testimony and confirmation of this new gold market based on contract gold.

Again, on one side we hear a conservative voice that says the dollar will complete another cycle of price inflation as past money supply expansion works it's magic. Just like the 70s we will see prices rising 6%, 8% or even 13%. Knowing how money principles work, the average investor has but to position himself in "derivative inflation hedges", gold stocks, oil stocks, REITs and commodity futures. Then wait the cycle out. Expecting some inflation or a partial dollar breakdown, they consider themselves prepared by holding paper wealth based on a continuation of the dollar marketplace.

Something has changed!

They totally ignore the fact that past dollar inflation produced price inflation, early on. Yet today, world dollar liquidity has grown at huge rates for many years (perhaps a decade) without this price effect many had expected. Some have been positioned, on and off in resource investments that have yet to produce the gains "relative" to those experienced in the 70s inflation. Financial panics come and go, yet dollar use has only increased. The US trade deficit explodes for years with no ill effects. Local and world dollar interest rates remain somewhat tame in the face of what should have been a panic flight from US investments.

All of this clearly points to a currency system that "WAS" being held together and supported by world Central Banks. There is simply no other answer for this action. As this support unwinds, look for the old rules to be broken.

We walk this trail today!

A rising dollar today is an indication of "deflation stress" under the surface. Players scramble to unwind positions as dollar liquidity dries up. The withdrawal of dollar settlement in world financing, savings and CB reserve structure destroyed dollars like soup on a slow boil. In time (like today, like now!), dollar exchange rates are driven up in much the same way the Yen is. The process
represents weakness in the background financial function, not strength inherent in the integrity of the currency. The reverse leverage in the market destroys more assets as the currency rises.

The US Fed must flood the world with money in order to stop the stress. It is! Indeed, the BOJ has and will follow the same course. It's called the final inflation.

The world dollar gold market we all thought we knew will respond in a way not expected. It will fail! Contract gold prices will be stressed from two forces..... From one side, major users of this paper market will flood the market to the full extent of their equity. Creating gold contracts out of nothing but the dollar bank accounts that stand behind them. Just as the Fed is pumping money to try and protect the banking system, so too will gold contracts be created to try and protect the gold banking system .....From the other side; As this unfolds, major demand for physical gold will erupt from official sources world-wide. Not the kind of coin buyer demand we know of
from the past. No, this is the kind of serious buying none of us have ever seen! As the "dollar boil" becomes more obvious it (physical demand) will completely avoid the contract market and go straight into the much smaller dealer market. In effect, allowing contract gold to experience a void on the "buy side" as physical gold completely disappears on the "offer side". Some "traders contend
that they will sell their gold if it goes into the thousands and buy a car, new house, etc.! This from "behind the desk" players that think they will lean back and observe the largest shift in real wealth ever to occur. And do so at a computer screen, no less. No, no they will not! We hear these words in the context of today's soft reality. Later, it's the extra houses and cars that people will be selling
to buy more gold. Believe It!

None of this has happened yet, or has it? From the Washington Agreement to date, all aspects of the contract market have become "strained". Major players have withdrawn from the physical lending markets and left behind a small facade of unbacked "paper lending". Hence the low lease
rates. Some mines are in default on major gold loans and Comex Open Interest falls away. I expect the comex to receive some major use when the next (real!) spike arrives. Perhaps from paper hedging paper? We shall see.

A Story: There are facts, reality and only one's perception separates them.

------A New York plumber walks into a hardware store for supplies. After paying and receiving his change, he accidentally drops a penny on the floor while walking away. The checker points out his lost penny. The plumber says he can't afford to pick it up. The checker asks why? My friend, he says I makes 60.00 an hour. That works out to

.0166 cents a second. If I pick up that penny, I'll lose money. In fact, just talking to you cost me .20 cents. Let me out of here or I'll go broke!-------- (smile)

ALL: The world does not think this way, but to hear some people talk you would think it does.

---------When a stock goes from $10.00 to $100.00 the same day, it's reported it went up 1,000%. If it goes down to $50.00 the next day, it's said it dropped only 50%. Yet the investor that brought it for $10, just lost half his 1,000% gain, or -500% down! ----------

--------If we are told that a stock that's been falling for years and is down 95%,,,,,,,,,,often the same bullish trader has been in and out of that issue "all the way down". Most of us would agree that human nature being what it is,,,,,,,,,,, he lost far more than 95% on this long journey! In addition, the "mind set" created from this trip must affect ones judgement of wealth? Often making it impossible to walk a different trail. ----------

I'm back into the sea of thoughts, now. Be back when I can,,,,,,,,,,thanks FOA

FOA (1/30/2000; 11:37:56MDT - Msg ID:23870)

Comment

ORO, Cavan Man:
I put the Dravos web site up so everyone could see what they were about (at least some of it). I'm not in their mind set nor do I agree with some of their ideals. It's just a view into their forum agenda.
Also, they are in no way the powerful minds behind the worlds political thrusts. They mostly represent the viewpoints of the major players behind them. It seems that the real movers in this world don't look good on TV, can't talk to audiences and in general do not present their thoughts well. They usually present an agreed architecture concept and leave it to the professionals to implement. At least this is my view and experience of this?

Cavan Man,
What is the USD camp response? Well, the fire has been burning from march of last year. It started small (in the basement) and is spreading now. I think Mr. Greenspan has been trying to put it out with a money spray, but he and everyone else knew that would only work for so long.

We said once before that the game was over and the US would "manage" this crisis to the end. Even to the point of forcing the IMF gold sales into open view and creating a contentious outcry. If you remember, I said last year that the US was coming around to letting gold rise because it's
revaluation could help control the dollar fire. Just like turning around a tanker, the political dollar machine had to slowly reverse to encourage this. Did they know congress would jump on the IMF gold sales and force a revision? It's your guess. Never the less, the IMF is now well on the road to reworking (even more now) it's gold stocks for the purpose of supporting the dollar with higher gold prices.

What a reverse, huh? For years they want gold down, now they want it up. Well, it had to happen once the dollar fire began to burn out of control. Besides, with oil prices spiking, there is an obvious (now) disconnect between low gold prices and cheap oil. Want to bet that the creation of

the Euro had anything to do with this? (smile) Notice that they (USA) signed onto the Washington Agreement. They didn't have to, you know. Are we reading the trail clearly, now?

The only players left in the paper gold market are the final fall guys. All the LBMA people. They now hold the full deck of cards in this modern gold market and the CBs and governments have walked away from them! Yes, their (CBs) support is still there, but only in the form of crisis
management if gold runs completely away. Witness the small CB lending at the height of the last crisis. Truly, the entire world currency architecture is shifting away from supporting the past paper gold market and allowing it to slowly die. At some point (Another says $360) it will begin a real breakdown and close it's doors to trading.

Just as the Fed is now "managing" an all consuming dollar fire, so will the last of the gold bankers "Manage" their now ongoing fire. Eventual, it will take them completely out of the gold banking business and leave a wake of scorched earth. Everyone (and I mean everyone) that must utilize gold derivatives to work this modern market will be hurt by this. Even some major players are showing the road ahead as they must unload big positions in gold derivatives (last Friday) because of (you guessed it) this dollar burning crisis. And we are only just getting started! Who is going to bid for future gold (paper gold) when it's delivery party is being cleaned out on the cash side from an unrelated play? Indeed, will anyone bid for paper gold when they themselves are being skinned in this? You see, there will be no security in dollar gold derivatives when the whole dollar house is on fire. They will bid for metal that is available "right now" or not bid at all! Only the "straight up" "cash bullion only" dealers will come out clean and strong in this. Is this a correct read of the cards all the players are holding? Let's hold some physical, lean back and watch the events unfold. We are "on the road", but the paper prices we watch may spike either way. It's now a political match that's between who can manage the fire best as it finishes it's work.

Back to the dollar: The Europeans are going to eat everyone's economic lunch with this low Euro! Just think, the markets have done for the ECB what the BOJ has been fighting like hell to achieve. Now, they (Japan) must gut their financial system with a "real live inflation" just to get back to a competitive zone (currency wise). Read this analysis someone sent me and then consider that some investors thought Japan was a good play:

Japan to Turn to Direct Loans From Its Banks

Jan 30, 01:46

TOKYO, Jan. 28 -- In a striking demonstration of how precarious Japan's financial situation has become, the government plans to borrow money directly from banks to fulfil its obligations to local governments.

Governments normally borrow money by issuing bonds,which is cheaper than taking out bank loans. Japan's unorthodox approach to borrowing now and the size of the shortfall -- 8 trillion yen, or roughly $76 billion -- have stunned economists and other market watchers. With one small exception, this is the first time since the days after

World War II that Japan has taken such a step.

The amount is equivalent to roughly 2 percent of Japan's gross domestic product, and exceeds the 7.7 trillion yen the government has injected into troubled banks.

"The funding mechanism is breaking down," said David Asher, a research fellow in the Japan Program at the Massachusetts Institute of Technology. "The dam is showing more and more stress fractures, and they're trying to put plaster on them."

Concern is rising that Japan is overextending itself. The government's debts now match the country's G.D.P., and Merrill Lynch is predicting a rise to 150 percent of G.D.P. in two years.

The skyrocketing debt, justified by politicians as a way to keep a faltering economic recovery on track, is increasingly a point of contention within the ruling Liberal Democratic Party.

But by side-stepping the traditional reliance on the bond market, the new borrowing has placed a stark new emphasis on this crushing problem.

"By not issuing bonds, by taking on an intermediary like a bank," said Jesper Koll, who is chief economist at Merrill Lynch Japan and is typically upbeat about Japan's prospects, "you are basically saying one of two things: either you don't believe in the efficiency of the financial markets or you're admitting you have a credit problem."

Now, Mr. Koll said, the government runs the risk of replicating, on a smaller scale, the trap that brought many Asian economies to their knees recently. "There's a mismatch because they're planning to borrow one year loans, but the municipal deficits are not going away in a year," he said.

There are signs, too, that the government may expand its borrowing from banks, which are healthier than they were two years ago. A Finance Ministry spokesman said there were plans to cover shortfalls in another, unnamed "special account" this way, though the amount in question is far smaller.

The banks, for their part, are likely to welcome the plan. Although the Finance Ministry spokesman stressed that terms had not been set, the Nihon Keizai Shimbun, Japan's leading financial daily, said the government planned to pay 2.1 percent interest -- a handsome premium to the 1.6 percent the banks could earn buying government bonds.

Andrew Smithers, a prominent fund manager, is one of the few experts who put a positive spin on the plan, saying it will get more money into circulation, which many economists have advocated as a way of curing the economy's ills.

Because loan demand is low, banks have too much money

sitting idle. "It's a good measure," he said, "because it further eases monetary policy and relieves pressure on the bond market, which will help lower real long-term interest rates."

Japan has been suffering from a classic "liquidity trap": while an exorbitant amount of money is available for lending, companies and individuals are not borrowing as they try to reorganize their activities. Thus, the money is bottled up in the banks, idle.

While most people see the move as a sign of government desperation, it may also help some banks facing shrinking loan demand.

Masaaki Kanno, senior economist at J. P. Morgan in Tokyo, is also unconcerned. "Japanese commercial banks are the largest buyers of government bonds," he said, "so there's really no change."

The government is battling to keep its ballooning deficit in check in the face of continuing signs that the economy is addicted to stimulus measures that require more debt.

In a speech to Parliament today, Prime Minister Keizo Obuchi said getting the economy on its feet would take precedence over paring the national debt. "Fiscal reform is important," he said, "but we cannot commit the mistake of undertaking it while the economy is not firm and before it is on the path of full-fledged recovery."

Yet highlighting the discord within the government, Finance Minister Kiichi Miyazawa bemoaned the fact that the proposed budget would push government debts to 645 trillion yen, or $6.15 trillion.

Economic prospects are not bright. The Japan Center for Research estimates that G.D.P. fell by 1.6 percent in the latest quarter, suggesting that the government will have trouble meeting its target for 0.6 percent growth this year.

Hiroyuki Inoue, the center's senior economist, said the figures demonstrated that when government public-works outlays end, the economy falls right back into the doldrums. "After the effects of government spending programs faded last summer," he said, "the economy slipped back to the level it hit in 1998."

He expects the situation to change as the latest stimulus package starts kicking in. But the center's figures still suggest that the economy is far from able to sustain itself, even though Mr. Obuchi promised today that there would be no new spending beyond the record $810.8 billion budget he has proposed.

The Finance Ministry spokesman said the decision to borrow from banks rather than float bonds was merely an effort to segregate the funds, which will go into a special

account for local governments.

He said it had nothing to do with the government's ability to raise money, an assertion confirmed by two recent bond auctions.

But that makes the plan even more puzzling. Economists speculate that the government is wary of issuing more bonds than it has to, fearful of jeopardizing any recovery by pushing long-term rates higher. "They're afraid of upsetting the bond market," said Ronald Bevacqua, senior economist at Commerz Securities in Tokyo.

The government also wants to avoid drawing additional scrutiny from credit ratings agencies. Many economists say Moody's Investors Service, which withdrew its triple-A rating of Japan's sovereign debt last year, is poised to downgrade its assessment even more later this year. Standard & Poor's, though, recently reaffirmed its triple-A rating.

The ministry spokesman said the new plan was nothing more than a response to the fact that traditional sources of financing have fallen short. The government has traditionally been able to tap the 253 trillion yen postal savings system, but many 10-year deposits will mature soon, leading many economists to predict that money will flow out of the system in search of higher returns. The post office in Japan is the de facto largest bank in the country.

The spokesman stressed, however, that the outflow should dwindle after two years, at which point the government might be able to dip into it again.

Similarly, Mr. Koll noted that the post office took in 1.1 trillion yen in new deposits last month, suggesting that Japan's ever-so-cautious investors may prefer earning 0.28 percent over 10 years to risking their life savings in the market.

The decline in tax revenues coupled with a decreasing ability to tap the postal savings system left the government with a gaping $76 billion hole when it came time to give local governments their share. "Can they keep spending money to cover the deficits of the local governments and in the pension system?" Mr. Asher asked. "If the answer is no, there's going to be a crisis."

The government has resorted to direct borrowing at least once before, to cover shortfalls in a special account for national forestry projects. But the account for local government is different, said Kunji Okue, an economist at Dresdner Kleinwort Benson in Tokyo.

"Borrowings for national forestry projects are used to manage and cultivate national forests and parks and can thus be viewed as an investment expense," Mr. Okue wrote in a recent report.

Also, he noted, the amount borrowed for the forestry
account was far smaller. "This is the first time since the end of World War II that Japan has undertaken large-scale direct borrowing to cover recurring expenses," he said.

The last time the United States resorted to a similar
move was in 1893, when J. P. Morgan provided gold to help the Treasury.

C Man,
Now that the Euro has become even more competitive with the dollar, the US trade deficit is going to literally explode! And this is on top of a cascading dollar system that is forcing the Fed to pump money! And now Britain is running straight for EU membership with all that implies for the US dollar system. You tell me if this doesn't mean they are managing a gold banking crisis with their sales. If they join before a gold market failure, then "England in Euroland" will be the end of dollar gold banking as we know it! Believe it! Here is a real shocker:

Blair Accused Of Planning Euro-Superstate

Conservative leader William Hague says Tony Blair and Brussels bureaucrats are pushing ahead with plans to create a European super state. Mr Hague argued that European Commission proposals published this week could lead to further EU integration, and a limiting of member states' right to use their national veto.

But Mr Hague rejected Mr Blair's accusation that the Tories wanted to quit Europe. Mr Hague told the Council of Europe's European Democrat Group that the EC's proposals for the Intergovernmental Conference later this year let slip its integrationist ambitions.
He said :"They are pushing for a European Union with its own government, its own army, its own taxes, its own foreign policy, its own criminal justice system, its own constitution, as well as its own currency - in other words, a single European state. "The submission is an integrationist wish-list - the blueprint for a single European state." Mr Hague said the EC wanted to expand the use of majority voting to push through policies which a minority of countries did not back. He said: "The national veto would be abolished in areas such as aspects of social security, social policy, industrial and transport policy, financial regulation and the spending of the multi-million pound structural and cohesion funds." The blueprint was not an "isolated document," the conservative leader warned.
He added: "It comes alongside moves to build a European defence capability independent of Nato, and a common foreign and security policy which the EU's High Representative concerned calls the 'integration project for the next decade'."

Also read the Dear "investor letter" at
http://www.prudentbear.com/markcomm/012600.htm

And read the Golden Sextant for a different view
http://www.goldensextant.com/commentary7.html#anchor10737

I'll get back when able
Thanks for reading and thinking,,,,,,,,,,,,,,,,,,,,FOA

FOA (01/31/00; 20:29:25MDT - Msg ID:23964)

Part 1

Part 1

Hello everyone,
Finally I have some time. Permafrost has come into this forum and made a few posts that need review by us all. I'll present my case against his position as in a court with all of our forum members as the jury.

Hello Permafrost,
Nice to see you today as we stand before the court of public opinion. Now we can feel the pressure many of my friends feel before voters (smile).

ALL: What we have here is a person walking into our convention where FOA has been offering his reasons for gold for a year,,,,,,,,then Mr. Frost stands up and says ""he's (FOA) telling you to buy Euros"!

He comes in on (12/24/99; 2:31:01MDT - Msg ID:21594),,,,,,,,'saying --------Hailing from a "Third World Country"! Mes Compliments to you all! Dear Forum particants, I have stumbled upon this Shoe Box while shuffling my cyber feet to locate the LBME site. After a few weeks of perusing the postings, especially those by the Elders----------

,,,,,,,,,,,,,and suddenly he is an expert on my position?? From a person that has read for a "few weeks" and is so new he just found the LBMA web site!!

(Your Honour: this line of reasoning goes to "experience credibility" in the affairs of the modern information markets.)

My Position:

I state this from the beginning: no one can claim an understanding of a book if they read and use only the last chapter for reference. This is essentially what Mr. Frost has done. By design of purpose or by mental accident he has stated my position out of context and continues to do so.
Before me, Another proclaimed that gold was the only wealth investment Westerners could count on in the long term. Not stocks, not bonds, not currencies or paper gold derivatives. Using hundreds of posts he offered bits and pieces of the puzzle he referred to as the "New Gold
Market". Time and time again, he pointed out the relationship between oil, gold and currencies as they were maneuvered by the political wills of the world. Of course, just like you, me and everyone that reads this forum, he holds other investments. Yes, all the usual paper items traded in this modern world along with the other hard things. Like property, businesses and personal belongings.
Still, the thrust of his logic was "always" that the dollar would fall and gold would rise! His reason dictated that one could extend their wealth, safely through this coming transition by holding a large position of physical gold.
Myself, I have also produced hundreds of posts on this forum,,,,,and they all presented the "logic" and "reasons" for holding gold. Yes, some of them said that the Euro will eventually be strong. But, always the "Euro Event" in our time was viewed

as the main catalyst that would propel the dollar down and gold up.

Mr. Frost; you must present a series of my thoughts that in a chain of reason conclude what you present as true. Otherwise your posts are false and without credibility. Show us where my "chain of thought" or "logic in progression" has directed one to invest in Euros without gold or in Euros and
not gold. If you cannot demonstrate this reasoning, your contentions are worthless for consideration and must be discarded.

My thrust and feelings for gold as stated in from hundreds of posts, are most clearly stated in the end of FOA (12/28/99; 8:34:38MDT - Msg ID:21734):

Gold, the only investment needed for the next thousand years

Onward:

In Mr. Frost's post of (12/29/99; 7:40:27MDT - Msg ID:21773),,,,,,he replies to Cavan Man
---------I find your train of thought quite pragmatic for the most part. But I personally don't think we'll have a "fix" to our dollar-based monetary systemic problem. That would be like trying to cure the disease...I think it'll be a wake up in the morning into a new world sort of cathartic affair. For gold and finance are mutually exclusive. ----------

ALL: This is in part something I completely agree with. Our views part ways in that I see the Euro eventually taking over the dollar's reserve function. Reducing the dollar to a much lower standard in world affairs. For this transition I proclaim that "Western Investors" buy mostly gold. But, knowing that everyone holds other assets, we should try to denominate those (other) holdings in Euros if possible. So, just like he says (Mr. Frost) ------I don't think we'll have a "fix" to our dollar based monetary systemic problem ---.

Part 2 is next.

FOA (01/31/00; 20:34:19MDT - Msg ID:23965)
PART 2
Part 2

ALL: Early on Mr. Frost addressed me in (12/29/99; 3:21:27MDT - Msg ID:21765)-----Dear Sir, Based on your logic, two outcomes are possible.----------

How nice, he even said Dear Sir. Proving the point that he is capable of civil conduct in the affairs of professional people. (Your Honour, this line of reasoning goes to purpose of action,,,,,,his later caustic conduct is wilful and meant to discredit)

As evidence: My reply to him is reproduced below. I submit that it clearly lays out my reasoning, logic and produces an expected course of events. Please read for the peoples court.----------

FOA (12/30/99; 16:38:17MDT - Msg ID:21859)
Reply
Hello and welcome Permafrost,

I'll comment on your items in order:

PERMAFROST (12/29/99; 3:21:27MDT - Msg ID:21765)
FOA Msg ID: 21734
Dear Sir, Based on your logic, two outcomes are possible.
1) If you're right and we are witnessing the re-monetization of gold than all those that benefited from the fiat money scheme will lose their power. ----------

Mr. Frost,
Not all of them! Only the ones that did not hedge their power effectively. Surely the Euro will carry some of the same political agendas the dollar currently does. Only, it will be controlled more so by the cross currents evident in the various old world countries. Let's face it, we all need a dollar like currency if our modern economy is going to function. What we don't need is a single reserve currency that precludes any avenue of escape if it hurts other countries. If gold is trading in a free physical market, no one is going to run to gold as a single currency and leave the Euro entirely. Indeed, a free world economy needs and demands a currency that can expand and contract with changing conditions. The curse of the old gold standard was that it didn't allow this latitude and always created a crisis when needs required this flexible money supply. Only
a separate gold market can offer a means to truly measure the success of the money creating treasuries. This is the direction we are heading, for better or worse.

----------A gold backed and restrained financial system (An oxymoron, in my belief) will simply preclude them from accumulating goods and services against monopoly money -- the source of their power.----------

Well PF, the power you speak of can also be held through the use of gold itself. Many a king and monarch ruled the land with the effective use of bullion. Your oxymoron is not in the restraint of the monopoly money, rather in the present lack of a free choice between "gold wealth" and "dollar
wealth". The blending of these concepts will create a new power block that must conform to the needs of all.

----------2) If you're not and gold is merely being used as a relatively-untapped "new" source of non-debt-backed dollar creation, than it's a very old game we're playing, indeed. Was not gold itself responsible for one of the greatest INFLATIONARY explosions in History when the Conquistadors "expropriated" Aztec gold and brought it all to Europe to consume (chaseafter) a "limited amount of goods and services"? Colombus turning over in his grave? ----------

PF, During the time of the Conquistadors, we must consider that goods were not being inflated in price, rather gold was being devalued! At the very least gold did not disappear as bank notes do. No, the coming run in gold will be a reflection of the tremendous dollar inflation already in the
system. It's only in the eyes of the Western dollar saver that this price inflation is unwarranted. Again, they are only loosing something they never had. An illusion of wealth on a grand scale.

------QUESTION: Do you know of any emperor (I think you called them 'Grandees' here on this forum) who's willingly abdicated power--Besides God himself?----------

My friend (PF), power belongs to the swift of heart and mind. This world waits for no

one as power flows from peoples to peoples. Even the strongest emperor knows to occupy the high ground before the flood. The powerful in tomorrow's future will own gold today. Thank you, FOA

ALL:
At the beginning of this post (above) I made the statement: " " Surely the Euro will carry some of the same political agendas the dollar currently does. " " .
This item alone is proof of my opinion of this new digital currency. It will be little more than a digital contract item of settlement,,,,,,a fiat currency in competition with the dollar for reserve use. It's advantage is obvious ,,,,,,,,, it's new! History has shown that every currency system "at least" has it's time on stage,,,,,,,and they always start out with low debt and a dearth of holders. For this reason alone it will function for at least a while. Do I say "hold only Euros and no gold"? Of course not! Who here could read such a position into this given viewpoint?

Further:

Again he addresses me in a civil manner as below:

-------PERMAFROST (1/3/00; 3:35:05MDT - Msg ID:22106)
Dear FOA Sir,Having noticed that the last of my three part posting is shown first, I thought you may mistake the tone to be on the inflammatory side. It's not the case. I consider it a privilege to have an intelligent conversation with people of knowledge. Please go to Msg. #1 then proceed
"upwards." Thank you!----------

To the court: The gentleman posts in a civil tone only to give way to a caustic format later. For what purpose does one so obviously break the social rules of forum conduct?

Again, I reply to all of his items and clearly present my position. This is an important post as it dissects most of Mr. Frosts future comments about my position. It clearly shows that he did not comprehend it.

Part 3 is next

FOA (01/31/00; 20:41:03MDT - Msg ID:23967)
PART 3
Part 3

ALL: Below, I clearly demonstrate my position on the current evolution of financial affairs. Please read for the peoples court:(I will comment on each part with ALL: preceding my analysis)

FOA (01/08/00; 17:34:05MDT - Msg ID:22538)
Reply
To ALL: I'm trying to catch up now. More to follow.
Hello PERMAFROST,
Sorry to see you go (if you still are gone?). I'll reply to your comments, somewhat in order.

You write in :----------
PERMAFROST (1/3/00; 2:31:57MDT - Msg ID:22103)
FOA Msg ID: 21859 Part 1
Dear Sir, Thanks for your response.
--------You are advocating a global financial system predicated on the peaceful and mutually-beneficial "concubinage" of gold and the "new girl in town" fiat money the Euro which you unwarrantedly presume to be relatively more "chaste" than the Old Whore, the US dollar, ONLY
because it is not "backed" by as much debt as the dollar, and its "lovers" (the EU Central Bankers,the Rothschilds?; an assorted variety of Illuminati and various other power brokers playing both sides [the sheeple?] against the middle [more sheeple]) tip their hat at gold without solemnly
declaring their allegiance at sovereign money, PM etc. ----------

No Mr. Frost;
I don't advocate that. I think this is your perception of future events. This transition will not be "peaceful" in any way. Any time one large official faction (Dollar/IMF group) has it's money power replaced by a new official faction (Euro / BIS), it's never peaceful and not without significant loss of wealth by some of the players. I add that both little and big players get hurt when these events
happen. Usually, it's the little "uninformed" players that lose the most. Your observation that people are "sheeple" comes as they step in front of a train with no breaks. Then
you tell the world that "someone" is out to get them. My experience is that the average investor is much more intelligent than that and they can do a good job of "moving" off the tracks if it's pointed out to them that a train is coming. The dollar is giving up it's reign as a reserve currency, not "only" because it has so much debt. It's
being replaced because it's inflation (total money supply, dollar derivatives supply, dollar debt supply and the official liabilities foreign nations hold as reserves supply) has discounted so much future real US production, at a constant exchange rate, that it is losing the ability to function as a reserve currency. Every currency on earth has one day come to this end. We call it a "fiat money's
timeline". At this point the users of this money begin to either "deflate it's supply" through debt and payment default, or the they devalue it by bidding up the value of real goods (price inflation). Once either of these begin, the money function of that reserve currency declines. Further, one will find that deflation is only a choice if no other official world currency is available to run to. World citizens vote with their feet at this point and greatly discount unpayable debt thus causing said deflation. Inflation is the choice when people can "refinance" into another currency media. Leaving the old to contend with an ever increasing velocity of the useless money supply. This is the fate that waits the dollar.
Is this some structure brought about by a New World Order? If you want to see it this way, then remember the world has been doing this from creation. I only add, why bother to put the "New" on it? Let's just call it "Next World Order"! Besides, it's only one peoples as a nation group (EURO/BIS) trying to protect their wealth because another nation group of peoples (Dollar/IMF) borrowed more that they could ever pay back! Still, I read this New World Order faction (NWOF) as loudly declaring the Euro as a fraud, yet they (NWOF) are hip deep the dollar assets
of a country that "defaulted on it's gold delivery. Twice! Then they (NWOF) yell because no one is creating a new gold or gold backed currency. Why do that? So we can be defaulted again by the "NEXT World Order"?

ALL: Later on Mr. Frost tries to paint a picture that I did not hold this logic. His future contention that all the "boys in control" are in the same club and the Euro is but another dollar. My chain of reasoning demonstrates how his logic is flawed. The very fact that we find "tribes" and
"sides" on this forum speaks volumes about human interaction. In like kind, world power brokers also form "tribes" as they jockey for position in world affairs. Is this not plainly obvious to all of us? They even fight among themselves as witnessed in the Euroland struggles. But this is no different than the US political fights. Still, we all band together in larger groups when it comes to world
affairs. Financial power is no different. Sure, they all hate gold, but they will embrace it if it gives them an advantage in currency warfare.

In my next reply to his several part post, I offer the logic and reasoning behind the dollars position. Why it is managed today in a defensive posture. It presents it's weak link from where the Euro/BIS faction can attack.

You write:

This fiat money is necessary, you say, because it will allow management [manipuation] of the economy without suffering the deleterious side effects that a rigid gold standard has saddled us with in the past. Would you care to draw for the benefit of the forum the the philosophical line that
separates you from, say, an Alan Greenspan, as per the gold/fiat money relationship? do we not have TODAY a fully-floating POG alongside the dollar? What shall we gain in re-baptizing fiat money with a different name, i.e., the Euro? except the prolongation of the Game? IF gold IS
money than nothing else is. Disagree?

No PM;
We don't have a fully floating price of gold today. This is the illusion (paper gold) that has many people (such as yourself) locked into a narrow view. Mr. Greenspan has always seen the gold money relationship from a US dollar perspective and holding the US as the only dominating
financial power. He knows that the dollar could never retain it's position if gold became a "separate settlement currency" through a true world free physical market. All of the dollar price inflation that is currently locked into the present dollar supply inflation would present itself. Dollar reserves held world wide would become useless unless they could be used to buy real US goods (at a non inflated price).
Truly, Mr. G. only sees gold from a Washington view and even that must be locked in the cellar. He manages a system built by others and must use the tools this system allows. The present paper gold market is as much a function of the dollar value as interest rates and it is controlled as such.
Today, gold is money, I agree! But, it is not and never can be a fluctuating (in supply) digital money of high speed settlement. For it to work it's past magic in this modern world, it must trade in physical form without derivative use. It will.

ALL: next I conclude the replies

You write:
PERMAFROST (1/3/00; 3:02:19MDT - Msg ID:22104)
Reply to FOA Msg. ID: 21859 Part 2
Capitalism, this familiar but insidious term really stands for the wilful confusion of a descripitive proposition [that private property exists] with a PRESCRIPTIVE one [that private property and the wealth that can be generated from it is GO(O)D]. ----------
----

No PM,
not at all.
This is the standard (higher level) teachings in modern Western education. History proves that "real private property" has and always has been both wealth and a purchasing power medium (money). Through the best of times and the worst of times, in war and peace, people have always had private property. Even in Russia of old, they had to allow people their things. Even if these positions weren't recorded "officially". A universal truth is that no form of official ruler-ship can function unless people have some private wealth. Never has worked for even a short time and never will. Further, generating more wealth from private property (owned wealth)is only good if one can overcome the "RISK" that comes with it. This is nothing new to most of the world. It's just a different concept for modern Western man.

You write:

It's a logical fallacy that doesn't survive the glare of critical analysis. Omit the adjective "private" from the premise and what you end up with is the other side of the coin, or communism. Both systems are basically worship of materialism and humanistic (man is the measure of the universe) propaganda. Now, whereas communism theoretically aims at generating its "GOD", or 'goods and services' in economic parlance, via the sweat and toil of its fellow gods (the proletariat), capitalism is predicated on CONSTANT INSTABILITY [the insidious rhetoric of the bankers
notwithstanding] of the prices of these very goods and services, the [managed] fluctuations of which allow the people Greenspan works for to earn wealth they did not work for. ----------

PF:
I'm glade you understand this ages old function of humanity. Through out time and space our life quest is influenced by others that try to control our desires. The successful time traveller lives his days in harmony by adapting to the "lay of the land". Today, it's time for gold and Euro assets.
Indeed, what you have just written is the very action that has brought the dollar to the end of it's timeline.

Again, your words,

PERMAFROST (1/3/00; 3:09:12MDT - Msg ID:22105)
Reply to FOA Msg. ID: 21859 Lastly,
As to even the 'emperor running to higher ground when he sees the flood coming'--if he were to do so, he'd be emperor no more for what makes an emperor an emperor is the "land" he rules. Without it he's nothing. That's why captains do not abandon their sinking ships; and why sometimes even emperors get their heads chopped off.

To die an emperor is perhaps preferable than to live as a normal human being for some...You?

In addition PF,
the history of gold shows how one may remain in their chosen land and retain their wealth. For gold needs not return to a native place to receive it's value. We do indeed chose the
high ground, with or without our heads. (smile)

ALL: Here again, I promote gold as the high ground, not the Euro!

Further you add from :Msg ID:22104

Therefore; I find myself obliged to conclude that, due to your avowed devotion to the Euro and the "The King is dead; long live the King" tradition it propounds, the only difference between you and an "Alan Greenspan" lies in your respective handles. If you already are not one of them, you wanna join 'em. Incorrect?

Very incorrect my friend (Permafrost).
The difference lies not between myself and others, rather between the life experience of "you" and "I". Somewhat like the movie "The wind and the Lion": You like the wind hold the power of force in your words. I as the lion roar in defiance as the sand stings my eyes in a land I cannot leave. Yet, as a lion, I know my place on earth while as the wind, you will never know yours!Thanks Much ,,,,,,,, FOA

ALL: Here (above) is where Mr. Frost begins to promote my "devotion to the Euro". It is completely out of context and misguided. The complete evidence, inherent in all my posts point to using the Euro as the political tool for making gold rise in dollars. Because all of the Another / FOA public viewpoints were presented on the Web,,,,,,,,,,I hold that Mr. Frost could be much too new to this venue to have read them all (smile?). I don't think so, but still as evidence of this I offer his ----------(1/5/00; 6:55:41MDT - Msg ID:22322)---------Now, could you tell me what "IMHO" stands for? Thanks!----------

Later, after Cavan Man told him what it was he posted --------(1/6/00; 4:42:35MDT - Msg ID:22396)--------Not good, IMHO (now that I know what the acronym stands for).

Part 4 is next

FOA (01/31/00; 20:49:50MDT - Msg ID:23974)
PART 4
Part 4

ALL: Now we review a post that I submit is pure garbage! I'll break some of it up and commit.

PERMAFROST (1/13/00; 3:18:40MDT - Msg ID:22817)
To the Forum...So; are we to believe the pagan [Aristotle] when he says that the dollar is NOT backed by oil--please
arrest needless mincing of words--or the holy trinity [ORO, FOA, and the "holy spirit" ANOTHER?] when they make noises to the effect that it is? The fact is, it is NOT--de jure, de facto; in reality or in illusion. ATTN: ALL THOSE THAT EQUIVOCATE THEIR PERSONAL SPECULATIONS TO ACTUAL FACTS;

You are doing this willingly because the content of your postings display articulate intelligence and considerable knowledge. The only conclusion I can deduce from these FACTS are that you are either trying to surreptitiously mislead your following or simply making an [---] of yourself.
Unfortunate in both cases.

ALL: Some chain of logic? One would think he would respond to all the previous discussion ,,,,, and do so in a manner that spells out his position. Instead he uses the old ---I can't present my views in a way that proves me right so I'll tell everyone that you're an (---)!

Then he goes on:

TO THE FORUM PARTICIPANTS:
Your fawning and obseqious behaviour towards the local gurus places you in the same ship [the Titanic?] as the sheeple you frown upon.I've been reading this forum for a month; thence follow my observations for those who care to read them:

ALL: Again I say, "What a bunch of garbage!!" He admits that he's been reading the group for a month,,,,,,no less,,,,,,,,and has us all pegged. And later on says that I am talking down to everyone!!

Then he goes on:

---
1) Only A=A. If gold=A then NOTHING ELSE equals A. Period. No Euros, dollars, dinars or
liras.
2) Positing premise #1 to be true, all those here claiming that the Euro constitutes the lifeboat off of
the Titanic [the dollar] are LYING, because YOU know that they know better!
3) Now I ask YOU who previously considered yourselves to be so well informed; WHY would they do such a thing? Do they have a hidden agenda or are they plain you-know- what?
When they disparage one fiat money [the dollar] and sing the praises of another [the Euro] they are talking from both sides of their respective mouths. Sheer dishonesty!

ALL: Again I say "What a bunch of garbage!!" You have all just read our (FOA/A) position as given. Did anyone feel "arm twisting" ,,,, or "mind control",,,,,or a "hidden agenda"? I ask, where is his logic chain,,,,,,,his political analysis ,,,, his reasoning. Does he just give "predictions" based on his perceptions without laying the ground work of how political logic would bring his events about?

Mr. Frost says (part of his post) in (1/13/00; 6:59:28MDT - Msg ID:22822)----------
Even assuming Aristotle's words were written in stone, YOU are still confusing an alleged (by Ari) RESULT with an actual CAUSE of that result, or fact (irrationally assumed by the lot of them) that never was the case: THE DOLLAR WAS NEVER PEGGED TO OIL!----------
---

ALL: But he never offers his reasoning as to why! Nothing! Deep stuff, huh! Big help to the forum as a team effort! Here is another of his team effort----------(1/13/00; 7:15:04MDT - Msg ID:22824)---------You're right Steve; nothing wrong with being friends and sharing thoughts. But I
sensed a whiff of insipid and insidious tendencies and aired out the room. See? now we got fresh air, and that's good as well.----------

---
ALL: finally we get some analysis in 22826 and 22875, but it's again mostly rebutting other posters.
He attacks me (and others) with innuendoes and then states the following---------
(1/18/00; 2:39:41MDT - Msg ID:23093)-------RossL; and Forum also To condemn someone in public without elaborating evidence or at least an argument is not a sensible thing to do. IMHO, I am simply reacting to what I perceive as being the promulgation of half-truths and wilful creation of confusion and intellectual miasma on this forum.----------

ALL: "What a bunch of garbage!" ,,,,,,and "What an incredible contradiction!"
He is "simply reacting to what I (he) perceived"-----and after only reading the discussion for a month or so. Does
"his perception" give him the right to step all over other participants?

Mr. Frost says in --------(1/18/00; 8:28:03MDT - Msg ID:23104)----------Mr. Peter Asher; With all due respect, sir, I never stoop to calling people names like your camp has done re Msg. ID 23098 by FOA.FOA; Strange...I have the nagging feeling that what you wrote there (Msg. 23098) hurt YOUR credibility more than it did anything else. For God's sake man, you actually called me a nut! Was
that really warranted? Does THAT fit the guidelines?

ALL: "What a bunch of garbage!" He just said that we offer ----half-truths and willful creation of confusion and intellectual miasma on this forum------,,,,,,,,,and then says he never insults anyone!

Then admits that in my Msg. 23098 he was the nut referred to. Read my post,,,,,I never referred to him. "What a bunch of ?"

And Further:

He continues his posting with----(01/20/2000; 06:13:29MDT - Msg ID:23242)----As for your mentor, FOA, he states that #23197: "In none of our meetings have we heard where a fear was expressed that the governments will lose control of digital currencies and (give it) back to gold. That is simply not going to happen, no matter how severe a down turn the loss of the American dollar system creates. Believe it." beesting, why should we believe your mentor? This guy is talking about NOT giving control back togold which YOU YOURSELF equate with SOVEREIGNTY. He wants gold bridled and the Eurobewinged to monetary heaven and you want to put him in the HOF?----------

ALL: did anyone read my entire post and receive it in the full context of what I presented today? His perception of what I said is garbage,,,,pure and simple. Then he goes on in the same post
----------This, the banker community, of which I suspect FOA to be a member of as evinced in his own allusions to be speaking down to us from "official" spheres, are trying to hide from us by advertising the Euro as the one lifeboat off of the dollar-Titanic.----------

Again, after all this guy says about our discussion, I am accused of this trash!

There is more------(01/21/2000; 02:39:57MDT - Msg ID:23334)----------BEESTING: FOA has discredited HIMSELF. Just as you yourself did by standing by a man who's betrayed you.----

ALL: What was that ????,,,, where did that come from? Why am I standing on the same stage and attempting to add to this convention while this "!!!" is saying anything that comes to mind?

Now I'm told (by a friend) who he is
--------(1/28/2000; 4:37:35MDT - Msg D:23715)--------Someone was asking Leigh if I was TZADEAK and had any good leads that would presumably help him/her make a buck or two. Well; here's my "predictions" for 'you'...----------

---
Well I have to thank my good friends for tracking much of the gold talk on the web. They are the ones that saved all these posts and pointed out that this PERMAFROST is indeed of the same mold as TZADEAK that posts on Kitco. Today, he and Disney go round and round using several handles (go follow it past and present and you will understand). This is the same type of guy (or is he the same?) that came over here using the Mello88 handle and NewGold. He has always tried to claim that he is Another or had Another's ideas or some other ridiculous crap,,,,,,,,,,,,,,and does it in a totally caustic fashion. His postings are well documented (PHinLA you witnessed his incredible conversations)and Another would never share a stage with ANY SUCH FOOL or the Lurking Gold Bug idiot (ON k),,,,,,,
once he realized their tactics.
My writing is a reflection of him (Another) when he's not posting and I must honour his directions. I said I would walk off this stage if there kind were allowed here. It was bad enough to hear Stranger literally stomp me into the ground, then promote himself as a professional pillar of the community,,,,,apologize and return. But, no

amount of camaraderie is worth being associated on stage with this other nut.

Sorry Michael. This decision was made for me. From time to time I'll send in something for you to post in another area (off the forum) if you will allow (OR WANT). But this is where I MUST draw the line. This is final, good luck all.

FOA

FOA (2/3/2000; 8:11:45MDT - Msg ID:24209)

Changes

Some changes I was asked to make.

Hello all,
The last post (s) by Rainman only underscored the point Another made to me earlier. His (Another's) message is so strong and political that it will always draw out "verbal assassins" in an effort to destroy the concepts (MK understands this and communicated it to me also). Especially as they (events) start to really confirm this new direction. Some of these (forum) disruptions are deliberate and some are due to mental dysfunction, but all of them divert most people from fully grasping the trail in the context given. I don't think everyone fully realizes just how much of an impact these "Thoughts" (as political wills force the issue) will have on the international assets and business plans of major people. Some of them will argue against these viewpoints as if all their wealth depended upon it. Indeed, it just may!

Some time ago (many years), he privately planted these Thoughts very deep in the minds of a few. Only recently were these items produced on the Web for all to see. It was done in a way that did not betray things gained in confidence, but still made people see the world as others did. Another withdrew when the attacks (he knew would come), arrived. I wanted to continue on in a "narrative" fashion that would spell out these changes (events) more clearly as they occurred. As an American, I knew that most "Western Thinkers" would not ,did not and will not grasp these political changes until they were well underway, or worse. Even then, every attempt will be made by special interest groups to show events in a different (more dollar friendly) light. Virtually assuring a stampede once the real bell is rung.

Truly, other major changes in world affairs are coming. Once they are visible, I believe Another will return and comment. Again, he does not write to engage people, he writes to place other minds "in the pipeline of political thoughts and directions". I truly think it has more to do with ethics and honour than the love of man. This may be a harsh observation on my part, but some cultures (as well as individual standards) require this.

So:
My posting here as FOA has attracted to much of the same caustic attacks that he walks right through. In reality, he is thick skinned as one could imagine such a person to be. As one of you posted an "A" item earlier, "these attacks are as boys having words with the wind, yet a strong wind has no ears" (or something like that). But, as the "thin skinned Westerner" I am, I do a poor job of representing his thoughts the way it was done before. After Permafrost continued his mindless comments, I was "asked" to no longer post as FOA in a give and take forum setting. Even
though I offered extended reasoning, it was never addressed in a clean logical fashion. The Rainman item only underscored this. But (if MK will allow), I will

continue (as FOA) the "Gold trail Hikes" in posted letter form somewhere else on the USAGOLD site. We can still address many of the forum discussion items as deemed necessary. Yet, it will be done more in a letter format. If I am to post again on the forum (sparingly), I must use a different handle and debate the issues as myself, rather than represent the Thoughts of Another. This removes me from a conflict most of you did not know existed.

Also:

To everyone that wrote here in support of these writings, I reply with a thanks from a true heart. I accept this knowing that your words are also for all the other fine persons that post here.
MK, you are the Hollywood producer and director of this drama. A film being shown around the world for all to see. It's your call my friend?

Thanks FOA

FOA (02/08/00; 11:55:06MDT - Msg ID:24704)

(No Subject)

PH in LA, Cavan Man, and ALL,
I'm waiting on some possible new structural changes to this website. If it works out it will be very interesting. Also, I will receive a new handle for this forum and for the first time post representing myself only (not anyone else). Give it some time, this will all work out very well.

Only market events can change the opinions of "hard" gold bugs that are looking too much into the past for guidance. No amount of human logic or our discussion will sway them to view the future in a different context. Many of them only see the here and now plus 3 steps in front of them.

Later, god willing, all of us will "walk the gold trail" as a group (FOA included) with an eye on the future, not the past.

Thanks all,,,for your many comments ,,,,,, I'm taking this time to complete several projects. Will
return later (a number of days).

FOA