Trail Guide (2/9/2000; 7:30:40MDT - Msg ID:24775)

test

this works? be back when I have more time.

Trail Guide (02/11/00; 09:49:21MDT - Msg ID:24996)

The Gold Trails

Thank you Aristotle!
A fine work that's worth a long study, my friend.

ALL:
Many writers today offer nothing less than a philippic discourse about the flaws in today's fiat systems. Always looking backwards, they are lost to grasp how what was considered "hard money policies then",,, "eventually failed then",,, as these same interacted within the economy. Truly, a hard financial structure trying to blend with a soft, flexible "human nature". In a larger degree, how much more could it not work in today's modern world. Once implemented today, these same policies would again "crash and burn" in response to the demands from "real people" living a "real life ".

Aristotle, your five part series is trechantly written and offers readers a glimpse into a future that must be. Will be!

My thoughts on a deep subject:

If the modern banking system has mislead us at all, it mislead by supporting a view that our wealth, our things, were not money. They implied that "paper settlement money" was our real wealth and only it could be as such. Truly, as we walk and breathe, human's things have always existed as both money and wealth. Side by side by side they walked with us in our financial life, in both modern and past context. Yet, in our modern "Western World" of thought, the largest portion of one's personal asset holdings now reside in the form of "paper money". Worse, the majority in it's "contract derivatives" forms. Gold included.

No longer do we hold our greatest portions in real forms that transcends the peaks and valleys of fiat money value ,,,, a variable fiat money system that our "changeable nature" demands. No, we option to ignore the true purpose of this paper money system and cast the entirety of our resources into it. Never stopping to understand that this money is but an "economic need" "to process a trade". Not an "economic product" and therefore wealth itself.

Through out recent time, fiat money has responded well to human nature, flowing like a river as it expands and contracts to our wants and desires to buy and sell things. From drought to flood it is the channel of our trading system, as it moved the "end product water" that flows within it's wide banks.

Today we use the remains of this dying "dollar settlement system". It continues a natural death, as society struggles to use a currency that can no longer represent our financial structure. A changing structure in a world that marches on. The dollar's debt load has aged it and brought it to the end of it's time line.

Only today, the end of this "time line" will find many holding their wealth in this same system, for a purpose it should never have been intended to perform. That being, to represent one's life long accumulation of real wealth as their money wealth things. Most will understand the impact of this well after the fact as we are indeed in

transition to yet another paper system. One we must have, requested and will use. Just as everyone used the old one to their own private advantage, we will indeed grasp the next one. Just as you point out Aristotle, fiat exists more so because it does "what societies economic function wants", not because it's a function of "what society is forced to do"! Still, some will bark against this in a effort to stop people from following human destiny. Fortunately, relative to our lifetimes the world evolves quickly, with or without our agreement.

In this period however, we will return back in time much further than many can see. This time gold will be pulled away from it's strained attachment with "fiat contracts of currency" and again take it's place as the ages old "wealth money holding" it always was. It will occupy it's rightful place on the shelf with all our other "wealth things". And here it will, "for the first time in modern context" show it's true value in relation to modern paper settlement money. A value no one today will believe!

Should one risk financial assets based on this series (Aristotle's) alone? Never! On the contrary, no one should believe what he has written. Rather, we as a society should "study" his fine work and seek to understand it's meaning. Once fully understood, I think most would then agree with it's inevitable outcome. Indeed, a "free gold market", based only on physical holdings would impact the world economic system unlike anything seen before it. And Yes, it's impact on the relative value of gold will make that metal the monetary wealth investment for the next thousand years!

This my friends is why so many today, "Walk In The Footsteps Of Giants". They walk a trail that takes them further and further from derivatives of gold and the present currency it's (gold) priced in.

From Yesterday, through Today and onward into Tomorrow" ,,,,, we say buy Physical Gold for your future ,,,,,,, doing so will write your personal history in the palm of your hand!

"Soon, we will all hike the "Gold Trails" and see all there is to see ,,,,,,, over the mountains and through the valleys ,,,,,,, across rivers and plains ,,,, looking near and far as we stop along the way ,,,,,,, Truly, we will view the value of gold as modern mankind has never seen it before ,,,,, join in, it will be a journey in life, that's well worth taking.

thank you again Aristotle ,,, Trail Guide

Note to all: please study these fine works
Aristotle (2/7/2000; 7:15:24MDT - Msg ID:24589)
Aristotle (2/7/2000; 8:10:15MDT - Msg ID:24593)
Aristotle (02/07/00; 10:52:39MDT - Msg ID:24602)
Aristotle (02/07/00; 13:14:18MDT - Msg ID:24610)
Aristotle (2/10/2000; 3:37:44MDT - Msg ID:24877)

Aristotle (2/7/2000; 7:15:24MDT - Msg ID:24589)
It begins! -----* Executive Summary--an Outline of Observations *-----
The harsh slap of reality and the soothing touch of Gold:

*** Any monetary system that attempts to coin gold, or otherwise use gold as

currency will naturally give rise to banks--for security and quality assurance, if for no other reason.

*** History reveals time and time again that this seemingly "perfect" gold-only system naturally evolves into fractional-reserve lending because it is what the people want.
((People want to consume or to own now that which they have not yet saved enough to purchase outright. They are willing to mortgage their future productivity in order to have their house today--they seek sources of loans. Meanwhile, those that already have a quantity of money are seen to seek a source of income from their wealth...and banks come to be actively sought and employed by both sides to act as the middleman.))

*** While lending depositors' money, the efficiency of banking to reallocate fungible funds allows many people to behave as though they all are owners of (have access to) the same original money on deposit.
((The bank uses its available, unlent funds to satisfy any depositors' requests for withdrawals rather than reminding them that the funds are temporarily unavailable--because in order to earn interest, the bank lent the money out, as per their agreement.))

*** The artificial increase in the money supply erodes its per-unit purchasing power.

*** A growing economy (complete with rising prices from a "softer" currency) raises the customers' demands upon the banker's art of money creation, widening the gulf between here and reality...between the vast amount of banking credit and the small original amount of real wealth-money upon which it was all built.

*** Because coin and bank-credit circulate as equivalent, interchangeable currency, the value the currency-unit regardless of form (Gold coin or paper) falls in accord with the growing supply of bank-credit.
((The many accounts filled with bank-credit "money" gives rise to the wealth-effect built upon the perception of abundant funds. This pressures prices and puts the effective purchasing power of the currency-unit severely out of balance with the proper and natural purchasing power that should otherwise be enjoyed separately by the small quantity of real Gold on hand. In practice, this renders the metal used in the under-valued coins into little more than an artifact of "the good ol' days when things were cheaper."))

*** When the value of the coin comes to be viewed as a simple representation of the abundant currency and fails to reflect the value of its metal, it might as well be made out of anything at that point.
((If a paper dollar can circulate at par with a gold dollar, and the purchasing power of both is dictated by the supply of paper dollars, then why incur the expense of minting coins out of Gold? If simple durability is desired, then copper or nickel would certainly be capable to represent the currency's value every bit as well as the paper does. Therefore, avoiding the expense of Gold in the production of currency for circulation would easily be seen to be an act of prudence, whether the value involved is 1¢ or 100 dollars.))

*** The concept of money gradually loses its original meaning and its ties to real wealth; it comes to be built upon the thin ice of confidence and good loan performance of the banking system.

*** Fixed gold convertibility of the currency on account looms large as a threat to the banking system.
((Keep in mind that it is through natural human activity that banking evolves into an important system for much of society, built by a population that has come to depend heavily upon it. Therefore, a stage will always arrive in which the fixed Gold convertibility of the circulating currency will be purposefully abandoned. It is done to preserve "lifestyle as we know it" in the eyes of those people living at such a stage in a currency time line.))

*** What then is the role for Gold? Gold qualifies as the only TRUE money. Among the many national currencies, only Gold fills the three important monetary criteria: store of value; medium of exchange; and unit of account. Gold, therefore, remains the ultimate king of them all and subject to none...as long as it isn't attached in any official capacity to the fate or fortune of any one of them. Therefore, the monetary system architecture must be such that Governments find no temptation; they are unable to derive any benefit to their own situation through any efforts to "keep a lid" on Gold.

*** Gold must be set free to float, seeking its proper value among the world of circulating currencies; preserved as a unique currency that may NOT be lent (because lending effectively causes a perceived increase in its supply and decrease in its purchasing power, as outlined above.) Gold must only be bought and sold outright, and must remain free of the attachments of any and all financial derivatives.

*** All people, regardless of nationality, must be free to exchange their national currency for Gold at prices established by an open physical Gold market.
((As I've said before, any system in which a person is denied the liberty to own Gold as a form of savings is both financially and morally bankrupt.))

How will this work, you ask?
*** Gresham's law predicts that the world's supreme currency, Gold, will not actually circulate in the conventional sense. Gold will be saved (and will appreciate in value without lending/leasing it out for interest,) while national fiat currencies will circulate under the needs of the economy. It is these national fiat currencies that will continue to satisfy the demand of borrowers for loans. National fiat currencies will also serve as the means to satisfy the various governments' unrestrainable inclinations to "manage" their economies to the extent that they are able. They, too, will hold Gold in savings (reserves) for the same reason we do.

The supporting chapters are to follow in this commentary--"Building the Perfect System by Capitalizing on Gresham's Law"

Aristotle (2/7/2000; 8:10:15MDT - Msg ID:24593)

Building the Perfect System by Capitalizing on Gresham's Law

At first cut, people fall into one of two categories: 1) those who recognize the value of an honest monetary system built upon Gold, and 2) those who have not yet given any serious thought to the matter. Proceeding with the small but special population that belong to the first category, my own experience has revealed them to be inclined toward idealism. Good people, to be sure--I wish we were all that way! But while their general awareness of what makes for a more perfect world should be providing them with fuel for an enjoyable life, instead, this level of idealism often

blinds many of them to any shades of gray--and there is little comfort living in a strictly black-or-white world. I write this with hope in the off-chance that it may help provide a source of comfort to this small group of idealists, offering them some subtle shades of gray that won't completely undermine their idealistic integrity.

While reaching out to my idealistic friends, I also hope to present a "roadmap of thought" for that larger, all-important population which falls into the second category mentioned above --those that have not tapped into a more thoughtful, enjoyable life which I have seen to be the general hallmark of my few Gold-minded friends (the ones who have themselves avoided the extremist idealistic trappings.) Why do I call this second category the "all-important" population? Because the Many do indeed dictate the terms under which the Few must also live. I must, therefore, grudgingly devote sufficient attention in this commentary to ensure some of the idealistic readers can see this important "shade of gray" regarding majority rule. It is my hope that they will then be prepared to pragmatically accept the terms/constraints under which this *perfect monetary system* must be designed.

In this commentary I shall attempt to clearly lay out what I feel this "perfect" monetary system to be--the perfect system for a consistently imperfect world, that is. I am not so bold as to think that the world of human ambition and disposition is something that can be altered to suit the perfection of our preferred (Gold coin) currency's characteristics--especially the limitations (fiscal austerity) it imposes on its users, the population at large. I therefore resolve myself (and hope you do, also) to the humble thought that our currency system as a whole might be artfully developed into a state of harmony with the world in which we do live. The present system, and all failures before it, have been as square pegs in round holes. With the system to be described, I hope to avoid any system that lends itself to the repetition of past abuses and failures.

The Stage Has Been Set; Let the Play Begin...

Those familiar with the popular discussions of monetary thought will recognize the common plea of the idealistic Gold advocate: calling for a return to a 100% fully "backed" and convertible Gold standard currency system. (As if that were somehow the magic pill to cure all that ails us.) The solution is not so simple, and to believe so is tragically naive black-and-white thought. For confirmation of this, look to our past where you will surely see a familiar world, populated with people that were motivated by the same thoughts that motivate us today. In "their" world (fundamentally the same as ours) we have already had a convertible Gold Standard, but, in fact, history reveals that it did not work. Or maybe more correctly stated, modern times reveal that it did not SURVIVE. To be sure, any conceivable system might be seen to work well for a limited span of time--and indeed, history paints a vivid landscape populated by many currency creatures of various lifespans--but true success is determined by who remains to answer the daily roll call. HOWEVER, from where we sit we can gain important wisdom in the observation that, despite the overthrow of the Gold Standard regime, Gold remains an unparalleled reserve asset; carefully weighed, numbered, cataloged, and stacked, resting well-guarded within central bank vaults throughout the world--unmatched in financial staying power even as all else fails.

Having acknowledged this history, there is no point in rashly calling for us to repeat the mistakes of our past. The problems that killed a fully-convertible Gold Standard back then are still with us today. But take heart. The problem was not with the Gold

itself. The problem was with the Gold Standard's fit with the prevailing banking/financial "System." If we objectively face the cold hard reality, we realize that we can't very well live with the lack of either one. But paradoxically, history shows us that the two cannot sustainably coexist--at least not under the various system-designs tried in the past. In my usage here, the "System" refers simply to the dynamic interaction between a currency and its users within the context of evolving economic demands for development, commerce, and banking. (Even to the extent of self-destruction, the System is notoriously good at giving the people what they want.) It is the subtle changes to that system that I hope to spell out, revealing not only how Gold can survive society's preference for the current self-serving System, but also how the System can tolerate/survive the discipline of Gold. In fact, the diametrically-opposed System will not only survive in the face of Gold, but will actually be made more functionally viable by Gold.

Now that you see what we are in for, it seems appropriate to launch my endeavor with this quote from John Kenneth Galbraith: "Most things in life--automobiles, mistresses, cancer--are important only to those who have them. Money, in contrast, is equally important to those who have it and those who don't. Both, accordingly, have a concern for understanding it. Both should proceed in the full confidence that they can." It is in the spirit of that assurance that the playing field has been made level for a such a Little Leaguer like myself that I shall embark on this attempt at passing along my own view of the monetary system. We are told above that everyone should share a common concern for understanding it. Actual experience reveals that few people can muster a basic tolerance for any meaningful dialog on the subject (money.) To be sure, they can be seen to talk at great length on the various schemes for making more of it, but not a word is to be had on the design of it. For that reason, I am thankful that USAGOLD provides this dedicated roundtable of guests to serve where the general population fails to pursue this line of monetary discussion.

Before I go further, I must confess that the map I see before me for the proper delivery of this presentation reveals a path I nearly fear to tread. (Although this view may not match theirs precisely, I have been encouraged to see that some of these same thoughts have also been touched on by PH in LA, FOA, Solomon Weaver, Journeyman, and ORO, to name a few that come to mind. They are seeing the shades of gray.) As I've already hinted, it will likely go against the grain of thought among the staunchest of Gold advocates. But hopefully my long pro-Gold track record will buy me their indulgence as required to read and absorb the thoughts contained in this post with some remnants of objectivity rather than outright dismissal. Herein lies the thorn: for the reader to have any hope of finding merit in this commentary, he must admit--even if only temporarily--that fiat ("paper") currency (i.e. dollar, euro, peso, yen, etc.) is not "completely worthless"...regardless of the enduring popularity of that notion among Goldhearts. Please bear with me; I'm sure you'll like the ending--even if you've already decided that you don't like this ominous beginning.

It doesn't matter who I am, but...

A brief introduction may be called-for to help you to better understand my position, and thereby evaluate whether or not my own thinking behind this commentary is clouded beyond the best attempt on my part at objectivity. So, who is Aristotle? You will know me better for my actions than from any other detail. I seek to recognize both the benefits and the failings of our existing monetary system, and strive to live

life for full enjoyment in accordance with each. As such, you should be made aware that I already live "in tune" with what I am about to describe as the perfect financial system within an imperfect world.

I fully realize that I live in a world of fiat currency. Specifically, mine is a fiat dollar world, though not by my individual choice. It's what the majority wanted and dictated, and it's beyond any of us to deny its existence and credibility. Recognize that, and recognize also its failings, and you are poised to enjoy the best life you can possibly muster. Fail to recognize either side in this day and age, and you are either shorting yourself now (by somehow feeling miserable that paper dollars actually work,) or you will be shorted later (by the inevitable rude discovery that paper dollars weren't quite as good as Gold after all.) I comfortably walk the line of this understanding that dollars work for a purpose, but are not as good as Gold.

I live and work in the real world of fiat currency--there is no point in trying to be circumventive about it. As I work I am paid by others with fiat currency, and I quite happily pay my own bills with fiat currency. I manage my expenses responsibly, and so there is always some fiat currency left over at the end of each month. This I exchange for Gold without fail--to serve as my savings for a later time. No doubt this arrangement will appeal to you in equal measure with your understanding that Gold is the ultimate money; with your sense that it won't/can't be manipulated into extinction; and with your appreciation for the notion that a person, on average, can produce over a lifetime more than he consumes. That final element should also hold true for a group of people (such as a nation,) and no magic of accounting can alter that long-term necessity. Establishing a reliable "accountant" for your life's period of productivity should be enough for any honest person, and Gold serves that role better than any other. I believe those who share this view are among the fortunate few that are ahead of their time--even as the world is rushing to catch up. This will be clearer in time as I explain.

Greed is the one trait that would preclude the successful enjoyment of this present position--a position one step ahead of the following financial evolution. It is a trait that I thankfully find myself lacking--perhaps due to deficiency of imagination. Greed (and arrogance too, I suppose) would entice one to attempt to capitalize on investment leverage and timing of the markets to maximize their gains for the precise day that the world awakens to a new reality. I am far too dull-witted to know the unknowable, so such a strategy of leverage and market timing is prone to unfold as a spectacular failure. Also, I find life to be full enough without the added burden of losing sleep at night worried about such risky investments. Only through the virtue of patience in the understanding that we are for this historically brief time one step ahead of the world will we find in the end that we are among the few who participate in the rewards of a world that suddenly wants to be where we already are. Hopefully this doesn't strike you as the rantings of an irrational star gazer, so with that view of the author let's now move on to the heart of the matter.

Up next: A Test of Your Monetary Maturity...

Aristotle (02/07/00; 10:52:39MDT - Msg ID:24602)

Part Three -- A Test of Your Monetary Maturity

The vagaries of the economic process in the real world make it infeasible to give this matter a comprehensive treatment in this format (nor would I be mentally capable!) so of necessity I will only build upon the most fundamental core principles throughout this commentary. With that caveat out of the way, let's tackle this fiat

currency issue right now so that we may sooner breathe a sigh of relief that the bitter pill has been swallowed and that recovery is at hand. How often have we all rallied at one time or another around the Goldhearts' battle cries: "The Fed (or banks in general, or government) simply makes this fiat currency from thin air!" "Fiat money is worthless!" "Fiat currency is the Fed's (or banks', or government's) tool to keep the poor man down." Well, a cold hard reality is that contrary to this line of thinking, while I do indeed fit the description, I certainly have not been kept "down." Have you? Further, and directly to the point, fiat currency isn't "worthless." Have you ever tried to buy anything with it? Did you succeed? I'm sure that you did, so what does that lesson tell you? As a general rule, a person rarely gets "something for nothing." Therefore, the fiat currency must certainly BE "something," and that "something" can't BE worthless.

There is a subtle but important distinction here between being "nothing of value" versus being no *thing* of value. A dollar (or any other fiat currency) is certainly no longer a *thing* although it once was (back in those days of yore when it was defined as a certain weight of Gold.) But it does in fact have value--a value it finds in measure of the success with which it retains the original Concept of value it represented at the time of its origination...at loan creation. This "Concept" is built on a unit foundation of arbitrary size, to be sure; and there can be no doubt that this remains a fundamental weakness for it to serve properly as money (medium of exchange, store of value, and unit of account.)

Nonetheless, the value in any given currency-unit originates in the terms of the loan contract in which the borrower has promised to repay these units of currency to the lender. And while it seems that these currency units are indiscriminately created out of thin air, each of the many trillions in existence today were created through the joint cooperation of a lender AND a borrower. It takes two to tango. Want to find value in a dollar? Simply track down a new homeowner who toils each workday to pay off his mortgage. (Is he *evil* for borrowing money from "thin air"? More on this later.) It's easy to convince yourself that people will provide goods or services in return for dollars--either because they themselves are in debt and in need of the currency to repay their outstanding debts, or else because they believe with near certainty that these same dollars will be useful to them as a medium of exchange when they encounter somebody else who is burdened with outstanding debts.

A Commonly-stated Problem With Fiat Currency

All in all, the system works about as well as any other manmade thing. Unfortunately, taken as a whole, dollars retain their original value only as reliably as wage-earners and price-setters remain content with past pricing levels. And that is influenced in large part by the perceived ease with which additional dollars may be obtained or loans defaulted on. If a significant number of borrowers will not validate the dollars they borrowed through some manner of equivalent production, then the foundation of its value is eroded. Our own Federal government for example, in its consistent failure to balance its operating budget, has effectively become a significant collective of borrowers that refuse to service their debt--they don't pay back their loans. The government is thereby failing to validate its many trillions of borrowed dollars; and the currency system suffers. The dollar value falls and prices generally rise.

The flip side of the coin regarding money supply is where loans are being paid back more rapidly than new loans are written to keep the outstanding money supply

expanding with the prevailing growth rate of the real economy. In this circumstance, increased competition for dollars during this relative contraction in the money supply generally results in an increase to the dollar's value; prices would generally fall. The problem with these expansions and contractions, these inflations and deflations of the currency supply, is that in business and in private life both, people tend to enter into long-term contracts. Because earning power, prices, and wages are subject to this variability over time due to changes based on business cycles and money supply, the act of entering into long-term contracts becomes a mixture of faith and gambling.

As I've stated in an earlier post, people have generally been more comfortable to see monetary supply inflation erode the purchasing power over time. The coping mechanism is to renegotiate for pay-raises--and to face paying higher prices. They are less willing and less happy to renegotiate lower rents and wages and lower prices received for goods resulting from a currency that gains value over time. Due to the prevailing inability of people and businesses to accommodate a currency that gains purchasing power over time, the fallout is harsh. Instead of adjusting the price of contracts downward, the reaction is typically to reduce production and cut back on labor when business profits yield fewer currency units. Economic recessions/depressions are frequently the undesired effect of currency supply that either fails to grow as fast as the economy demands; or worse, a currency supply that actually contracts. This has traditionally been the impetus for a well-intentioned government to attempt various degrees of monetary interventions to bring about more desired economic conditions.

A Solution?

No doubt you are familiar with these problems, and tend to agree with our intrepid forefathers whose anti-banking, anti-fiat currency pronouncements are legendary. In all frankness, these were a handful of exceptional men living at an exceptional time and who accomplished an exceptional feat...the birth of a new Republic. It should not, therefore, come as a surprise to anyone that the opinions and desires so expressed by the likes of Thomas Jefferson and John Adams raised the bar for performance so high that practical performance by their multitudes of mortal descendants could not do but fall woefully short of their lofty vision. (In light of their exceptional life and times they desired perfection---and why not?--they thought they had set the world itself into a state of perfection!) I am not saying that perfection is not a worthwhile goal, but I am saying we must at least be rational about what can and can't be done in a real world populated by...well, just look around you.

Please for give my haste when I don't look up the exact quote here, but I seem to recall the great Thomas Jefferson once voiced his conviction which after all these years still has appeal and finds ample support among Gold advocates: "If banks are allowed to control the money supply first through inflation, then deflation, our children will wake up homeless on the continent their fathers conquered." The implication is that banks will issue their credit from "thin air" in return for a pledge of collateral against the return of that credit, drawing in everybody such that currency values fall, prices rise, and people seek ever more loans in their desire to buy before prices rise further, with the added benefit of paying off the loan with devalued currency. But then, in their nefarious desire to rule the world, the bankers would cause the money supply to deflate, making it difficult for everyone to successfully obtain the cash needed to repay their loans. The bankers then walk away with the collateral, leaving the borrower with nothing but a bad credit rating to show for the

experience. On the face of it, this seems to be a noble enough assessment, and gives rise to the equally noble suggestion that our problems would be solved if banks could simply be done away with...these institutions that were once said to be "more dangerous than standing armies." So there you have the perfect inspiration for the monetary system of your dreams, worthy of any true patriot....you suggest we eliminate banks--and with them goes the inflation-threat from the paper money they create--leaving us with only Gold coins as currency.

Not So Fast, Sport Shoes...(you'd better rethink your advice)

Ok, for the sake of indulging this off-the-cuff "perfect" solution, let's be optimistic and assume that we could indeed suddenly find ourselves in a system in which banks are non-existent, and only physical Gold coin is currency. In our euphoric pursuit of perfection, we need only to roll the clock forward from this "perfect" starting point to see that we've rashly and incorrectly assumed that our modern problems could be avoided. First come the banks out of necessity, and then the fractional-reserve lending phenomenon naturally evolves into being whether or not it was deliberately intended from the outset. Are you skeptical? Consider this: it would be a mistake to give thought to monetary matters without due consideration of the weave of our social fabric--examined through the magnifying lens of history.

In the real world, banks are necessary. We need only to look at the circumstances surrounding the appearance of the first significant public bank as documented nearly two centuries after the fact by Adam Smith in his "Wealth of Nations," written as America was just a newborn pup. The setting was Amsterdam, a bustling international trading center as the 1500's gave way to the next century. As Adam Smith describes it, the bank was formed and thrived by filling a specific market niche: addressing the corruption of the currency. In settlement of trade, Gold and silver coins from many countries and many mints (public, private, and some disreputable) were in circulation, and as is ever the case, the coins of inferior alloy or those clipped of proper weight were always the first to be offered to the merchants. In addition to the money-changing manuals that served to document the metal (money) content of the coins from the various known mints, the merchants had scales to verify the sum of coins offered as payment. However, the good quality and reputation of these scales was seen as suspect in the eyes of the shopper even as the coins were seen in the eyes of the merchants. Smith wrote: "In order to remedy inconveniences, a bank was established in 1609 under the guarantee of the City. This bank received both foreign coin, and the light worn [and other debased] coin of the country at its real intrinsic value in the good standard money of the country, deducting only so much as was necessary for defraying the expense of coinage, and other necessary expense of management. For the value which remained, after this small deduction was made, it gave a credit on its books." Here you see the coins naturally coming out of circulation in favor of "mathematically certain" bank accounting.

In this way, much of the effort and cunning that went into adulterating the coinage by men of low integrity was thereby rendered unprofitable. This system worked well for all parties involved in trade, and the popularity gave rise to similar banks in the nearby trading centers of Delft, Middlebourg, and Rotterdam, and then to other countries. (I've got to work Rotterdam into every long post...have you noticed?) History also records that "banks" have also come into being for the purpose of the security against theft. Early metal smiths also became early bankers by virtue of the security offered by their strongboxes. What practical-minded person would deny the

modern need for a similar service in the event of a return to a strictly Gold-based currency system...for safekeeping and for quality assurance?

Yesterday's Performance is no Guarantee on Tomorrow in the 'Business World'

The Bank of Amsterdam was said to work well for a full century, with a man's deposits remaining his on actual deposit until such time as he transferred the money in payment to another man's account. The money (Gold) was not lent out, and so when Louis XIV's French army approached Amsterdam in 1672, causing the depositors to rush to the Bank in fear for the safety of their money, those panicky depositors all discovered that their money was indeed on hand for immediate withdrawal. The fear-induced bank run gave evidence of yet another universal truth about the nature of mankind--that when satisfied as to the apparent safety and availability of their deposits, they no longer desire to follow-through with the actual withdrawal of their funds, remaining content to let the bank serve as the guardian. And so we have the seeds of the eventual fall of the Bank of Amsterdam, and many thousands of its successors. The Bank's ownership by the City of Amsterdam gave rise to close associations with the Dutch East India Company by virtue of the same men often involved in the governing or management of both operations. Due to the nature of their business, when literally waiting for their ship to come in, even while still a solid company with solid profits, the East India Company would from time to time need a short term provision of credit. In a precursor of what modern banks would come to call their bread and butter business, the Bank began to provide these loans to the Company out of depositors accounts. When business profits turned south for the East India Company in the late 1700's as many ships and cargo were lost in the war, the loans increased, and the City government itself also came to rely on the bank for loans.

During the first century of operation, merchants preferred to receive payment in bank deposits instead of the uncertain quality of the coin of the day. But as the loans of the Bank increased, and as the Bank began to put limits on withdrawals or transfers to accounts at other banks, merchants began to cast a wary eye upon payment made in bank deposits, and they raised their prices to reflect this growing uncertainty, discounting the value of the bank money. As you might expect, when a bank can't be counted on to reliable provide your money on demand, its days are numbered. And so it was for the Bank of Amsterdam--the doors were closed in 1819. It should also come as no surprise that similar scenes were played out many times on a smaller scale by the metal smiths mentioned earlier. After being sought out for the security of their strongboxes, and after a period of reliable service, many smiths would observe the willingness of their depositors and citizens in general to leave the Gold under lock and key, opting to circulate the receipts of ownership instead. The more unscrupulous among them would come to grant loans to others for profit, or else grant loans to themselves through the issue of receipts for more Gold than they held. When rumor brought about sufficient alarm to bring in an abundance of receipts for redemption all at once, the game was up and justice was swift--though to be sure, this righting of the wrong on the inevitable day of reckoning was COMPLETELY unsatisfactory to the good citizens left holding worthless Gold-receipts from the bank after the Gold ran out.

Outright Bank Fraud IS Black and White, but this gets Very Gray, Very Quickly...

Aristotle (02/07/00; 13:14:18MDT - Msg ID:24610)

Part Four -- Outright Bank Fraud IS Black and White, but this gets Very

Gray Very Quickly...

You have likely identified the problem in both of these examples: the entity providing the banking service began issuing loans using their customers' deposits without the consent and cooperation of the depositor. Let's consider an example in which the bank is of the most noble character and management, simply offering safe storage and quality assurance of the Gold currency. It is human nature that those with wealth--such as we might find among those having deposits in our hypothetical Noble Bank--might seek to generate some income with their wealth. They might play an active role in this attempt as a venture capitalist, offering their money directly to entrepreneurs in return for some profits after personal negotiations convince them of the viability of the prospect.

But not all would-be lenders and borrowers are well suited to negotiate and organize such arrangements themselves, particularly the smaller would-be lenders seeking an income, and the smaller would-be borrowers seeking funds for such things as small business expenses. The Noble Bank easily develops the in-house expertise in evaluating those borrowers that represent a good credit risk, and can organize the formal loan arrangements on behalf of their depositors. And rather than matching up a depositor/lender with a borrower on a personal, individual basis, the Noble Bank would come to pool the depositors' funds into an anonymous operation in which the profits from the lending of capital are then provided to the depositors (minus the Bank's own profit for providing this service) according to the amount of funds the depositor put into account with the bank. This provides the flexibility demanded by the banking depositor to generally be able to access his funds as needed.

It's like this. Assume that you, me, and someone else have all put $10 in Gold coin on deposit with the Noble Bank for safe keeping, with the added hope to earn a return on the Bank's ability to lend it at a profit in the meanwhile. Let's say a shoe cobbler needs to buy leather and a new sewing machine in order to make new shoes, so the bank lends him $18 of the $30 available. The cobbler takes his borrowed Gold, makes his purchases, and sets to work in order to repay the bank $19 from his anticipated profits within the coming months. In the meantime, you incur unanticipated expenses, and need to obtain your $10 deposit from the Bank. Because this Bank wants to keep you happy, and to retain your future business, it doesn't tell you that $6 of your account is currently unavailable (out on loan) as per your wishes for the bank to earn you an income, and that the cobbler will be returning it (along with the profit you sought) in regular installments over a period of time. Instead, the Noble Bank gives you $10 of its remaining $12, and hopes that neither me or that third depositor will want to reclaim our deposits anytime soon.

Here you can see that no money was created out of thin air. But the size of the Noble Bank grows as a good track-record of management attracts ever more deposits in which withdrawals don't threaten the remaining funds on reserve, and the depositors all come to perceive through their good experience that the entirety of their account is available to them should they need it. The bank would accommodate this concept of reality by shuffling the credit distribution among accounts to provide the depositor's money on demand. This creates the illusion of money being in more than one pocket at the same time through no *fault* or evil intent of the Noble Bank. This is what the users of the System want, and this is what we got. And as the cobbler's leather supplier deposits the cobbler's Gold payment into the neighboring Honest Bank in order to earn a return, the process may continue yet further. The economy seems to experience an abundant money supply, and the purchasing power of all funds are thereby diminished by rising prices as the actual goods offered for

sale are then held more dearly than the money which has suddenly become so easy to come by.

Please note that in this example, I didn't once use the term interest in connection with the lending of money. A great many of the over-zealous Gold advocates try to equate the lending of money at interest with the evils of usury, so I purposely avoided that trap which has become a mental stumbling block in their thinking. While they might be inclined to say rightly or wrongly that lending at interest should be banned in order to eliminate the "sin" of usury, they certainly can't make that claim against the form of venture capitalism that I laid out above. And if the banks come to define the terms of providing venture capital from their available pool of deposits as a standard low interest rate rather than higher claims on profits that vary from borrower to borrower, what's the harm?

Too Much of a Good Thing

A quick historical note is in order here on the position of famed economist David Ricardo, who was a strong supporter of the Bullion Committee and its position in favor of the Gold Standard in monetary discussions hosted by the Bank of England in the early 1800's. The purpose of the discussions was to get to the root of the problem regarding rising prices, including uncoined Gold bullion. The center of the debate was whether bank notes--which by that time had formed the bulk of circulating money supply--were losing value, or was Gold simply rising in price? Given the observation that other prices (such as bread) were rising, the verdict was against the bank notes, just as it was in the latter years of the Bank of Amsterdam when the merchants had diminished faith that the bank could successfully redeem its credits for Gold coins. In the course of the debates, Ricardo described in his works "it was most justly contended that a currency, to be perfect, should be absolutely invariable in value." While conceding that precious metals couldn't be held to the desired level of perfect invariability, they remain the best-suited item we have discovered. And yet while holding this position, Ricardo was not completely opposed to bank notes, finding them to be economical and convenient, so long as they were always fully exchangeable for metal upon demand.

I'll say again, if the Noble Bank could legitimately tell a rational depositor that a portion of his deposit wasn't immediately available for withdrawal, then things would likely be closer to OK, with the bank notes in circulation representing the Gold allocated to the borrower and properly held aside for redemption of the note as Ricardo would have it. While this sounds good initially, there would still be some perception of an abundant Gold supply due to the borrowed funds hitting the marketplace, and there would still tend to be the resulting diminution of the currency's purchasing power. And further, the banks would always try to accommodate the depositor's desire to withdraw funds by reallocating their available resources, leading to a false (and eventually fatal) sense of security in the general nature and supply of money.

As you can see from everything above, it begins innocently enough. The depositors' money is physically distributed (unlike the ledger creation of credit-money used today,) but it would not be long before the depositors who had thus risked their deposits for a return came to have faith that their full deposit would be returned with interest, and acted on faith as though the Gold was actually still at their immediate disposal. But inevitably, the day always comes when confidence is in short supply, and depositors rush en masse to reclaim their deposits, feeling that money in-hand

is more desired than the prospects of any returns that the bank may have to offer, or perhaps fearing for the viability of the bank itself and its ability to provide Gold for the quantity of funds in account.

And as it begins innocently enough, it ends innocently enough, too. The availability for the common man to get a loan serves as an undeniably equalizing force in society. It allows a poor person with time and energy to participate in the economy on par with a man who has his own capital. Through the credit obtained from the banks' pool of deposits, a borrower is able to gain possession of land, buildings, tools, raw materials, or other goods and facilities with which to become a farmer, manufacturer, or merchant--using the profits from his time, energy and know-how to earn a living for himself and to compensate his lenders for their extension of credit. The poorer and more wretched a man might be, the more he might wish for the presence of a bank of low standards willing to extend credit to the likes of him.

The Same Old Arguments have Always Been With Us...

But despite this common desire for banks, even from the very beginning there has always been an element of society that for one reason or another saw banks as fraudulent means of transferring the wealth of honest workers to an elite group (the lenders) with agendas to rule the world. In a letter to John Adams about his own fear and loathing over the proliferation of banks and their issuance of paper credit, Thomas Jefferson wrote in 1814: "I have ever been the enemy of banks; not of those discounting for cash; but of those foisting their own paper into circulation, and thus banishing our cash. ...these are to ruin both republic and individuals. This cannot be done. The Mania [of borrowing and lending] is too strong. It has seized by its delusions and corruptions all the members of our governments, general, special, and individual." But in contrast to Jefferson, in a little-publicized footnote of history, Benjamin Franklin was a strong supporter of paper money. He saw that a national paper money provided a "general benefit" of facilitating alternatives for a government against the dual "horrors" to its citizenry of taxation and deflation. And as mentioned in the preceding paragraph, very "specific benefits" were seen on an individual basis by those who sought loans of any form of bank money (Gold, paper, credit, whatever) in order to improve their position in life.

Because the "little guy" clamors for loans just as the "big guy" who pursues bigger projects, and because the banks (which were naturally established to help the marketplace maintain the safety and quality of its original Gold currency) come to naturally play the middleman between the population with money to lend to the population seeking to borrow, the blame for all that follows is hard to pin on anyone specifically. Almost everyone in modern society comes to rely on the continuing and smooth operation of the banking system. As outlined throughout this commentary, you can see that as civilization advances and as the economy expands and the population grows, the general trend is for the apparent money supply to expand, even if the banks themselves do nothing more than efficiently reallocate deposits as needed to keep everybody happy. The threat of a bank run grows with the growing disconnect between what is perceived as the fair value contained in the underlying Gold contained in the coin that originally defined the currency unit, versus the witnessed purchasing power of the same currency units as dictated by the apparently swollen supply as borrowed and efficiently allocated by banks. Due to the unacceptably disruptive nature of bank runs on society, and the hurt inflicted on those who were late to the doors and therefore left holding worthless receipts of a newly failed bank, the inevitable outcome (generally tolerated by most) is two-fold.

First, for the officially-sanctioned (government) regulation or development of a national central bank to bring more order to the hodgepodge of wayward private banks, and second, for the eventual officially-sanctioned termination of Gold convertibility for the abundance of circulating bank notes and bank deposits on account.

Stay tuned for the final(?) part(s) to be offered later (I've already burned up enough of your patience and space for one day):
Who is to Blame When the System Fails? And How can Sir Gresham's Simple Law Save Us?

Aristotle (2/10/2000; 3:37:44MDT - Msg ID:24877)

Part Five "Building the Perfect System by Capitalizing on Gresham's Law" --starting at (2/7/2000; 7:15MDT - Msg ID:24589) from link below

http://www.usagold.com/cpmforum/archives/720002/default.html

Who's to Blame When the System Fails?

Perhaps it would be clearer if I rephrased that question. "The System" as I've defined it is the ever-changing monetary principles, policies, and practices seen in the course of satisfying the real demands of conducting business and commerce among real people. At any given moment, the System is undergoing change from one form to another, generally smooth and gradual, but occasionally abrupt and painful. But never in the largest sense can the System itself be said to "fail," although parts of it certainly prove troublesome and are altered from time to time as economic efficiency dictates. Did the old Gold Standard era System "fail" when there was a bank run at one institution or another? Well, if you were a depositor who didn't get your deposits out before that particular bank closed its doors, you might indeed be inclined to say that the System failed. But more specifically, it failed YOU. Meanwhile, your contemporaries who lived half a continent away might say that the bank closure was a healthy adjustment to the system, weeding out a weak bank. As such, System "failure" might be viewed as any time YOU were legitimately dissatisfied with its performance. Therefore, it would probably be more appropriate to ask this question instead: "Who is to blame when the System disappoints you?" An important thought to consider in this regard is whether any conceivable System could please all of the people all of the time.

Let's briefly examine the dissatisfaction of the typical Goldheart. In his mind the System has failed because he is dissatisfied all the time--so long as Gold is not the circulating currency, apparently. How irrational is that? Romantic, to be sure, but completely irrational. This superficial desire will never be the impetus for a change to the System as we know it. Even in the "good ol' days" the coins quickly gave way to bank notes as the circulating equivalent. There simply must be more at stake than the whimsical preferences of an individual in order to inspire change.

Something to rally around...

Here's the key factor as detailed earlier in this commentary which ultimately argues forcefully for the proper role of Gold in the monetary system's architecture. In what has been revealed as a misplaced goal, with Gold as the circulating currency, artificial inflation of the Gold supply is the unavoidable consequence because money will always be lent by somebody to somebody else who wants to borrow. As a result, under any past System architecture, there has never been a truly satisfactory means

to safely and reliably escape the ravages of inflation and deflation. Having Gold attached either directly or indirectly to the circulating currency (or Gold itself subject to being lent independently as we see today), the proper valuation of Gold is always understated by the market due to the perception of of an increased (artificial) supply. Truth be told, it is this element that gives rise to my own dissatisfaction--that Gold is not at all points in time held near to its honest physical-based monetary valuation as it should be. This is true at nearly all points in time except for those brief and historic moments when the adjustment inevitably comes and Gold reaches an entirely new price plateau. This proves unacceptable for those who live in the interim periods as they strive to protect their personal wealth...those holding Gold during these past 20 years, for example. (Although make no mistake, the extent of currency depreciation in various non-OECD nations would paint a more normal looking picture for citizens holding Gold within those countries.)

As the number of people increases who are dissatisfied with the System's performance at any given moment in time, the greater the pressure mounts to effect some degree of change. Similarly, the greater the level of dissatisfaction, the greater the impetus to effect some rectifying change. For those who are yet clinging to the notion that we need a Gold Standard with fixed convertibility of the currency, please forgive me as I verbally try once again to shake you out of your mental stupor. Under a Gold Currency-based system, any time someone borrowed money they would in essence be participating in a Gold loan (much as we see happening today--an act that is ill-tolerated by those who can rightly recognize its depressing effect on the value of that same Gold/Money.) For the hundredth time, because people will always have a desire to borrow money to meet their business or personal needs at one point or another, you would always be dissatisfied by any Gold Standard that allowed these (Gold-) loans to occur. Meanwhile, everyone else would be dissatisfied by such a Gold Standard System that specifically pleased you in which money (which would be Gold) could not be borrowed as needed.

Accepting the constraints of the real world...

Any properly functioning monetary system in the real world must accommodate those seeking to borrow funds. And if I've made no other point but one, we should all see from the extensive commentary (bludgeoning) presented earlier that such a system cannot sustainably coexist with a Gold Standard which has a fixed convertibility. Inflation is always a consequence, and then so are bank runs, a phenomenon unique to any such Standard of fixed convertibility. There can be little denying that those bank runs are the ultimate monetary catastrophe experienced on an individual basis. Think about it. If you were among the depositors left with unhonored deposits of metal on account at a failed bank, you might just as well be located in a modern-day Third World nation when its currency loses value...your life's savings have been wiped out through no fault of your own.

Examining this case of a bank run, everything was working fine for you and your currency-units yesterday, but then suddenly your world fell apart today. In truth, to witness that a bank run was "justified" by the bank's obvious (after the fact) shortfall of Gold necessary to honor all of the deposits reveals with abundant clarity that a goodly portion of the system's funds were actually "unbacked" currency. And since these same unbacked currencies were seen to be functioning well prior to the pain of the bank run, it makes little sense to those left holding the bag in a bank run. And as hard as it is for these unfortunate citizens to fathom fundamentally why these currencies could work yesterday but not today, it is even harder for them to grasp

why the same currency could function properly at the front of the bank line, but not for those in the back end of the line. It is this kind of pain, especially when bank runs become an epidemic, that compel significant changes to be made to the System architecture. History reveals that a natural starting point to ease this pain is national regulation of the scattered and various independent private banks.

This leads to a united-we-stand, divided-we-fall solution in which resources are managed among the banks so that individual hemorrhages can be addressed without leading to domino-style bank failures. But ultimately, the whole system is put at unacceptable risk from bank runs inspired by the realization that the bank-money inflation has rendered a currency value that is less than the metal value in the system's few coins. Again, the institutional thinking goes, "Since all this unbacked paper worked yesterday, let's just get rid of the inspiration for bank runs--the Gold coins." Those finding themselves in the back of the lines certainly would welcome this. Their currency would not only remain just as good as the currency held by those in the front of the line, but it would also be not significantly different than it was yesterday.

OK, so who IS to be blamed for our disappointment with the System as it is?

The lesson to be learned is not to blame the push for fiat currency upon "the few and powerful" men of wealth of the world. While inflation can be bad even under a Gold Standard (along with the pain of bank runs for those who fail to rescue their deposits), inflation has the distinct opportunity and track-record to be much worse within a system built upon a fiat currency. The truth is, inflation hurts those with money (it erodes their purchasing power), and helps those with debts (it makes loan repayment easier.) David Ricardo said it eloquently: "The depreciation of the circulating medium has been more injurious to monied men...It may be laid down as a principle of universal application that every man is injured or benefited by the variation of the value of the circulating medium in proportion as his property consists of money, or as the fixed demands on him in money exceed those fixed demands which he may have on others." He said further that the farmer "more than any other class of the community is benefited by the depreciation of money, and injured by the increase of its value." This is likely for the dual reason that farmers as a general rule were often in debt to begin with, and because their annual creation of crops (from thin air!) could then be sold for more currency units in each subsequent year, even if the net real-world value of the product being offered remained entirely unchanged.

Don't waste energy on laying blame...

And so we can see, with more people in society having common wealth than uncommon fortune, it is distinctly the case that democracy proves to be the greater threat to a convertible Gold Standard than does even the unmanageable expense of war. I faintly recalled some historical figure who made the astute observation that in a democratic society, when the people come to realize that they can vote "largess" for themselves from the public treasury, they will do so, and hence bring about their system's collapse. And in researching this matter further (thanks Journeyman, ji, and RossL for your help) it seems that there actually have been a number of figures echoing this same sentiment through time. But regardless of the precise citation of this quotation, one look at the growing national debt in America (serving as the substitute for the taxes that would otherwise be necessary to fund our chosen social programs) gives credence to this assertion. Simply put: the people (the masses) get what the people want--and the people want easy money. Even outside of a

democracy, over time, the forces of the population always win out over the forces of the few men of power. And in the end it matters not which group is on the side of good, and which is destructive--the many prevail over the few.

So, what is the proper role of Gold in the monetary system architecture?

At this point, the staunchest Gold supporters are likely gnashing their teeth and forming a posse to hunt me down for a proper lynching, I'm sure. After all, I have made no bones about the need to cut Gold out of any ties whatsoever with the various national currencies. Due to inflation and deflation that naturally arise through variations in the rates of borrowing, payback, and growth of the economy, currency fluctuations lead to bank runs which are frankly too disruptive and are not to be tolerated. Fortunately, they are rendered completely meaningless under a fiat currency regime. National fiat currencies allow governments to manage their own national economies to the extent that that are able, and to take whatever efforts needed to avoid falling into those most destructive currency deflations that wreak havoc on economies.

Gold must be removed from these currencies so that governments are not tempted to manipulate its perceived value in order to give a boost to their own currency. The goal would be that sudden value shocks will be avoided because at all points in time the currencies will be fairly valued against Gold--there won't be an inevitable and recurring "day of reckoning" in which the pent-up false perceptions are unwound amid calamity and crisis of confidence. Gold must also be removed from any element of the monetary system that would seek to make loans using Gold because, as we've seen, these confound Gold's ability to reach its true physical-based fair market value. Gold derivatives must also be done away with for the same reason. Gold must remain a pure monetary asset, bought and sold and owned outright--nothing else would be allowable. National fiat currencies will ably serve the market's various needs to borrow funds...after all, that's how fiat currency is born in the first place.

Although I've seemingly cut Gold out of the monetary system, that is not the case at all. Gold qualifies as the only true money; being able to function as a unit of account, as a medium of exchange, and as a store of value. A fiat currency only meets the first two elements, but they fail as a store of value. Therefore, Gold will be be the money of savings, while national currencies will be the currency of commerce. They will all float relative to each other, and constantly seek out their proper value. Kept with special status as an independent and unlendable currency, Gold will be the ever-rising North Star of the monetary system. Central banks would be inclined to hold only Gold in reserves of any significant size--because Gold is not the liability of any other nation, and its real-world value would continue to grow over time. As said before, quantities held in other national currencies would be done only to the extent that they facilitate trade between active partners. Individuals across the Earth would also choose to hold Gold as their savings; their life's productivity forever protected from inflation and deflation, and from reliance upon another person's (or nation's) liability.

The beauty of reserving Gold as an unmanipulated monetary asset is that individual local currencies can still be "managed" by the government in whatever manner is seen befitting that specific country, without having an adverse effect on the meaningful wealth held in reserves (in the form of Gold savings) among other nations and local citizens alike. No single national currency need ever be held by another nation as a reserve currency (which "unfairly" allows the nation that issues

the reserve currency to export its inflation.) However, a nation might choose to hold another's currency in a quantity simply because it makes for expedient trade.

The reassurance of Gresham's Law...

Perhaps a short lesson is in order for those new to this realm of thought. In 1558, Sir Thomas Gresham made his observation that whenever there was latitude in tendering payment (as could be seen in the major medieval cities where coins from many lands came together in the course of trade--as we covered in the case of Amsterdam,) inevitably the money of poorest quality was offered while the better money was retained. In describing the circulation of currency, Gresham's law says that bad money drives out good. (The inferior money circulates, while money of superior quality is held.) In our new system herein described, paper currency will circulate while Gold money will be saved.

Pause for a moment to fully consider this practical notion of saving Gold on one hand, while on the other, borrowing and spending paper just as we always have in our lifetimes (and know of no other reality from personal experience.) This is in perfect tune with Gresham's law. Given our own limited history, this accord with Gresham's law provides a very comforting reassurance for predicting the success of this system. Why? Because Gresham's law is arguably the only economic law that survives beyond challenge--an echo of the universal and enduring truth that given a choice, people will choose the option that serves their own needs best. Gresham's law predicts that the world's supreme currency, Gold, would not actually circulate in a conventional sense, though it would move from the hand of one saver to another as individual circumstances might require. Sure, you could use it outright as money if you insisted, but nodding to Gresham's law, wouldn't you rather keep your Gold for the rainy day and spend your paper instead? This system will enhance the transparency of national economics and financial positions, rewarding those with good fiscal policy and balanced budgets, and giving none an exorbitant privilege over another through reserve currency status. It will allow the citizens a natural avenue to protect themselves against depreciation of the national currencies (which will inevitably inflate until the end of time,) and to actually gain a no-risk real "return" by simply holding the metal without the self-defeating aspect of lending it out for interest.

Gold. Get you some. ---Aristotle

Trail Guide (02/11/00; 16:01:51MDT - Msg ID:25047)

Changing times!

Thanks ALL! I'll leave these two posts to tell the truth for me. When (?) the new Trail page is up FOA will set a tough pace to keep up with, believe it! He has too, the preasure of oil is building fast.

ORO, I'll be arriving here soon, in debate mode no less. Your (and others) good post are noted.

ORO (02/11/00; 12:31:46MDT - Msg ID:25015)
Trail Guide - welcome
Welcome Trail Guide to your home.
We have kept it warm for you, awaiting your reincarnation.
Missed you badly.

Thank you for your return.

SteveH (02/11/00; 11:05:20MDT - Msg ID:25006)
Yep...has to be
One and the same?

SteveH (02/11/00; 11:02:35MDT - Msg ID:25005)
Trail Guide and FOA
One and the same?

Trail Guide (02/11/00; 17:21:28MDT - Msg ID:25055)
A different view?
ORO (02/11/00; 13:59:00MDT - Msg ID:25019)
Aristotle and Trail Guide

What is to stop the gold markets to regroup and form a new gold banking system?

Q:
Please define "gold markets" in the context you use? We need to know exactly what this market is before one can "bank on it"!

I would think that - if there is gold there is also someoned to lend it and someone to borrow it.

Q: Why use gold to create a lending contract? Would society use gold as a "lend able" account unit if it freezes any further function of their money asset? To date, the history of the past gold systems points that such a function creates gridlock in the banking system. Doesn't this contradict the first purpose of gold: to act as a pay as we go medium, under no contract risk?

If there is new gold mined, it will be contracted for future delivery.

Q: Again, Why must gold be used? And why the illusion of future delivery in contract form? If society places a high enough value (currency price) on it, a" no collateral financing" would easily create a pay as you go operation, NO?

If there is gold of many players in a number of vaults, the gold will stay in the vaults and the title to the gold will trade electronically.

Q: Tell me, do we pay for our gasoline with "stock certificates" of IBM? Or any other ware - housed asset. Would not real estate titles also trade electronically? In this period of high speed trade, digits of anything could do the trick, no?

I still say that there is no economic reason, no justification for central banks at all. There is no
economically useful purpose for national currencies.

Observation: Years of history and the nature of modern society say you are wrong, no? Our use of digital currencies for trade always flows like a river that's strong and wide,,,,, and it always flows to it's end in the sea. The water takes it into the air and rains it again upon the headwaters for another trip,,,,,a new currency starts again. All the while gold is held from it's value as officials grapple with it's position on the

currency river,,,,,,,,,, stopping it's use as a wealth asset held by all.

I will go further and state that the purpose of central banks holding gold is so their people remain beholden to the state and the bank cartels it has chartered. The best thing for the CBs and treasuries to do is to unload their gold and cease participation in the financial markets. Individuals
and private organizations should hold their gold and trade its receipts, to lend and to borrow it.

Observation: Again, society has proven that any and all currencies and moneys that are lent and borrowed,,,,,'soon become corrupted. Even gold itself,,,,,many times! Let gold become an asset of real wealth,,,,,and it will shine as the best background money this modern world has ever seen,,NO?

The amount of gold and other PMs can not be insufficient in quantity to for the basis for the volume of trade settlement. It is precisely the point that the quantity of gold matters not. What matters is that it grows with the economy that trades it as money.

Q: What will you do today that is different from yesterday? Can we pass laws that remove human nature?

The myth of a living and breathing fiat system. Many have proposed that there is some need in trade and business for the flexible money that fiat allows. I contend that there is no such flexible money, as its cost in trade and to business far outweighs the benefits of flexion.

Observation: We want and use this "flexion" today. Is not the only thing missing,,,,,,,,,,a way to shield
our wealth from the effects of this "flexion"'s inflation ,,,,
---
Fiat currencies do not expand and contract as the markets need. Their mere existence forbids healthy interaction in the markets. The seekers of the conversion of income into wealth and those who must convert wealth into income are forbidden from setting the rates of conversion by the
existence of fiat currencies. The necessary precondition of a fiat currency is the existence of a monetary authority that controls the quantity and the rate of conversion - the interest rate - at which both monetary and "real" wealth coverts into income.

Perhaps: But no one ever said that wealth was digits? no? A Western view of a world that's always going mad?

(smile)
thanks Trail Guide

Trail Guide (2/12/2000; 9:52:36MDT - Msg ID:25137)

Reality

Hello ORO,
Well, I knew that if I only asked, we would all receive! Boy did you deliver in ORO (Msg ID:25113).
Good stuff for everyone to read, my friend. You mentioned; """ The comments below - particularly those to Aristotle, are somewhat harsh. I hope this is taken in the spirit

of friendly criticism."""

Sir, you can serve me (and probably everyone here) your "harsh" anytime. Waiter ,,,,,,,, I'll have a double order of that please! (smile)

OK, brace yourself ORO ,,,,,, a big plate of my "Trail" harsh coming up!

==========

You write:
-------There are consequences to the existence of a fiat currency and for the use of debt money for trade settlement. FIAT HAS NEVER BEEN THE CHOICE OF THE PEOPLE ACTING IN
COMMERCE OF THEIR OWN ACCORD. Even when wildly popular, fiat money has not had a single instance when it had not been established by force - by laws imposing its use.----------

ORO,

On a larger scale there was always more to it than this. Human society has from the very beginnings formed tribes and picked sides against each other. When we are not battling nation against nation, we jockey for position within our own groups. Right down to "me and my neighbour against the three houses down the street. As a tribe ,,, as a nation ,,,,,, as a group ,,,,,, our war is really a human problem with each other and always has been. In better context; the problems are in the way we use our laws and governments to gain advantage over the next in line.

Whether through force (war) or democratic means, we subject ourselves to the order of governments. We rightly perceive that,,,,,, the order gained from this action ,,,,,,, the security of a group, overcomes the rights and property lost on a individual level that living in a tribe requires. It's been this way through the ages. It's a political process that has always had it's in house battles ,,,,, namely portions of society try to circumvent their percentage of lost rights and property by maneuvering the rules (laws) in their favor. Yes,,,,,if I can gain the advantages of tribe life and still keep my "portions lost",,,,,I'm gaining wealth to the disadvantage of the group. Truly, the most obvious action of not paying your taxes,,,,,and that's only a small item when viewing the world battle as a whole.

So, how does this apply to money?

When you and others say """ FIAT HAS NEVER BEEN THE CHOICE OF THE PEOPLE ACTING IN COMMERCE OF THEIR OWN ACCORD """ ,,,,,this is true.

This is true, but this was never the thrust of the argument. The use of money in any context, fiat, gold or seashells, has always entailed the use of borrowing and lending... And as long as economies function at a profit, debts are made and paid back without argument. However, when the eventual downturn arrives, some portions (perhaps a large portion) of the owed wealth (debt) cannot be returned.

It's here,,,,at this point in tribal life,,,,,,,that all of the context from above comes into play. The "reality" of life on this earth is this: ,,,,,,Some portion of society will use their influence or control of the leaders to make their debts easier to pay. In

fact,,,,,it's times 2 for that number of government influencers ,,,, because even the ones that have debt owed to them will try to alleviate an impossible pay back situation the ones that owe them face.

You see,,,,,tribal life and the human nature that comes with it,,,,,,,,will not allow any money system to "completely" destroy the wealth of a good portion of society. Even if everyone is plainly shown that they are going to lose something ,,,,,,they would still option for the good of the overall tribe. This is why we return,,,,time and again to fiat monetary systems. In the few examples where a gold system brings the harsh reality of loses to bear on a nation,,,,,,usually war is the result. Not a good outcome.

Yes, we can break gold into many small parts,,,,,'stamp it into coins and circulate gold certificates as money. We can borrow it, lend it and also circulate gold bonds as the economy grows. It is the perfect "weights and measures" monetary system. Exactly representing our productive efforts in every faucet of human endeavour. But, when the loses mount, our tribal human tendencies will not allow us to support a government or banking system that forces these real loses on only a portion of the group. Never has,,,,and never will! Without this escape valve, we go to war ,,,,,, internaly or on a world scale,,, so we all can share the loss,,,one way or another. As a human society of thousands of years,,,outside of war,,,,,we have learned to inflate our loses upon everyone as a whole,,,,,for the good of the keeping the whole from each others throats. Even to the point of a total loss of the current system,,,,,and all the destruction that entail's for everyone.

Yes, indeed,,,,,,,we will transition to the next fiat system from the dollar, when the time comes. Believe it!

Further:

For myself and other observers ,,,,, we know about "peace on earth" and live our life in this context but,,,,as a member of the world tribe,,,,,,and following our best interest,,,,,, one must still arrange his affairs to shield their family from the "I'm going to get yours" times we live in. Should we get our leaders to help us? Well, the leaders of this world can only be but a reflection of us as a whole. Yes, many things are not right, but they can only strive to do what can be done, not what must be done.

Consider the dilemma:
If a small portion of society telegraphs thoughts that "if we cannot have our oil we will go to war",,,,,,,,how would you force them to not elect officials that ease their pain in a gold money system? What's right and what's wrong is not the issue,,,,,,it's what this present generation will live with that rules. If they will break the gold yoke, no matter,,,,then why place gold on them? Is it not better to at least free the "knight" (gold) for the good of those that would stand with him?

During the period we are now entering,,,,,we can see all the ugly aspects of a fiat system that is failing it's tribe. Look far and wide and witness the various groups ,,,, all jockeying for position as they use whatever influence they have to lessen their own private loses. If this had been a gold system, the outcome would be the same,,,,,as players force their leaders to lessen the gold debts that could not be paid. They would raise the price of gold and inflate their way out of it,,,,,,for better

or worse ,,,, come hell or high water.

So, my friend (smile),,,,,,,as you can see,,,,,I completely agree with all of your post. Only, my trail is hiked with a different mind. "Another" mind set, if you will. We use the life experiences of man to dictate the best path to follow. As such,,,,,,Gold must not be part of any money system,,,,,,it must reside as a freely traded asset without debt or paper to resemble it. In this position ,,,,, it's value can fully represent the ebb and flow of the affairs of man. And in doing so retain the wealth of man as a holding of things. Truly, the "Wealth of Nations" in the peoples hands. We move forward by starting at the beginning of time.

We'll talk much about this and all the affairs of the world,,,including gold,,,, on the gold trail.

"We walk this new gold trail together, yes?" I hope to see everyone there when I return.

Trail Guide

Trail Guide (2/14/2000; 6:45:20MDT - Msg ID:25296)
OIL
http://biz.yahoo.com/rf/000214/b6.html
Elwood (2/13/2000; 23:41:04MDT - Msg ID:25270)
Request for Comments on OPEC Oil Cutbacks

Hello Elwood,
We are seeing the media blow everything out of proportion these days. The oil cut-backs were in no way what was reported! It was more of an adjustment. see the above article (there is a follow up also). Actually, oil management is working very well now.
Today, with oil more likely rising into the $45 range, we are getting a small view of where gold, in oil dollars should be. The mechanics (gears) of all of this are turning now. Prior to this we had the political software installed that literally placed gold "on the road" to much higher prices. The US / IMF have been managing this turn-a-round,,, trying to keep it from exploding too quickly (they did a good job too!).
I'll be talking much more (and very clearly) about this later "on the trail".

thanks

Saudi denies reports of March oil export cuts

DUBAI, Feb 14 (Reuters) - Saudi Arabia, the world's largest oil producer and exporter, on Monday denied reports that it had cut its March crude exports to the West by 25 to 35 percent.

``The Saudi Arabian Oil Company (Saudi Aramco) has refuted recent news reports that it has cut its March deliveries of crude oil between 25-35 percent to some regions of the world as 'misleading and incorrect','' the state oil giant said in a statement faxed to Reuters.

Trail Guide (2/14/2000; 8:08:19MDT - Msg ID:25302)

Gold

http://www.fame.org/HTM/Mundell%20and%20Parks.htm

NOTE: These are (see the bottom) segments of questions and answers copied from this interview. I PLACE THEM OUT OF CONTEXT TO UNDERSCORE THE THOUGHT! Please see the link above for the full discussion. It's very good and so is Mr. Park's and his site.

ALSO: The point I was trying to make in #25137 (and the question I was asking) was this;
A full gold money system works during level and rising economic dynamics. It also works "VERY" well during a downturn. In fact it works "Perfectly" all the time! It's the lending of money that creates debt, be it gold debt or fiat debt ,,,, and the failure of that debt during a downturn is what causes the pain.

I ,,,,, we as gold bugs ,,,,,, most financial thinkers ,,,,, do not debate this point. The argument is that:
If the pain dynamic (loses) of a financial downturn is not "Somewhat" shared by society as a whole ,,,,, the economic dislocation always intensifies until we go to conflict. (see my earlier post)

It's during the downturns that society in general will not tolerate a full gold system because it concentrates the loses upon their rightful owners. As such "these same" are usually "wiped completely out" and their fallout effects on the social and economic structure can be widespread and very destructive to tribal life.
Again, history has proven, time and time again that humans will not allow the full (natural) effects of gold money ,,,,, if it threatens to create factions. They accept gold during long periods until conflict (internally political or externally war) forces a break in the gold bond.
We as nations will break the "gold bond" by calling for the shared pain of inflation. Whether we (as countrymen) understand the reasoning behind it or not; currency inflation (not price inflation) in the modern world is carried out until it's debt destroys the current system ,,, there by, sharing all the pain of the loses before it. We then move into the next fiat system.

The question:

Is it not better for all ,,,, if we remove gold from the official currency structure by forcing derivitives failure and creating a free physical only marketplace,,,,, so as to keep "US" ,,,,,, ourselves ,,,,,, from controlling it through our politicians?
Through "legal tender laws" currently in place ,,, let's force us (ourselves) to continue to create debts only in paper.
As such, "they" ,, "we" can manipulate the fiat as needed for society.
Does this not place gold in it's rightful position of being a "real currency asset" as it was chosen to be used from the beginning of time?
A private money for trade and savings that's outside the "contract / debt' system.
Your thoughts?

Trail Guide

Robert Mundell:
--------I think that legal tender is a very old institution. It certainly goes back thousands of years and legal tender is an institution, whether we like it or not is

going to stay. ----------

Robert Mundell :
------There's no institutional mechanism by which we could ever duplicate the kind of financial system we have under a system that relied almost entirely upon gold. Of course you could always have a system that used a lot of paper that was in some sense convertible into gold. You could always find a price of gold that you could convert that paper theoretically into gold. But I don't think anyone has thought in terms of the enormous price of gold that would be required in order to achieve that.----------

Larry Parks:
---------George Soros says in his book Soros on Soros that the gold standard had to be given up because it did not make possible a lender of last resort. And says Soros, because financial markets are in his words "inherently unstable" you have to have a lender of last resort.-------

Trail Guide (2/14/2000; 18:20:51MDT - Msg ID:25335)

Freegold

Thanks for your reply, ORO.
My comments presume that readers have read our full posts.
Your major point, logic and comments that I got from your post (25310) , followed by my comments:

POINT:
I pointed out that it is the existence of a "lender of last resort" that causes the debt boom

Logic:
It is obvious then, that had there not been a lender of last resort there would not have been a substantial credit crunch, because the lenders would not have taken the same risks they allowed themselves once a promise of bailout was given, and thus would have avoided the credit boom.

Your Comments:
The argument is false in that it is circular. (Trail Guide note: I think he is referring to my logic?) The lender of last resort was there in the first place, the inevitable credit boom followed, the credit crunch followed - just as inevitable - and a further lender of last resort was needed. History shows that the credit policies of the BOE led to its bankruptcy before WWI and before the Fed was created. This was among the reasons for the argument for the Fed being pressed. All the previous lenders of last resort were tapped out and a new one was necessary. In 1929-1930 the Fed was tapped out and the gold standard obligation was abolished shortly after.

My Comments:
ORO, I cannot accept that a "lender of last resort" causes a debt boom. It presumes that a great portion of lending is done for reckless, uneconomic reasons. Yet, at the end of great expansions many projects that were considered "blue chip" in the beginning still go bad. Sometimes, the most necessary economic activity is curtailed because peoples needs change during the course of life ,,,
not to mention a recession. Thus changing business dynamics.

How many instances can we document where banks lent into real demand ,,,,,,,

backed with the very best demographic patterns ,,,,, only to find the loan blow up from changing demand. Oil in the late seventies would be a convenient example for us (smile). People were breaking down the doors
of the old "Texas Commerce Bank" in Houston ,,,,,,, all in an effort to finance hugely profitable petroleum projects. This was no flash in the pan, as the oil industry had a progressive expansion history of 15++ years before this. Truly, a lender of last resort was the very last thing on their minds. Later, even paper based on $10 producing reserves was trashed! Certainly there are many, many other examples,,,,,,,, most are of a more mundane, unglamorous nature, but fine examples.

Further:
Was this really circular thinking on our part? Did the Lender of last resort exist during the 'South Sea Bubble" or the "Tulip mania",,,,,, and did the "Black Plague" of Europe shut down a few sound financial systems then? I think gold was the norm in that period?

ORO, this portion of your thinking needs to include the other side of the lending aspect,,,,,, people want and demand loans for sound, economically justifiable, profitable projects,,,, and they get them on sound lending principles. Still, some 90% of them can become only "at the margin"
when demand changes. And typical of our human society, we all shift at once.

Truly, my friend, bank loans often fail because human events change the course of money dynamics,,,,,, and it does so in a way that is beyond the vision of any lender. Be the lenders you, me or a group of people as a bank, large portions of deals go bad just as much from human affairs
as from "over lending".

After all, the entire economic structure of the world is nothing more than people dynamic ,,,,,,,,, in the long run it's just too risky to bet ones physical gold on (huge smile)!

Yes, our present financial system gives the impression of total insanity,,,, but we are looking at the very "end of the timeline",,,, not how it began. It all starts with the very first loan and progresses until everyone has borrowed "too much", but no one wants the music to stop. Last resort lenders then become the norm because society will lose "across the board" if everything is "marked to the market". It is not a circle (smile) as it starts and ends with the currency system (gold or fiat) everyone demands to borrow into. It all ends in the shared pain of debt collapse as the debt is discounted to zero from price inflation ,,,, even if it's based on gold ,,,,,, gold that cannot be returned. Not much different from our present gold loan structure.
We will move on to the next money system when this one ends.

If it were gold we started with? The banker would lend his gold only to find the same metal returned to his bank as a new deposit. The "society at large" would remove his franchise if he did not re-lend that same gold during "good times", "booming times" no less! Round and round the gold
goes. Reserve lending hits it's limit and society demands the limits be raised again ,,, and again ,,, and again! Lender of last ,,,,,, or not.
In our modern world we must remove gold from the official money system, place it in a free market and people will use it as wealth money, not borrowing money. Then the fiat can come and go as the wind! Yes?

You agree now!
I'm so very glad!

Trail Guide

Trail Guide (2/14/2000; 21:11:17MDT - Msg ID:25350)
Freegold
Elwood,

I have read much of Mises and even a few others. Actually, I completely agree with them that the Gold money systems of the nineteenth century worked very well. As such we do not fall into any groups that argue against that concept. Our problem is with people (smile).

In a Money and Freedom speech at a Mises meeting Mr. Joseph T. Salerno made this point:
-------Unfortunately, the monetary freedom represented by the gold standard, along with many other freedoms of the classical liberal era, was brought to a calamitous end by World War One.----------

Further, he stated:
------Within weeks of the outbreak of World War One, all belligerent nations departed from the gold standard. Needless to say by the wars end the paper fiat currencies of all these nations were in the throes of inflation of varying degrees of severity, with the German hyperinflation that culminated in 1923 being the worst.----------

My point (as an extension of earlier posts):
No country, however rich in gold or resources, can continue to fight a war once their money runs out! Consider ,,,,,,, You and your family as a country, a nation ,,,,,, you are under attack and have spent the last of your gold ,,,,,You will print money and continue the effort, no matter the inflationary costs,,,, come what may!

Many nations utterly failed to return to the original gold standard simply because they were mostly tapped out from the war. At the best, the richer, surviving countries would have taken a major economic hit by going back into a full gold system. All the eventual gold deals and non- deals
were little more than a part of the progression of events that lead us here today. All in an effort to keep from fully marking to the market the cost of a shared loss in war, defence and other financial failures.

There is not one person among us that ,,,,,,,,, if their family was completely broken from the war experience ,,,,,,,,,, would have asked for a return to gold. In full a honest context, millions would have starved in the process. The world optioned to share the loss and spread it out as far and as long as possible.

The war experience is but one example of why society has such a hard time with an official gold system during times of stress. Over and over again we have seen where gold is the very best holding and defence against private and public financial loss. Yet, when large scale national loss
threatens society as a whole ,,,,,, it's always the money system that receives the brunt of the demands for change. Society demands that whatever money system is in place at the time of stress, be shifted so as to spread the burden amongst all. Is it right,,,,,, is it just,,,, I do not think so. But it is what we do and have done for a long

time!

Today, if gold can be forced out of the official money system, it will be to the benefit of everyone during times of stress in the future. In times of war people spend the legal tender in commerce. Yet they save the food, liquor and necessities. A common currency of the world would be just such a necessity to hold as part of your wealth.

Trail Guide

Cavan Man, see you later or on the trail!

Trail Guide (02/15/00; 05:57:35MDT - Msg ID:25376)

Freegold

Cavan Man (2/14/2000; 20:00:09MDT - Msg ID:25341)
To Trail Guide
I think I am beginning to understand.
First of all, if the gold price is freed from the $USD, monetary discipline will re-assert itself relative to all fiat currencies.

Hello Cavan Man,
You write my words:
-------This one sentence of yours tells me quite a lot; "In our modern world, we must remove gold from the official money system, place it in a free market, and people will use it as wealth money, not borrowing money. Then fiat can come and go as the wind."------

TG:
The above is my point in it's most simple form. I word it this way in an effort to engage ORO in one of the many aspects of our modern gold world.

Second, fiat currency is for convenience only and is now truly represented in proper context for all the world to see; all of its weaknesses and limitations are manifested in the relationship between a particular genus of fiat and the POG. If it can come and go as the wind then truly, one should hold equity and wealth in gold and not fiat; exposure to the medium should be minimalized as is prudent.

TG:
In it's most basic form, the beginning concept of gold money saw it as only one of many wealth items people held on their shelf. We traded anything and everything back then,,,, as all wealth was tradable money. Gold became the dominant circulating wealth money because of it's many unique qualities.

Third and perhaps most importantly, the personal gold standard that Aristotle speaks so eloquently of from time to time still continues to assure an individual's right to and desire for honest money. A personal gold standard in the context you espouse will and should encourage and promote the realization that gold is indeed the money and wealth of the ages. Gresham's law will keep fiat relegated to a small percentage of one's net worth as it is mine now. ----------

TG:

Somewhat yes, CM! We can trace gold's first troubles,,,,,, back to when it was made an official currency that one could borrow and lend. This entangled it into the human emotions of fraud and cheating. I don't dispute (and completely encourage) the fact that real gold,,,,,, stamped into coins and circulated as such,,,,,,, is the correct form of world money. The problem comes in that "modern society" (as opposed to perhaps 19th century society) will never let an official money just circulate without manipulating it.

If gold is the only currency in circulation (in paper or coin form) our modern world demands that we borrow and lend it to service human functions. In this realm, we have and do change it's true format as our stress requires. However, if gold can circulate in coin form ,,,,, and traded on a world
physical freemarket,,,,,, without legal tender status,,,,,, it will become a perfect background currency for all mankind. Let the various governments stamp it as they now do in Maple Leafs, K-Rands, Eagles,,,,,, (especially relevant are the old world gold coin long in circulation prior to these modern ones) even call it "non binding Legal Tender" or place a ficticious low LT price on it. But, most importantly destroy the banking aspects of gold and let it all trade for physical settlement only.

In this ages old format, it evolves backwards into a wealth asset that once again projects all the fine qualities of circulating real wealth,,,,, and does so without the entangling alliances of contract legalities inherent in a gold standard. Truly in this old format, Central Banks, governments, citizens will all be able to use gold,,, side by side with fiat currencies. In this position, any official will quickly see how "more gold" held in reserve becomes a defacto backing for national moneys,,,,,, instead of competing with them. Of course, the relative rarity of gold will force it's currency price sky high. But, in this position, it will quickly become "the dominate currency asset" that values all other circulating fiats. This position negates the desires of society to manipulate it while utilizing it's ages old purpose of holding wealth in a way that transcends time.

We are today, heading towards the trading of freegold,,,,, and the ECB is laying the political software for it. For better or worse we will ride this river of change to the sea.

Also: Elwood, is this more clear? Read it quickly as ORO is putting on his largest boots to grind it down (smile).

Trail Guide

Trail Guide (02/15/00; 07:07:49MDT - Msg ID:25381)

Freegold

Good day ORO,
Because your ORO (02/15/00; 05:14:21MDT - Msg ID:25372) is on this page and easily found, I will not completely re post it.

I believe that you have still not challenged the thrust of my argument. That being:
------Today, in our modern society,,,,,, no form of any national currency system will be left unmanaged. Be it a full gold system or a fiat system, society will expand it (inflate the currency through the loan process) or shrink it (deflation through

uncontrollable stress default). As soon as the system in place bumps against it's natural or manmade limits, society will option to change those limits. Without fail.---------

You write:

ORO
Under a gold standard and the debt dollar standard as well, the existence of a lender of last resort in one substantial country will cause all international banks to lower their rates or minimum credit rating to make use of the guarantees of that lender of last resort - If they had not, the banks of the country with a lender of last resort would have forced them out of the markets during the boom. This is as much the case today as it was during the turn of the previous century.

For reference in reading the comments below, this note:
Booms and busts do occur. Debt bubbles occur without government sponsored cartels. What is different is the following:

1. Early failure. The non-central bank gold standard produces a small crash after 4-5 years of overextension. This is long before a gold debt boom made possible by a central bank and government sponsored bank cartel would have fully developed.

Trail Guide (TG):
How true! But this does not address the aspects of society control in our modern world. We will not allow any system to contract after a 4-5 year overextention. Any "small crash" today,,,,,, if using a gold standard,,,,,,would be countered with an immediate devaluation of the currency (raise
the nation's, official price of gold) so as to allow the boom to continue. Outside of that remedy ,,, and the loss of currency prestige it would entail,,,,,,, we would just dump the gold system entirely.
Not my idea of sound operation, but it's what society does today.
---

2. The scale of debt. The natural dynamics of the free banking business is towards caution. By disabling the market's tempering mechanism (it functions through the specie money supply), the cartel can push debt to 15-20 years. The resulting scale of debt would be some 8 fold larger, because the rollover game made possible by the government cartel and the presence of a lender of last resort.

TG:
In a natural dynamic what is the greater fear,,,,,losing your banking capital or losing your banking franchise? There is no method of disabling a markets tempering ambitions. We have not outlawed fear, greed, fraud or war and conflict with each other. Today, if it's official, it's open for negotiations and rule changes.
---

3. The weeding out of weak business. Weak businesses are weeded out much earlier than under a central bank regime.

TG:
As above, society today has a way of tolerating it's weeds and always says "oh, let's help them out for a while ,,, it' only just these few weeds". Soon, the boom is on!
---

4. Who benefits. The key motive of a cartel is the elimination of competition by means other than fair competition on the merits of the corporation. The best cartel to have is that of banking. The bank cartel allows endless losses during the establishment of the cartel, until the competition is destroyed. One familiar example to the goldbugs is Barrick. Their growth through the use of
hedging was very rapid, much more so than any other gold company starting out at their size in the mid 80s.

TG:
I agree! But when you have a nation that loves "Las Vegas" and all that represents,,,,,,, buys dot.com stocks and trades stock options,,,,,,they also enjoy the soap operas of these cartels. Hell, they buy into them, no less! ORO, with this mindset, no nation will tolerate the discipline of having gold as their official money. Yes, it's my loss,, your loss,,,,,,all of our loss!

But,,,there is another way! And it will politically work because it builds on the desires of this mind set, while offering an escape route. You are reading my posts, yes?
---

5. Who Pays. The failures of the centrally controlled bank system are swept under the rug and reappear in the form of fresh loans coupled with monetization. In the case of monetization, the "good" securities are purchased by the central bank, adding to the monetary base. The additions to
the monetary base are leveraged through the bond markets and the banks into a price rise that swindles the saver of the purchasing power of his funds.

TG:
Absolutely! But, remember, this is the same format we have been using for 20 years now. Everyone shares the loss through currency inflation (not price inflation yet) as they try to jockey for position. Yes, in the end (one that is coming soon) the entire system fails and most everyone loses
totally (at least in dollar based assets). But return to gold? No they won't!

However, place gold in a format where everyone can watch it run,,,,,then they will reach for it,,,, outside their fiat world. In doing so an ages old process begins that will clean the dirty currency pipes without making laws to enforce it.

You are the best ORO! We will all hike this gold trail to the sea and see all we can see.

Cavan Man and others, later!

Thanks,,,,, gone now Trail Guide

Trail Guide (02/15/00; 20:36:44MDT - Msg ID:25428)
Freegold
ORO, Journeyman, All,
I enjoy this conversation, and will continue right along your debate line. But, your question,,,which way do you think they are going as far as mechanism (ref the options

above)?,,,,,,,, it will be outlined on the Trails page. I will again be writing there as FOA and this time things will be more in order. It needs to be because events do seem to be proceeding faster now.

Note:
I think ABX brought their calls as a "position strategy" put in front of their "intended" buying in of real gold to close some forward sales. They were going to make some hay on any gold spike from their actions,,,,,,but later were shocked to find that no official gold was forth coming! It seems that the Washington Agreement had larger teeth than anyone expected. Even their "well connected" board could not open these doors. So, they put a New York spin on the story! Is this a fact? We will know before long!
Readers should follow the reality here, all forms of paper gold derivatives (gold stocks included) are in good supply ,,,,,, bullion is not! The discount on coins does in no way
present the true picture of the physical market.

It seems that Goldfields SA understood this well in front of everyone. They were the first to buy gold at the BOE auction, close out their shorts (most of them) and even held long paper gold. Progressive thinking one would expect from the best. (Yes, for anyone here that remembers, I took a position in them in support of their actions and burned the shares. Never to be sold. My wife may sell after I'm gone, no doubt (smile))
Many other mines and Bullion Banks are now visibly caught in this transition and will have to quickly
struggle for position before the next "rule changes" are implemented. No, I don't know the what or when yet, but something is clearly in the works and the major players are creating uneasy feelings that are spooking some people (including some lesser mine leaders). The paper prices could easily swing wildly either way here.

Obviously, I expect some further curtailment of bullion supplies. However this could be in the context of "buy side curtailment". We shall see.

My feelings are,,,, as always, the best way for one to participate in this is with physical gold first in line, as the majority metal holding. If one is concerned about privacy then stock registration is out and indeed, bar registration violates the same ,,,,, then the old country coins are the best.

Later (on Trails) I'll go back and discuss things like Why $280 was important,,, and Why the intentions of oil including gold in their settle mix,,,,, and in general clear up many lose ends.
So, now back to working on the debate!

Trail Guide

Trail Guide (02/16/00; 06:30:21MDT - Msg ID:25452)
Freegold (debate)
OH,,,Ho,,Ho! A big welcome to Traveler!

What a great post. Picture me jumping into Traveler's corner,,,, standing behind and pushing him forward. All the while saying "you tell em". Ha Ha. (no doubt he will have me in a head-lock later)

Thanks for a good effort Traveler, I'll post later.

Trail Guide

The Traveler (02/16/00; 01:22:22MDT - Msg ID:25439)
The Perfect Monetary System - Installment One

Trail Guide (2/16/2000; 16:14:06MDT - Msg ID:25476)

Freegold (debate)

Hello Journeyman:
Just read again your post of: Journeyman (02/15/00; 11:10:43MDT - Msg ID:25391)
Good post!

You write:
-----But a bank, especially a central bank, is part of the extended order, and as Hayek suggests,

(TG note: I'm adjusting Hayek's quote to simplify)
" " " If we were to apply the unmodified, uncurbed, rules of the small band or troop, or of, say, our families to our wider civilization,,,,,, as our instincts and sentimental yearnings often make us wish to do, _we would destroy it_."
AND
" " " Yet if we were always to apply the rules of the extended order [Note: as Journeyman would put it,,,,trade with those we don't know face-to-face] to our more intimate groupings, _we would crush them_." " "
AND
" " " So we must learn to live in two sorts of world at once. To apply the name 'society' to both, or even to either, is hardly of any use, and can be most misleading" "

F. A. Hayek, _THE FATAL CONCEIT The Errors of Socialism_

Now Journeyman writes:
----------The bank treats us, not as part of their "small band or troop," but rather as part of their "extended order" (and rightly so) when times are good ---- we'd better pay up or there goes the ranch. But when they're in trouble, they want to be bailed out, treated by us now as if they were
part of our small band or troop, or now that they're really big and might cause the whole neighbourhood to burn, treated as "too big to fail."----------

Trail Guide:
Good point Journeyman! BUT (smile)?? It's always easy to place the failings of a nation,,,,,, a company,,,,, a small group or even a families finances upon some "other extended order". We read a lot about this in the general media (and on the web), but I question just how much of this is in
moral reality.

When referring to how some large entity (big banks?) did them in,, people often camouflage their own emotions by presenting only their side. What if the tables were turned,,,,, and these "small band" victims were in this "extended order" driver's seat themselves. We already know the answer as to how the majority would act. They would fight for their "most profitable" best interest,,,,,,, right
or wrong! Sad, but true.

----It's a great life in this here great lands we call these United States" -- Mr. W. Rogers---

This is the "dirty little secret" that many of the most outspoken hide. And,,,, they play out this hidden fact at the voting booth in a democracy. Yes, they "privately" vote for anyone that will protect their "financial position" whether it's moral or not. Then we "publicly" shout about how this "extended order" is doing us in ,,,, but, it's exactly what "we" as a "small band" would do to them.

This is the reason I don't buy the "two worlds occupying one" in a democratic society. The people in power are a reflection of us. Go to small-town anywhere in the US and put "us" up there,,,, and "them" down here,,,,,, and nothing would change. Yes, I know that's not true 100% of the time as there are some fine solid people out there. But,, I bet at least 90% of the time. Yes?

This is why,,,,,, in my Freegold posts to ORO I use Society as a term to express the financial drives of the whole. "We is them", my friends,,, my neighbours!

Further:

(note: to gain context of this please read his post)
You write:
-----The writing of IOUs, that is, lending, is unavoidable, and when done "correctly," is good. (There is "consumer debt," which except for rare instances is in the long run inherently "bad," and "commercial debt" which is good or bad based, ultimately, on whether or not it increases
productivity.) But how are you going to stop Uncle Joe from writing an IOU and using his gold sovereign as collateral?--

TG:
When gold is trading in a free physical market,, outside the currency perception,, Uncle Joe can use his "Swiss 20 Franc Helvetia's" all he wants for collateral in a currency loan. In this context gold is no different from any other item of wealth we own. Be it a car, house, furniture or a
petroleum cracking unit in a "Texas City Texas refinery ,,,,,, we are borrowing the fiat currency not the item of wealth.

As long as gold is "ideally" implicated as some form of "official money", modern society will try to lend "it" (the gold) and borrow "it" (the gold). Then it becomes part of the debt itself and is entangled in all kinds of ,,, "oh where am I going to get the gold to pay off this loan",,,,, issues! This throws it right back into the arena of "currency manipulations" by officials,,,,, all in an effort to maintain the economic momentum. The very same thing we are into today.

Again, today gold still carries the baggage of past associations with "official currency / money schemes of yesterday year. As time has progressed, and our economy has developed, each passing stage of using gold in the official money / currency mix has become more convoluted. As I noted to ORO, it's a shame we cannot just use gold,, outright,, but modern society has proven that it will never leave it alone.

We have evolved to a point where no one,,,, gold bankers, gold miners, politicians or private savers even knows what the term "today's gold market" really means! We

have distorted the physical gold market to the point that the trading of "paper contracts",,, that have virtually no call on real gold (ABX cash settle calls as example??) price the supply and demand of real gold. All in an effort to keep the dollar looking good. And do we blame them for doing it?

Think about it,,,, prior to the birth of another possible currency system (Euro),,,,,, looking from 1990 backwards,,,, the amount of economic loss that would have been associated with a dollar failure made the minor loss of killing the gold industry look,,,,, well,,,, like nothing! Kind of like sending in your best troops to be mowed down,,,,all to build time to assemble a full army.

Thanks for discussing Jman,,,,,,, I have more for Cman and ORO later.

Trail Guide

Trail Guide (02/16/00; 19:22:58MDT - Msg ID:25485)
FREEGOLD
Hello again ORO,

ORO (02/15/00; 16:45:38MDT - Msg ID:25407)

You write:
------The electronic systems will carry the day.----------

Your Point-------
Eventually they will switch to a free gold banking system

Your Why------
because the fraud of the bank-government-Cabal's fiat money system leaches too much from commerce, and now that electronic free markets have no barriers to entry left, it is on the verge of total collapse. ------Whether the Cabal survives or not turns on Cabal member's acceptance of the
reduced position left to them. ------So far, they have attempted to stretch their current position as far as possible - and then some. They are taking what they can out of the current structure and massively moving their holdings of old and new economy corporations onto an unsuspecting public full of enthusiasm. A last effort at one more fleecing of the flock.----------

TG:
ORO, I have a hard time accepting the present currency system as a independent Cabal. Even in the context of viewing it as some small part of US government structure. Yes, they are a political block and their policies can be applied to them as an acting whole (FOA's "Dollar / IMF
faction"??). But as a "extended order" type cabal, operating on their own? Consider that every US citizen has a personal share in this structure that many of them have voted for themselves. Just as in my post to Journeyman, we must accept that the entire dollar reserve system has tied all of us to it's fate as much as we tied it to ours. None of us had to go into debt, overspend or use a non- energy efficient product structure. We as a people optioned for the most financial rewarding lifestyles,,,,, not the most moral ones!

Trying to go back and pick the points of where the "Cabal" crossed a line of no return ,,,, that made us all "go with the flow" begs the question: "When did everyone stop

voting?" (smile)

You write:
------Trail Guide - you obviously understand the issues as they are, yet you claim that there is a "society" willing to take upon themselves their own fleecing.----------
---

TG:
No, we turned the cheek as we agreed to fleece each other for the good of the system. All the while holding private emotions that somehow each of us could jockey for financial position while the others were not looking! What else could explain the insane rush into all forms of financial derivatives. No one is chasing this leverage for nothing. The "Western Mission Statement" says that our dollar, free enterprise system is the greatest,,,, let's keep it going,,,, but please let me make my million before anyone "responsible" exposes it for what it is,,,,, and shuts it down!

---------Obviously, you include government and banking as part of this "society", ----
------ and point out that they had in the past, and still have the upper hand and will be able to impose their fiat money on us for the foreseeable future.----------

TG:
Too a degree, yes! I covered this in a post today to Journeyman. We are to a point now where the governing powers cannot turn back. You, I and many here understand the dangers,,,,and openly discuss it, but most do not and will not. If we (from my end) have any purpose at all it's
not to stop this "irresistible force",,,, rather, to better light the trail before us. My contention, as an American, it that our dollar fiat currency will continue through out out lifetimes. In an substantially lower value and international use mode,,,,,,, but be in existence never the less.

ORO, our entire society structure was built on this dollar and we will slowly slide with it's inflationary fall. We will not just shift out of it,,, especially on a downhill run. Look at many of the third world countries that still locally use their almost worthless moneys, but use dollars in a parallel economic world. We will eventually do the same. Read Travlers 2nd post here The Traveler
(1/28/2000; 1:30:27MDT - Msg ID:23712),,,,,'see the part under "Now for new business -----" beautiful! It gives a good perspective.

You write:
------ You are arguing that the fiat system is unresponsive to the fact of its own inefficiency reducing long term growth by an enormous margin - by half as far as I can calculate the effect. Alternately, you are making the argument that the system does not reduce efficiency but is
necessary for growth. ---------- I know that the fiat system is not capable of increasing the growth of output. It imposes a transfer of resources from producers to government, banking, and related interests and reduces the resources available for producers to further produce and for the global community to raise standards of living. The fiat system is a negative sum game and the free economy is a positive sum game. Their connection together produces less wealth than is possible without fiat.----------

TG:
We shift gears here and talk about the Euro system. We have to differentiate

between a brand new reserve fiat currency and an outgoing one that has been aged from debt and it's constant attempted alignment with gold. Of course the Euro has all the bad qualities you mention,,,,,, but so did the dollar at the beginning! Are we comparing apples and oranges?///// No. Just as you posted earlier, the dollar was never on a traditional gold system. And even during most of the time it was,,,,,,, the world financial structure would not hold still.

Yet, the US economy did incredible things and did it using a constantly evolving ,,,,,,"in reality mostly fiat",,,, financial system. Yes, we robbed our citizens of productive efforts (including gold) to do it,,, but "in much of our beginnings" ,,, as a whole it worked well enough to give us a major world standard of living. The same thing is going to somewhat happen in Europe. And their gold system may end up as the best yet!

ALL:
My FREEGOLD discussion with ORO and others is not a change of venue for me. Actually, I am laying the foundation for much of the discussion I will undertake on the "Gold Trail". Here, as Trail Guide I am debating the issues as myself. As FOA I will be offering the Thoughts and Reasoning of others.

Also SteveH,
I never did thank you for that wonderful work in your "Open Letter". All of us gained insight from it.

Thanks for reading.

Trail Guide

The Traveler (1/28/2000; 1:30:27MDT - Msg ID:23712)
…
Now for new business -----

Steve Hickel's macro viewpoint by and large mirrors our profile (Yes, we predict that the Euro, warts and all, will become in time the primary reserve currency. The permutations of this eventual reality offer prepared capitalists many prosperous opportunities). Naturally, most innocents will dismiss Mr. Hickel's viewpoint on a day that the Euro fell 1% verses the US$ and by almost 20% YOY.

Less understood by many gleeful goldmeisters of the Americas and Japan is the calamitous fallout from this eventual reality. Simply put, dollarized economies will go the way of Mexico, Brazil, Argentina, Indonesia and Russia to name but a recent few as the world goes to the Euro and a free market in physical gold. Consider this basic equation:

Now: US$ 300 = E$ 300 = 1 ounce AU = 15 barrels of crude = 1 man's new suit

Eventually, after the US$ devalues internationally and hyperinflates domestically in order to find its intrinsic equilibrium (Read: true value), the equation will look much like this:

Later: US$ 3,000 = E$ 300 = 1 ounce AU = 15 barrels of crude = 1 man's new suit

The US$ variable is largely controlled by foreigners who each will decide their

affection for the many US$ that they have endlessly accumulated for the goods and services that their sweat has produced.

The equations state that holders of dollar paper claims (particularly creditors and common shareholders) will become poorer as the US$ devalues internationally and hyperinflates domestically while holders of E$, gold, crude or other hard assets will experience no increase or decrease in their current purchasing power. In certain circumstances, however, those prepared for this calamity will reap a significant increase in their net worth. Read this again and give it more thought. Its a key to understanding your financial future if you hold significant dollar denominated paper claims.

More specifically, suppose I owe the holder of my residential mortgage US$300,000 (or the equivalent Now of 1,000 ounces of AU or 15,000 BO). If I bought 100 ounces of physical AU Now, I could Later sell my AU at $3,000 per ounce and payoff my mortgage. I am ahead (for I received a $300,000 house for $30,000 in gold) while my creditor is behind for it received in full satisfaction of my mortgage 10% of the purchasing power that it originally lent to me. Thanks to the US Supreme Court for supporting FDR's fraud by striking the "gold clause" from debt instruments in its decision dated 2-18-35 (294 U.S. 240, 55 S.Ct.407). This only works if you have a fixed rate mortgage or a floating interest rate with a contractual or statutory ceiling.

Similarly, my oil well will payoff my mortgage Later with only 1,500 BO. The next 15 BO will still buy just one man's suit.

Aggregate this to the many mortgages and other loans held by banks, insurance companies, GE Credit, Ford Credit, your money market fund and the like. As a result of outright defaults (I need my all of my salary to buy food - a sirloin steak Later will cost $100 per pound) and payoffs by the prepared, their capital ratios will evaporate and many will go insolvent. This means that the common shares held in your IRA, 401(k), pension plan and so forth are now nearly worthless.

As a holder of paper claims (CDs, bonds, annuities) against these financial intermediaries, you will receive 100% of your principal back (in the best case) but it will have 10% of its former purchasing power. Yet a suit now costs $3,000 not $300. Thus begins the death spiral of the dollarized economies.

My last comment for this post considers the impact on gold mining shares as the Euro gains acceptance and physical gold trades as settlement alternative in a free market. FOA has essentially stated that these unique organizations will experience a unique set of adjustment problems (nationalization, confiscation of their production two name but two). Thus they will not be fruitful investments. While I agree with their share value at the end, I differ somewhat in their value while in the process of getting to the end.

We believe that as gold triples from US$300 to US$ 900 on its way to (pick your number), unhedged gold producers - not exploration companies - which have fixed rates or capped rates of interest on their mine loans will experience a 10 fold or better increase in their share prices. However, Later the share prices will sink below their price Now due to government theft. Holders of such shares could also payoff their mortgage or other secured debt for a fraction of the purchasing power originally received if they sold soon enough.

I am exhausted as I am certain you are if you made it this far. Thanks for your indulgence. Perhaps I will post again soon.

Best regards to all.

Trail Guide (02/17/00; 05:20:33MDT - Msg ID:25500)
(No Subject)
Hello Henri,
I printed that one ! So should everyone else(hopefully there will be more of those to come?). Henri (02/16/00; 20:55:20MDT - Msg ID:25487)

Now if we can just get Traveler to continue.

Thank You, sir Trail Guide

Trail Guide (02/17/00; 06:45:40MDT - Msg ID:25508)
Freegold
-----Elwood (02/16/00; 21:44:19MDT-MsgID:25492) Feegold---
and
--Elwood (02/16/00; 22:52:18MDT - Msg ID:25495)--------

Hello Elwood,

You write:
----- During the few times in history in which man has chosen this path, great leaders have arose to lead them there and thence out again once the danger has passed. Wherefore are such leaders today? Are the spirits of Jefferson and Jackson truly dead?----------(and)--Was
Freeman Tilden truly correct when he wrote the following in his book, "A World in Debt"? "Nothing, has been more amply demonstrated during the past three thousand years than this: that the great majority of men do not esteem, or understand, or even desire personal liberty. What they value is the semblance of liberty accompanied by indulgence."-----

TG:
Oh boy, Tilden said it right,,,,, "semblance of liberty accompanied by indulgence"! This very aspect of modern life is clearly visible in our money systems today,,, and will most likely be the norm for some time.

It's one of the reasons I brought up Freegold,,,,,, so we can all air our feelings and perceptions about money and life,,,,,, past and present. I submit that most goldbugs are not preparing themselves for the trail ahead. "Reality",,,, in today's context is that the world is going to use a fiat
system for the foreseeable future,,,,, come what may.

If we can understand the impact a currencies "timeline" has on it's value, we can position ourselves to dodge "at least" the "worst effects" of that speeding truck you speak of.

You write:
------Haven't you, yourself, argued that our entire standard of living is but an illusion based on that robbery of others?---

Yes,,,, AND eventually??,,,,, or perhaps most likely??,,,, the fiat Euro will also create the same illusion of wealth that the dollar has given today. But, the size,,,,,, scope,,,, perception of that wealth illusion is most evident at the end time of a currencies life,,,,,, not the beginning.

This is one of the reasons my friends question the over dependence,,,,,, the over positioning of ones wealth in dollar based wealth and gold derivatives for this transition. For myself, it amasses me what a difference there is from Western perceptions and much of the rest of the world. In America, for instance,,,, investors know little about the true need for "real gold" and put perhaps
10% into it at best. And even little of that position is real metal. Major private players elsewhere consider 30% a good mark for our present time. It used to be 90% (talking about the hard money portion of ones overall wealth) of our (American view) metal holdings was in derivatives with 10% in metal. In the 70s that meant gold futures and mining stocks as the paper portion and 7% silver, 2% gold and 1% other as hard metal. Today, many do the same thing and also "trade" extensively, thinking it's the way to catch up. What they do not realize is that the mechanics of the entire "gold market" as we know, it has changed dramatically. The risk today is that the whole gold market place,,, and all the equity structure that depends on it,,,,,, will fail and shut down as the dollar reserve currency system suffers the first (and largest portion) phases of it's long term
downward drift.

In ground reserves (ore),,,,, future delivery against contract gold,,,,, cash delivery against contract gold and it's implied later purchase of gold on the open market,,,,,, will all be discounted heavily in a mad scramble to exit dollar assets.

This recent paper evolution of our gold market is the natural, end result of an old dollar / gold relationship being mutated in an effort to prop up and extend our dollar system. Once this strategy was / is abandoned, it will collapse with and before the dollar,,,,,, and in doing so "take out" the perceived "equity in almost every gold derivative asset.

This is the reason why many major private gold investors today believe physical gold will far outrun all of it's modern contemporaries,,,,,, and do so by a huge amount. As such we (that's me too) now place 95% (again this is the hard asset portion of their overall wealth) of their hard
money in physical "gold" only! I not only expect gold to keep up with any hyperinflation of the dollar,,,,, but out- pace even that ,,,,,, by a large amount!

This position was promoted and considered very radical only a few years ago. Today, many are reconsidering it. Again, on the Trail I'll build quite a foundation to support this view.

Thanks Trail Guide

Trail Guide (2/17/2000; 17:46:18MDT - Msg ID:25551)
Just nuts!
http://www.siliconinvestor.com/insight/contrarian/
Hello Farfel,
I bet this tops your story:

From Bill Fleckenstein's site ----------

In the mania chronicles... A reader who is a rep for a discount broker in Toronto sent in the following:

"A couple of crazy calls today reminded me of how ridiculous everyone has become.

"One client asked me for a quote, giving me the symbol of the stock. He then asked me to check his account to remind him how many shares he owned. I didn't recognize the symbol and asked him the name of the stock (I can get it from the quote screen but it takes a couple of extra steps). He
replied that he didn't know the name of the stock, only the symbol.
Remember, he already owned the stock. Next we went on to another quote. This time he asked me if I could tell him what that company did. I checked a couple of news releases and told him it sounded like they were involved in faxes over the Internet. That was all he needed to hear, and he bought 100 shares at market.

"Another call today was from a client who wanted to buy some "aec.wt". I set up the buy and started to repeat it back to him before releasing it. I read the full name - including the word `warrants' - and then asked him if he was sure it was the warrants he wanted and not the actual trust units. I could tell he didn't know what I was talking about, so I explained to him what the warrants were. They were basically worthless and due to expire in March. At least he caught on quick and decided he didn't want them after all. I was
almost encouraged, but then he just went and bought some other penny crap. Oh well."

Trail Guide (02/18/00; 13:18:44MDT - Msg ID:25607)
On The Gold Trail! Go get em John!
http://www.tocqueville.com/brainstorms/brainstorm0057.shtml

----------The LBMA(London Bullion Market Association) recently reported a 22% decline in physical trading activity for the first month of this year. The average value of gold transfers fell to $6.3 billion from $8.1 billion in december. If this acute decline in physical trading volume continues, it is not hard to imagine the wheels coming off of the bullion dealer's machine.----------

Also:
--------A short squeeze caused by a contraction of credit among and for the gold intermediaries, the bullion dealers, is on the horizon. ----------

Also:
---------Still, each new rise in the price of gold is being
greeted with cries from the bearish camp that physical
demand is falling away. But the bullish case for gold calls
for the crowding out of physical buyers by short covering
and investment buyers.----------

Also:
-----Gold is a currency, a monetary reserve asset and a credit instrument in the way it has been utilized by bullion dealers.----------

Also
-------Apocalyptic expectations are unnecessary to project a dollar gold price that includes four digits. It will only require the inevitable unwinding of bearish producer and dealer hedge structures amidst a change of market perceptions on the desirability of financial assets.

John Hathaway

Trail Guide (02/19/00; 08:26:47MDT - Msg ID:25658)
(No Subject)
http://www.usagold.com/halldiscussion.html
TownCrier,
Thanks for the "Hall Discussion" page. I can now see where lot's of clarification and more discussion is in order.
http://www.usagold.com/halldiscussion.html

Aristotle,
Bet you knew what I meant in:

Trail Guide(02/11/00) - Msg ID:24996)--- The Gold Trails

-----Thank you Aristotle! A fine work that's worth a long study, my friend. Aristotle, your five part series is ????trechantly???? ritten and offers readers a glimpse into a future that must be. Will be!---------

Hope you did understand it,,, because I didn't! (smile)

Should be -- trenchantly --- vigorously effective and articulate,,,,, sharply perceptive!

In the future ,,,, as I have always done in the past ,,,,, will try harder to use as few "extra descriptive" words as possible. It's bad enough for us to read between the lines of thought,,, and fill in (in our minds) the simple bad word use and misspelling (we all offer),,,,,,, but fast typing descriptive terms wrong ,,,,,, just kills the whole presentation completely. No?

Formal papers are given a good going over,,,,, several times before print. Here, in this convention hall,,,, we not only say what we think,,, we are also saying what we are feeling about the subject as well. Same as if we were in person.

(ha! Ha!) Reading and listening here is no different from my talking to a large group. Going back,,,,, hearing some of my tape recordings of the past ,,,,,, often think "I can't believe anyone actually understood what I said" (smile). But, all in all,,,,, most do,,, I do also ,,,,,, human dynamics in action.

I have stopped all new projects and will be writing a lot,,, fairly soon. Next post coming up.

Trail Guide (02/19/00; 10:03:17MDT - Msg ID:25661)
Freegold
http://www.the-privateer.com/gold6.html#latest

Boy,,,,, the privateer is now hitting right on some of the discussion we have been having here. See his whole post,,, good site.

His words:

----------And Gold's history as a tradable financial asset only really goes back to the "floating" of world currencies in early 1973. ----------

TG:
As the whole gold / currency entanglement threatened our economy and began to come unglued,,,,, they just did what we have been talking about. Instead of setting gold free to trade as a physical asset alone, it was turned into a "financial asset". This exposed it to all the lending,
borrowing and derivative entanglements.

Most every thinker from that time to present uses that period to mark the beginning of Freegold trading,,,, what really happened was far from this. Gold never did become freely traded in the perceived context of just buying and selling gold alone. In parallel to the physical market a
paper market grew that eventually set the price for buying and selling Freegold,,, physical gold. In this respect, gold never did detach from the currency markets. Official policy could still be used to control it's price, therefore making the dollar look good,,, and extend it's life. Yes, one could buy gold, but it's price was marked to the fiat currencies no different than when it was part of the money system. The only difference was that the private market makers provided the hardware (various paper gold derivatives) while the Official markets provided the software (keeping gold lending rates well below currency market rates with the use of small actual sales and "grey" guarantees to supply if needed). In addition this played on the publics ("society") perversion to sell their "hard" , fully paid for" gold holdings and hold the newly offered "soft" (leveraged with less cash on deposit) paper gold. As such the "gap" (physical deficit) has been filled from old private holdings. Holdings that are / were much larger than the CB stash. This supply fact is largely backed up by looking at the gold holdings of "ALL" Central Banks over the last ten+ years. The actual average amount of CB gold hitting the market was never enough to cover the deficit. Not even close. Mostly, other CBs (and large entities) brought the offered gold.

This is the period that low gold prices were,,,, allowing some entities a recycle their dollars back into gold without impacting the price. Some used the paper gold function while others used actual hard gold buys. Oil is good example. In return for the worlds "official policy" oil production was kept high and prices low. Even in the face of a demographic growth in oil use that should have driven prices much higher. In reality, these low prices were backing the dollar reserve system with cheap oil,,,, settled in dollars only.

Cheap gold,,,, cheap oil and World CB support has been used to maintain and extend the dollar reserve system until another currency was available. Today, one is. It's no accident that one year after the Euro was born:

,,,,,,,We find oil prices steadily rising to match it's true economic relationship to world economic growth and use.

,,,,,,,We find the Euro becomming more and more of a financing preference.

,,,,,, We find oil production unresponsive to US demands. Even hinting to cut supplies further!

,,,,,,,We find this modern two tier gold marketplace,,,,,,, built from the mid seventies,,,,,, being abandoned ,,,as it's useful purpose to support the dollar is no longer needed. The Washington Agreement will be seen as only the first of many changes.

,,,,,,,We find the dollar driven into a more overvalued position as world dollar use and therefore liquidity begins to dry up. Prompting the US Fed to pump the money supply in an effort to replace international dollar reserves. We have but to look at Japan and it's Yen to see a similar situation. Here a nations currency is constantly driven upwards,,,,, not from the value of economic function
,,,, rather from financial destruction. Even now the BOE takes steps that may lead to major (hyper?) inflation. Our fate acted out on a much smaller scale? Is this the reason Another said that the dollar would rise first,,,, before it's end, and gold's beginning?

,,,,,,,,We hear talk in Euroland (German citizens) that it's not that their Euro and gold have fallen,,,, rather it's that the dollar has created a US financial bubble similar to Japan in the late 80s,,,, and this crisis is driving the dollar and it's financial sector into a mania. Perhaps an hyper mania?

Also from the Privateer:

----------Gold has always been a great boon to the world's economic prosperity. And for that precise reason, it has always been a great threat to government created and administered financial systems. ----------

TG:
To date, if physical gold supply is further curtailed,,,,,,if physical gold demand rises,,,,,, it's price will do so independant of the paper marketplace. This will destroy the modern dollar supporting two tier gold market. A market created to extend the system, not maintain it indefinitely.

In addition I add that governments can,,, have,,, and do use gold to their best interest if the strategy is to unseat an established but failing money system. We shall see.

Also:

-----It is an "asset class" (like stocks, bonds, and "cash") but it cannot be controlled. ----------

TG:
The "true value" of physical gold alone could never be controlled. If,,,,physical gold, trading as Freegold can again act as it did in the very beginning. It will perform it's wondrefull function outside the official money arena,,,, it becomes what it really is,,,,,, an "asset class" as wealth money. A wealth asset,,,,, not an unworkable financial asset.

Also:

-----What has and is being controlled are Gold DERIVATIVES. And as long as the demand for physical Gold can be met, the price can be controlled by the use of these derivatives. -------

Also:

----Since 1980, the demand for PHYSICAL Gold has never got out of hand, and the use ofderivatives to control the price has been developed to its present level. ---------

TG:
Something the world is "on the road" to changing today.

Also:

------The problem now is that unlike most other financial derivatives, which can be "settled" merely by the issuance of more debt paper or, in a final extremity, by the printing of actual currency, Gold derivatives rest on PHYSICAL Gold, which is in finite supply.----------

TG:
Truly the weak link in dollar support that Euroland will break.

Walking the gold Trail!

Trail Guide

Trail Guide (02/19/00; 10:58:10MDT - Msg ID:25663)
(No Subject)
Cavan Man,
Not too many logs my friend(smile), I have to leave. Last post for today.

Hello Aristotle,
You are right about Ted Butler. I truly thing he and many other traders are a generation that grew up thinking that paper trading of all kinds is equal to the real thing. Yet, look around us,,,,, in reality our whole economic structure is always in the courts fighting over contract clauses someone could not make good on. Rents, leases, buy outs! Even on time delivery of new aircraft often defaults! Just because it's in writing,,,, guaranteed,,,,,, and has good counter party support doesn't mean a contract is the same as "in my hand"! Contracts are just agreements between two parties and mean nothing until concluded.

Far too many players take paper gold as a sure thing. They lost the perception that these items are just a bet on the price change performance, not delivery performance. It was barely real in the beginning and has lost even that early perception now,,,, by a factor of 1,000%. Still, we read of how it's all illegal and "they" are doing us in! Yet, I can place $2,000 down and create a contract for

delivery ,,,,,, and that could be all the wealth I have ,,,, period. What's illegal about that?

We usually hear these arguments in court when somebody is losing big. They try their best to match a moral concept against a legal concept and hope the jury is out to lunch (smile). It's the same in Las Vegas,,,,,,, a guy loses big,,,,,, then tries to tell the jury that the house should have stopped him,,,,,, because he didn't know the house rules were established against him winning!

The real answer to all of this is,,,,, "boy don't play these games in their house, if you don't want to lose". Yet, people still gamble the futures and options in gold and get mad when they find out that the rules were always against them. Ha! Ha!,,,, they never cry a moral story when they are
winning???

Same thing today for the gold mine stock holders. How many would have said a word if the paper gold markets were manipulated in their favour??????? Not a word I bet! Yet, still illegal, no?

ALL: They tell this tail for their own advantage. Gold can't rise that much so use leverage ,,,,,, Gold can't rise that much so buy silver ,,,,, Gold can't rise that much so buy gold stocks. Then gold falls,,, they lose over and over from trading in and out and cry it's all illegal ,,,,,, we pack physical in and wait for the world to swing our way and pray for more of this illegal stuff to keep the price down!
Next play ,,,,, gold spikes way up ,,,, crashes the entire paper marketplace ,,,,,, destroying the finances of most mines and players in the process ,,,,,, same cries again ,,,,,,, it's all illegal ,,,,, they forced it too high!!!!! It will never end!

As Another said "Out bet? They can never cover. Because we play "our" game in "their" house"

Also: Aristotle ,,,,, you write, 'I hope I didn't undermine any natural progression of ideas you had planned by tossing this out on the Table too early"
I saw some while back that you had caught on to what was happening. Funny, there is but a very small group, world-wide, that are working on this. I guess thoughts travel through space and time?

Go for it my friend.

Thanks Trail Guide

Trail Guide (2/20/2000; 7:11:59MDT - Msg ID:25690)
Welcome
ThePrivateer (02/19/00; 22:42:09MDT - Msg ID:25681)
Checking In

Hello Privateer and Welcome!

It seems that a good number of people use your work to argue the "gold game" (often against me). They often send me parts of your thoughts as evidence. After visiting your site (for some time) I can see why,,,,, you have also been following the politics of gold from way, way back, no? You are not alone, I think Michael Kosares

was following it from the 2nd day of his birth (big smile)

I present your position, mostly in agreement,,, but add that it is one of many parts of the gold trail we all now walk. If I may, I will post some of your work (with link) in the future?

I did check my recent item and it did include your link. (I got a little nervous and had to check. Thought I put it in, and did.) (smile)

thanks for posting
Trail Guide

Trail Guide (02/20/00; 12:44:17MDT - Msg ID:25701)
(No Subject)
Hello canamami,

You write in your: canamami (02/19/00; 11:37:37MDT - Msg ID:25664)----------

-------The debate concerning the morality of CB gold sales and leasing turns on whether the CB's should convert what I'll call "currency gold" (accumulated when currencies and gold were more intertwined than they currently are, and often the product of expropriation or other governmental
coercion) into what I'll call "multi-use gold" - i.e., commodity and jewelry use, and private savings not denominated in currency terms.----------
------I believe it is improper for CB's to convert "currency gold" into "multi-use gold". First, this gold represents in a concrete form the accumulated savings of those who created wealth at a time when gold and currencies were intertwined, and thus dumping it on the market for "multi-use" purposes is a method of frittering away past savings. Second, an industry has arisen (i.e., gold mining) based on the premise that the CB's won't place this gold on the "multi-use" market. Therefore, CB gold sales serve to wrongfully destroy the gold mining industry.----------

TG,
It seems to me that much of the whole argument on gold swings on whether the CBs are indeed dumping gold in the traditional sense,,,, that is, actually selling it into the industrial marketplace. This is much of the real thrust of everyone's discussion. I think it leaves out most of the picture and shrinks our ability to understand what is happening.

If one looks at the world through a long pipe we only see a small amount. It's called a narrow view. Gold thinking has today forever changed as Western people now think they are more educated,,, sophisticated and only need to see what is right in front of them. Put the pipe down and it's amazing what's out there.

Well, it all started many years ago when most investors had never even heard of "forward sales". We all received a good education given by the mining and brokerage industry as to how one should invest in gold,,,, and from this position it's no wonder the price of physical gold is now so easy to control.

The modern gold industry could be compared to a hypothetical "shoe" industry,,,,,

like this:

------Every family was taught that there was much more leverage (and profit) from putting the families finances into buying the shares of companies that make shoes. It seemed that almost everyone would have to buy shoes at one time or another and this demand would certainly drive
shoe prices sky high. In time, thought has indeed evolved. Today our logic dictated as a must that it was even far better for one to buy shoe mining companies than owning the shoes themselves. Slowly, over many years,,,, families held less and less pairs of shoes and more and more company
stocks. Logic moved further until,,,,, they lowered their shoe buying until each family shared only one pair, but owned a bunch of shoe co. stocks. In addition,,,, "indirectly, through third parties" ,,, they owned contracts for the delivery of real shoes. Indeed, this was smarter because their money was invested for a higher return in other areas,,,, and they could always exercise their contracts for more shoes if needed. Especially if "changing times" required the ownership of more than one pair per family.

The future as my evidence for today:

(A). As time and events later proved,,,, things were not as everyone thought. Later in this cycle, it turned out that many of the shoes everyone had contracts for,,,,,, were mostly the product of other families selling their excess shoe holdings. Not the governments selling so much themselves. Worse yet, those shoes had multiple contracts written on them so as to make the delivery impossible. To
cover all those contracts, shoe brokers and companies had gone into OTC and futures exchanges to buy "financial" hedges for shoe delivery. In a twist of logic, even though those hedges could only be settled in cash, these contract buyers figured that at least their "financial book" would be
covered if a shoe default occurred. But this did nothing for all the families that didn't read the small print that said shoe delivery contracts would "through national emergency" or perhaps "security exchange rules",,,,,, also be settled in cash under adverse conditions. Well,,,, most of these very sharp investors accepted even these conditions. They figured that with even a cash settlement, and well before national rule changes,,,, they could pay their taxes on the profits and still buy the shoes in an open market. And using the same logic that placed them in this position,,,,, figured they would buy even more shoes because their cashed in paper leverage gave them more money! Now, after the fact it didn't work out that way. Shoe prices ran ten times faster in the middle of the default settlements,,, so even with some players making 1,000% in cash,,,, shoes were nowhere to be found. If they were found, these cash profits brought even less pairs than if they had put the origional money in them in the first place

(B). Further,,,,, time later revealed that in the late 90s demand for shoes had indeed "skyrocketed", world-wide. Fortunately, many of the people in the Western nations of the world had "brought into" this logic of having only a few pairs of shoes per family and holding their other "shoe wealth" in other paper forms. Some in Dow stocks,,,, some in shoe stocks,,,,, some in shoe contracts,,,, some in shoe derivatives and other options. This effect diverted much of the real shoe demand by spreading out the buying into paper form. It allowed many existing shoes to be diverted overseas where people wanted to get rid of extra dollars and indeed, hold real shoes as their families wealth. Now, after the fact,, we know that the real demand figures from Shoefield
services were completely skewered because they only counted real shoes shipped,,,, not the paper shoes purchased!

(C). Further,,,,,, events later proved that the Central Banks really knew the value of shoes to the world after all. Even during this period, records later proved that the CB mostly sold shoes to each other,,,, with only a small amount (relative to demand) flowing into the real markets. It seemed that they really only rented a very small amount of shoes (relative to demand) to keep the rates down. Perhaps it was the power of suggestion?

All this was in an effort to keep world demand from destroying the "Whole Marketplace" for shoes. This policy was helped enormously as most of the Dollar / IMF banks were more than willing to supply "this paper shoe marketplace they had created earlier",,,,,,,, with paper shoe
commitments because of the profits this created. The CBs saw that "Western investors" would satisfy most of the real demand through their willingness to hold paper shoes,,,,,, and indeed, if shoe prices stayed low,,,, these same investors did indeed,,,, gladly sell their "old shoe bar
holdings" into the huge world demand. Further helping to keep the shoe prices low. All in a effort to give some foreign dollars an illusion of shoe buying power. The rest of the other dollar world,,,, that understood the message being sent by the CBs,,,,, traded their fiat for shoes,,,, over time,,, as able. Now, after the fact,,, they were right. The gold ,,, err err shoes, that is,,,,, they purchased and held in physical shoe friendly government hands more than offset the value lost as the world gold market fell apart,,,,, taking the dollar with it.

Indeed, it's strange to see that today (year 200?) after the fact,,,,,,, the dollar is still trading,,,,, and still the main currency of the US and a losing holding for many other dollar tied countries. Now, with oil, shoes, goods and services still being sold to them in dollars we now know that talk of dollars being phased out was all wrong! The only thing that changed was dollar asset values and an realignment of world trading structure as it applied to using currency reserves.

Today, most all products brought and sold in dollars are either done in Euros first then changed to dollars,,,, or indexed to the new world Freegold market price. Of course price inflation has virtually destroyed a major portion of the US economic structure,,,,,, rendering it unable to
compete very well world-wide. Indeed, whatever price advantage dollar depreciation gives them, it's completely lost because inflation continues to make production profits non-existent. Slowly, they are using up all their gold reserves in an effort to prop up local industry with profit supports. Still, in time US manufacturing infrastructure will become only a shadow of past glory days.

(D). But time stops for no one,,,, and the shoe market had indeed evolved further. ------ As in all things, greed got the better of the "World gold marketplace" as the ones (banks) that made the market went hog wild creating paper gold for their clients. It seems they entangled every financial facet of the industry into this operation. It eventually became impossible to function outside this new
creation. When the end came, most everyone had had some exposure to the vitality of this paper gold market. When the two tiered marketplace finally failed, it took almost,,,,, "ALMOST" everyone in the industry with it.

What started as an official "grey" policy to keep gold prices low,,,,, had mushroomed into a "we cannot turn back situation"! When it's existence became in the "national interest" of the US (dollar / IMF) we now understand,,,,, because it's failure did

indeed rock the dollar world,,,,, not to mention it's old illusion of value. Up until then, dollar assets outside the US had a choice of staying put or
moving into gold as a reserve. But prior to that time society forced the old gold system to fail,,,, so no one could make a good point for returning to a system the world was not willing to live with!

Further, if they did move into gold then, the shock would not only kill the marketplace from where they got cheap gold, it would destroy the function of the world economy because it had no other dollar system to use. So, they supported the dollar and it's gold market even though they didn't like doing it.

(E). Closer to home now,,,,,,, and back from the future::::: This is the broad view.

World political warfare being what it is,,,,, and lasting through out the ages,,,,,, an event has occurred that changed everything in strategic thinking. The Euro was born and became a success!

Now,,,,, this Euro is no dollar, I know,,, and it has many, many problems,,,,, true. But the one thing most people don't understand is just how much political "will" there is out there to escape from the dollar held world. And do it before dollar debt makes it self implode in an inflationary
blaze. Every major world player today, knows that for the last 25+ years we all have lived in a dollar house with a ticking inflation bomb about to go off and burn it down. Every bid of new debt piled ever higher on this system ages it's timeline and takes it one step closer to going off. Yet, it also is trip wired so that if we all exit at once it goes off while we are at the door, leaving many inside. Only recently has an unwired window been found for all of the world (that wants to and can) to escape

On this measurement everyone has completely missed out thoughts. If the Euro proves equal or better than the dollar ,,,,,, good! But, it doesn't have to be even close for most of the world to eventually run to it. They want out from under the dollar system ,,, so bad,, they will eventually
throw caution to the wind to escape it. Understanding this dynamic is key to seeing how the shoe market (gold market ,,, (smile)) is going to evolve. Supply and demand,,,,, legalities and moral truth,,,, fiat moneys verses hard moneys,,,,,, are all nothing in political warfare and national financial self preservation. If gold happens be used as one of many items to help unseat the dollar,,,,,, to
quote from the bible,,,,,, "it shall be done!"

Once the gold market implodes, it will set off a chain of events that will propel investors into using the Euro as a world reserve, come what may. From that time forward any mention of paper gold will be looked at with total disbelief. Anything outside of up front, cash on the head physical trading will be only be found in the back alleys. Euroland will embrace gold with a new physical marketplace that will endorse a bull run in prices like nothing ever seen in modern times. It will not be inflationary anymore than YAHOO stock prices are, precisely because gold will trade as an asset, not a currency. Official BIS / ECB policy will hold that gold is this asset wealth we have been
talking so long about. This is exactly why they now hold it as a asset reserve outside their Euro and mark it to the market. In the future it will be used to settle payments no different than if one gave another Yahoo shares or the deed to their house as debt payment. But, it will no longer contain an official currency function. The political will to control it's price for the sake of world currencies will

be gone.

So, canamami,,,,,, are the CBs selling gold that -------" " represents in a concrete form the accumulated savings of those who created wealth at a time when gold and currencies were intertwined, and thus dumping it on the market for "multi-use" purposes is a method of frittering away past savings." " ?????? ----
Could be my friend, but there is a lot more to it than that!

I think that by putting down the pipe of narrow vision investors can see that they can participate profitably in a future financial structure,,,,,, but only if they can see the future in a broad sense. Most, " "I say MOST" " of the gold industry will suffer massive dislocation and investor loses. But not all of it. Still the risks are so great (as many such as yourself have found out),,,,,, that the correct
position is having the majority of my hard assets in physical gold and the rest in a very small position of paid up gold shares. Even today we read account after account of sleepless nights and worry over whether ones 100% holdings in mining shares will work out. Desperately hopping that
the stock markets will not crash,,,, and inflation will return before the paper gold market forces prices down one more time,,,,,, and did I make the right move,,,,,and is this the right stock,,,,,, are they really hedged,,,,,,, and will my penny stock last long enough. And all for what?? The hope that the world has not changed and ,,,,, mining stocks will run before gold prices like they did before and ,,,,,, and they won't let me down by only going up at the same rate (or a little bit faster) than much safer bullion?

If ,,,,, " " IF " " what we offer is just a theory as yourself and many other proclaim,,,,,, do you think I am going to be hurt holding a chest of MK's old world coins and just a few mining shares? Truly in this world today,,,,, "a man's just got to know his limitations!" Yes? And you ladies also!

Indeed, had the world been different,,,,,, I think there is not a mining co. leader out there that would not have wished for another outcome. Nobody in their right mind encourages consumers to buy their company stock first, instead of their main product. Had all investors brought physical gold (shoes) first and held a small position of shares for a lifetime (instead of trading), the entire market would have been forced from real physical demand to re-adjust. The lending industry would self destruct long before this. And perversely, too the dollar would have been devalued in gold,,, perhaps changing the future?? We will never know the end of that story.

Having said all of this,,,,,, I am very positive about GATA,,,,, a few mining shares and the prospects of gold coins (and bars) in general. We'll have lots of time on the Gold Trail to see the good side of all of this.

Thanks ALL: for your time Hiking with me!

Trail Guide

Trail Guide (02/20/00; 18:09:59MDT - Msg ID:25717)
(No Subject)
ALL: Thanks for your thoughts. Cmax,,,,, (smile)

Cavan Man (02/20/00; 13:17:45MDT - Msg ID:25704)
Trail Guide
What do you mean by "paid up gold shares"? Thanks!

TG:
The very best brains for management,,, mines in operation for decades,,, unhedged,,, profitable now and at much lower prices,,, massive reserves going out decades,,, paying a dividend,,, outside the sphere of US / IMF influence,,, likely to have a good relationship with Euroland investors in the future,,, large payroll that supports a big segment of host countries citizens making further nationalization and taxation contradictory to national interest,,, takes world class steps in support of a physical marketplace!!!!!!

All in all, a company that wouldn't mind if investors brought it without any leverage,,, and did so as an after thought behind ones buying the same bullion product they sell,,,, especially if they (company investors) would only hold for a good long time. -------- Not many around like this,,,, uh? (smile) Yes, they do exist.

Cavan Man,
"Paid up gold shares" belong to investors that have purchased their "very private bullion coins first" as the largest part of their position and still have resources to buy more coins later. Shares amount to a small, but "concrete" portion of our long term hard wealth,,,,,, held with no leverage,,,,,, no sleepless nights! In other words, putting you in control of a successful hard wealth investment plan. One you can live a lifetime with! The secret of the worlds truly wealthy is in their being in control, not how much they have. Each of us has the power to place ourselves,,,,, one on one,,,, eye to eye,,, with the the most powerful. Because it was never how much you have,,, rather how much control you have over your wealth that makes or breakes you.

Most all of us are blessed with the time to build a powerful position, no matter how short our life or how little we make. Unreasonable use of leverage is the "hangman of fools" and "the destroyer of our free spirit".
I'll talk more on this,,,,,, along the trail,,,,, be sure of this!

Thanks Trail Guide

Trail Guide (02/20/00; 18:19:48MDT - Msg ID:25718)
(No Subject)
CoBra(too) (02/20/00; 14:43:12MDT - Msg ID:25706)

------A nugget uncovered with your own labor on a promising site, just off the main trail, but nobody else's "claim", may even be more rewarding than loping all the physical along the way.----

TG:
You are a free spirit indeed, CoBra(too)! May the wind always be at your back!

Thanks for discussing,,,,,,,,, Be back in a day or so.

Trail Guide

Gold Trail Update (2/23/2000; 19:49:23MDT - Msg ID:25900)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (2/23/2000; 19:49:22MT - usagold.com msg#6)

Introduction

Hello everyone, I'm glad you could come along. My name is FOA. I see a lot of old faces here,,,, and some new. If you are wondering where we are,,,,,, your participating in one of our walks and talks on "The Gold Trail". You're one of many people who take the long drive out of the city to come here. Some say it clears their mind from things that are not real. Whatever the reason, it seems everyone arrives here sooner or later. For myself, I have been hiking this path for a good part of my life. I prefer it here, because from this vantage point we can better grasp how the world works.

None of us are the first, nor will we be the last to take this hike. Over time, various people and nations have been on this path, perhaps going back a thousand years or so. During some periods this same trail was followed right through the main stream of society. While during other times, like today it has tracked far away from the economic illusions in our modern world.

I see most of you have brought your laptops (computers) and cell phones for internet access. Good. We will be looking at charts and things as we go along. Also, one of our rules here is that no one can offer their credentials of track records to each other. Out here we all are the same with no exception. Just real people taking in the world events as they happen around us. Besides, one's past accomplishments and financial success are about what happened yesterday, not tomorrow. And understanding the future is what time on this trail all about. We will only look back at past events and commentary to gain perspective, understand ourselves and find reasoning. A process that helps all of us think more clearly in this world gone mad.

And one more thing before we get started: some of you were asking who I am. And I also heard those city slickers in the back joking about how this was all "so lame". Well, to address the second item first,,,,, more than a few of you slick dudes have left this trail complaining that the hike made their brain hurt worse than the old leg muscles. We'll see if you new ones are still joking after walking a few miles! Oh yes, I see you're wearing hard sole dress shoes. Now that "is" lame! (smile)

Back to the first question: all of you already know me. Just look in a mirror and see for yourself. I'm the butcher, baker and bricklayer,,,,,, doctor, lawyer and the banker. From the Texas oil man to the yardman in Hollywood, I represent the thoughts, feelings and perceptions that many people have, but never express. After we share some time on the trail, many of you may find that most of this understanding and knowledge of FOA was already with to you to begin with. Truly, it was the years of exposure to "Western life" that has obscured our good reasoning.

Mine is also a world perspective that offers thoughts and views as seen though the eyes of others from many lands. Sometimes it's through the eyes of Another. Oh yes, one more thing,,,,, I'm American to the core! "Born in the USA" and still living a "very" private life in my home there.

Onward

We must view the world in a broad context, just as much as in a detail perspective. The larger perception can be just like looking at a river the valley from the ridge above. From far away it's easy to see what direction national trends are flowing. The whole body moves as one, always towards the sea. The problem comes when we get too close and interpret things using only a small river section in front of us. More often than not, the white water we see only hides a deeper flowing truth.

In like sense, national governments and society in general, are the same as those boulders and eddies in the river. Seen up close, they sometimes give the impression that the river is flowing up stream or sideways, when it's only one small section of a larger political will. The same is true in the modern gold markets. The largest part of the river could be flowing in one direction with an unstoppable purpose, but the various swirls and eddies make it look like it's going in circles.

Further

Within every social order, people have conflicting factions that try to dominate the whole. But if one can understand and pinpoint the logic and reasoning of several dominate groups, we can get a grasp for the overall eventual flow. We have seen through out history and in our modern life that the human spirit, most always reaches for and leans towards natural conclusions to ages old problems. There is something in us that makes mankind flow this way. Time and again we build up our emotional will. Then in a great flood we literally overwhelm the branches and rocks that distort our progress through this stream of life.

Today, it seems that the need for this natural flow has been perceived by several of the worlds large groups. We see this in the progress of the gold market to date and is something we have been discussing publicly for several years now. We have given many different perceptions of this changing modern gold market. Each appropriate to it's own period of time. Indeed, they were snapshots of political will,,,, each taken in the context of the moment,,,,, all documenting the evolution of gold as a new force,,, a new player in the world today.

Truly, the stream is being prepared for the great flood that must come, will come!

We rest now

Our most broad view, expressing our strongest position is this: From ten or perhaps twenty years ago a political will, a concept was being formed that would today change the economic architecture and power structure of the world. Within this change, gold would undergo one of the most visible transformations since it was first used as money. We expect that starting three or four years ago, the actual gold market itself, started responding to this sea change. As such, in our time, physical gold will enter the greatest bull phase in it's human use history.

This my friends is the very trail we walk today. During our hikes and fireside chats, we will point out this political will, consider the logic and express our reasoning for this position. All the while, observing the "river current" in the form of events that will soon confirm our view. Indeed, as Another always said, "time will prove all things".

At times we will walk looking backwards, as we pull up many of our old posts and discussions, detailing the whys and what-fors. Why we said what we said, then. I hope these walks will be as interesting for all of you as it will be for me. When not writing here, I can be sometimes seen discussing gold on the USAGOLD forum as "Trail Guide".

And lastly, I wish to thank Mr. Michael Kosares for creating this fine venue. Displaying all of the creative, professional talents of the Centennial group of people, this entire site is a testimony to their forward thinking ability which is so lacking in most precious metals companies. With this in mind and considering our changing world, a relationship with them today will most certainly benefit the investor in the long run. Possibly in a way one may more fully appreciate later. I encourage you to support your future as well as this USAGOLD free site.

"the human river flows for the will of no man,,,, it takes our precious time as it's own our lives are spent learning how it does pass,,,,, yet it will never know how we have grown"

We walk this new Gold Trail together, Yes? Thank you for reading,,,,,,
FOA / your Trail Guide

Gold Trail Update (2/26/2000; 11:13:57MDT - Msg ID:26028)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (2/26/2000; 11:13:56MT - usagold.com msg#7)
Foundation
http://www.usagold.com/halldiscussion.html
A Day Walk

If I had a nickel for every time we thought the dollar was finished, I would have a bunch of nickels! Remember back in the early 80s or even further back into the 70s. All we heard was how the dollar was finished and going to crash and burn. Books about hyper inflation and the need for gold / swiss francs were all over the place.

I read all of them to gain perspective and also acted on some of their advice. Made some money on it too. But even then, something just didn't completely ring true about the whole scenario. Indeed, in hind sight, gold never did return above $800, the dollar didn't hyper inflate and most of the world kept using the dollar as a reserve.

Today, we can more fully understand why so much of that early insight failed to deliver.

True, the dollar was seen as a basket case back then. It had just been pulled from it's gold bond and prices were going up all around us. However, because the world had been on a simi dollar / gold standard, all nations that had previously signed onto using the US buck as their currency reserve now did so with even more resolve. More important, it seamed than using gold itself was out of the question as every country's Central Bank brought dollars as fast as we printed them. The dollar still settled most all trade accounts while dollar reserve buying made an obvious show of support for this world system. No matter how much bad press was offered, they

were staying on track and they have continued to do so right up into the 90s!

But all of this flew into the face of what every economist was saying, back then. The common understanding of the era was: if the US didn't stop over printing it's money, we would all experience a major price inflation,,,,,, and no one could stop it! Again, "major" inflation didn't happen and to ask a further question: if the dollar system was so bad, why didn't the world just dump the reserve system and refrain from using it further? In other words, let the dollar be "the US dollar" but don't use it as a backing for your own money system.

Thick Brush Now

Going against the logic of "sound money": through out all the currency turbulence of the 70s and 80s era (including today), the US never did reign in the over printing of it's currency. It continued almost non stop money supply expansion for it's local economy and in addition sent a good portion of it's cash all over the world. On and on the US trade deficit continued to do it's work of feeding ever more US cash into foreign economic systems. We printed paper currency by borrowing it into existence,,,,,, used it to purchase real goods overseas ,,,,,, while foreign governments actively soaked up this dollar flood by expanding their own money supply.

Like this: When you buy an item externally, a dollar is sent overseas to pay for it. Usually, through the world currency trading arena, that dollar is converted into the local currency of the nation which the goods came from. But more often than not,,,,,,, as we print that dollar out of thin air, the foreign government takes the dollar into it's reserve account and prints one of their units for deposit in the local economic system. They do this because: if the foreign CB didn't save the dollar as a currency reserve ,,,,,, and sent it back into the world currency markets to "buy" an existing unit of their money supply,,,,, this action would drive up their currency value vs the dollar and make the price their goods non-competitive in world markets. In other words, a US citizen couldn't use a printed (borrowed) dollar to buy an item for $10.00 that outside the "dirty float" of exchange intervention would cost $15.00.

This is how the "dollar reserve process" inflates the money supply world wide as we (USA) run a trade deficit for our benifit. It keeps the dollar exchange rate higher than it would naturally be thus allowing a US citizen to buy goods at a cheaper price than our expanding money supply and implied currency value would normally dictate. A process in and of itself that invites still more dollars to flow out and purchase still more external goods. Had foreign CBs not taken so many dollars, the ever expanding US money supply would have long ago impacted currency exchange rates and forced a major price inflation internally (in the US). Yes, the major inflation so many saw coming,,, back then,,,,, would have arrived,,,,, then.

So why did these other CBs do it? The standard explanation was that this created a market for their goods here in the US. Yes that's true, but it begs the question; did no one in their land want to buy goods manufactured locally,,,,,, and pay for them with the same printed money supply? Why is it the US could inflate it's money supply to buy cheaper goods externally for no more than the price of printed paper? But, in the same country our paper was sent to, they couldn't print their own currency to buy their own goods? Why couldn't they raise their real standard of living somewhat using the same process like the US,,,,,, and doing so without the burden of inflation or importing foreign currencies?

Again, why would our printed, inflated money movements not create price inflation for us (USA) in goods purchased externally? What if they (foreign goods producing countries) printed an amount of their money equal to the inflow of dollars,,,, but, without holding paper dollars as reserves to back it,,,,, brought the exact same goods from themselves. Common prevalent economic theory says price inflation would result? Or would it? Or better said: why them and not us?

Into the deep woods again

Again, and as above,,,,, In the 70s, it was widely held that the dollar reserve system forced other countries to inflate their local currencies, thereby importing dollar price inflation. But, as time went by,,,,, indeed a decade or two now,,,,,, the same process continued non stop, with no change. It seemed that some "other" countries had found a "new way" to somewhat circumvent the dilemma. Or was this "new way" something sold to them in order to extend the dollar system's timeline?

Many of the lesser third world countries experienced a combination of sporadic hyper inflation and deflation as we forced the dollar reserve system down the throats of their citizens. Their people's living standard constantly fell as they worked ever harder to produce more goods in return for more of our printed dollars. But, instead of using the extra inflow of dollars (positive trade balance) to buy their own currencies in the local system,,,,, thereby keeping their currency strong,,,,, they used that dollar flow as collateral to borrow (from IMF and international banks) more dollars from the world dollar float (mostly called Eurodollars). The lure (or the hard sell) was that they could build up their infrastructure,,, increasing their production efficiencies (human productivity's),,,, thereby raising the national standard of living. Further, they were sold the unneeded idea that even if they didn't completely use the dollar surplus to borrow more, they should hold those dollars in reserve (buy and hold US treasuries) and print more of their own money!

Again, it seemed they had no advocate to push for their own best interest. No one told them that their people already worked cheaply enough to more than offset the competitive loss of a stronger local currency. No one told them that with a strong local currency structure,,,,(that using the dollar surplus to buy their own currency would create),,,,,,,, would allow them to borrow in their own capital markets. A more go slow approach that builds long term benefits. This process would free them from the entanglements of making international debt payments in another money. Indeed, the costs of those involvement's later proved overwhelming!

Now the trail becomes more open

For third world countries their international dollar debt exposure eventually locked them into a servitude to the dollar reserve system. Despite all their natural and human resources, currency involvement had taken a lion share of any productivity increases and increased lifestyle this modern world offered.

However, it did help the cause for the dollar reserve system. By creating an ever growing international debt in dollars, eventual dollar demand to service this debt would only increase. Thereby keeping it's value artificially high. In addition, any left over floating dollars quickly took the form of US treasury debt held in these small countries treasuries. There they were used to further hyper inflate their own currency supply.

For the more developed gold owning countries of the G-7, they had a different question in mind. Again, if taking in inflated dollar reserves was the act of importing US dollar inflation into ones local economy,,,,, and in the process creating a market for your goods overseas,,,, why not just print your own currency without taking in dollars,,,,,, and in doing so give the same buying power the US citizens have in your market,,,,,, to your own people?

If it's not price inflationary to take in part of a world "inflated dollar supply" and create jobs for your people locally,,,,,, why would it be any more inflationary to print your own currency outright? Indeed, why does one need a dollar inflow to legitimize the same money inflation process? That being currency inflation to create jobs?

Why should we (as dollar asset holders) think about this question? Because someone else is and doing something about it today!

Back to a marked trail

Today,,,,,, and after all of this,,,, the dollar never did crash from price inflation. At least nothing like what was expected earlier in the last two decades.

The dollar reserve system was never going to fail then because the major world economic powers were willing to use (waste) all the productive efforts of the worlds people to keep it running. Looking back we now understand the thinking behind this. Without the dollar acting as a reserve, we would have had to go back to a gold system. There was no other currency structure strong enough or deep enough to carry the load.

But, gold had been proven to be much to easy to circumvent as a national or world currency. It seemed human dynamics would never allow an economic system that operated on a pay as you go process without gold debt. If history had proven anything it was that if we have a money,,,, fiat or gold,,,,,, we are going to lend it, borrow it and in the process create debt. Yes, even using gold!

Even if we have a pure gold system, human nature will find a way to turn it into securities. In doing so we will,,,,, come hell or high water,,,,,, lend more gold than we have and borrow more than we can pay back. One has but to return to the history books to see it all in plain print. Over and over again, we start with a solid gold foundation and soon degrade it into trash. It's not just the American way,,,,, it's the world's way.

Because the modern world had progressed into the efficiencies of using high speed digital fiat currencies, no one at that time or today, was willing to crash the whole system by returning to gold. I suspect that the worlds richest would have lost a lot, but so to would "us regular" people. Even with our savings in the form of a "digital illusion", at least we had a job to go to and a dream in our bank account. Removing the dollar and returning to gold would have erased the illusion and temporarily shut down the jobs.

So, dollar hyper inflation never arrived and gold did not make it's run because world CBs bet your productive efforts on supporting the dollar reserve. In the process, the US standard of living was raised tremendously on the backs of most of the worlds working poor. But this is not about to last!

A broad view from the ridge

Not long after the US defaulted on it's gold loans,,,, dollars held as gold certificates,,,,,, major thinkers began the long process of forming another world currency. One that would not maintain the fiction of a gold standard with the somewhat fixed gold prices inherent in such a system. The creation was distorted, to say the least. Just as the River in my first post was often seen in distortion, so too was this currency issue. It began with the European Currency Unit (ECU) and has later progressed to it's present state of the Euro.

After operating on a fiat system for 20+ years people are starting to realize that the only thing that backs a currency is the real productive efforts of their people. Yes, over time we always borrow more than out productive efforts can pay back and proceed to crash the money system.
But what else is new? (smile)

We call this a money's "timeline" and it's as new an idea a life, death and taxes! Time and debt age any money system until it dies. The world moves on. Only this time gold is going to play a different part in the drama. We will all watch it unfold.

It seems people saw something else that would make the Euro unique. Paid up assets also stand behind circulating money. Indeed, if someone owes a $100,000 dollar piece of land , has a good producing job and borrowed $50,000 against his land,,,,,, the world is likely to circulate that debt note as a fiat land backed currency. But, if his gold (the land) is worth $1 million in a free physical market,,, AND RISES FURTHER IF CURRENCY SUPPLY OUTPACES REAL PRODUCTION,,,,,,, and his other debts are relatively low ,,,,,, the same note would circulate just as effectively if the $50,000 was borrowed against his name alone.

In essence, the jump into the Euro is more based on a new currency that is more honest in dealing with our historic human dynamics. Let's try not lying to ourselves and admitting that gold alone in a currency will not remove our will to borrow and lend and therefore eventually defraud each other! Would it not be better to at least not shackle the money to gold. Indeed, a real physical freegold market will constantly be devaluating any fiat currency over a long term. While removing the need for CBs to maintain fixed exchange structure through a dirty float against gold.

But, the most important aspect is in the escape valve gold would provide to developing countries with positive trade flows. Those that wish to settle their debts outside the currency arena using gold as a settlement. Or, if they wish, to buy gold in the open market with their trade reserves.

The secret to all of this is in the "Legal Tender laws". Allowing gold to be used as a Legal Tender,,,, "for the settlement of all debts public and private",, but changing international law such that no form of debt can force it's payment in gold! This opens a one way street for gold and a two way street in fiat currencies. No one will lend gold because they cannot force it's return in the courts, thereby making gold a physical only international currency. Yet, on the other hand, we all must borrow in this modern world and currencies will be the only avenue for this. Creating a demand (and added value) for them in addition to general use demand.

The first thought many will have is that everyone will just buy gold to make debt

payments, driving out fiat currencies. But remember, if you have debts they will be in currency settlement only. One will weigh the cheapest form for repayment! Gold in this atmosphere will be completely free to trade, become extremely expensive and stay that way. Not to mention that it's sale as a commodity (outside it's money use) on the private level will be well taxed.

We rest now

True there is a lot more to this story. Some posters have been discussing it publicly for some time on the USAGOLD forum. If you want a wonderful background reading on what "Freegold" would mean,,, get your laptops out tonight and read the link above. There is also considerable agitation voiced against this view.

First read all of:

Aristotle (2/7/2000; 7:15:24MDT - Msg ID:24589) It begins! -----* Executive Summary --an Outline of Observations *-----

My position: The world is going to change it's currency system before long and this will greatly impact the wealth of dollar asset holders. Not to mention physical gold holders. As a note for further consideration and talks,,,,, we have talked before about the "Texas Railroad Commission" and how it once declared oil a public utility and later controlled it's production. In the future, international law must declare all large gold reserves to be "public utilities" in the countries they reside. Mines will be very profitable and good investments after they recover from the destruction of our existing paper gold market. Still, their total production will be controlled and somewhat taxed. Small private operations will more likely be heavily taxed.

We will pick up the pace later (smile). Eventually getting to oil and the markets today.
Fires out.

Thanks for reading,,,,,, FOA/ your Trail Guide

Trail Guide (2/26/2000; 17:20:26MDT - Msg ID:26046)
(No Subject)
dragonfly, Cavan Man, CoBra(too), Leigh, Solomon Weaver ,,,,,, everyone!

Thanks for hiking the trail with me. I'm sorry I am not replying / talking here very much right now. My intent is to discuss mostly here as soon as we started. However, have had to wrap up several projects. With those behind me, I'll be writing quite a bit on both venues in a day or so. I already see something that needs further clarification and will correct soon. Also, I see a lot of openings for Trail Guide to jump in here and debate the issues! Hopefully, we will throw snow balls at each other,,,, I'm all out of rocks! (grin)
TownCrier,,,, that is some art job with the trees and all! (smile)

Thanks all,,,,,, Trail Guide

Gold Trail Update (2/28/2000; 10:18:14MDT - Msg ID:26126)
The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (2/28/2000; 10:18:13MT - usagold.com msg#8)
First walk
The real hike begins

In my last post "Foundation", we raised several questions as we walked. Some were implied and others were direct. But all were mentioned to give pause to think. Today I'll offer my thoughts from an old study.

By 1971 the remnants of our gold exchange system had two major forces working against it.

First:
The US had printed way more dollars than it had gold to redeem them. This didn't even take into account the fact that Americans couldn't exchange the native part of the money supply for gold. The whole concept of physical bullion keeping officials from printing too much money became shot full of holes. The reality of our modern day dictated that any major world power, not just the USA could eventually override the precedent of a money supply tied to a fixed price of gold.

It seemed that as powers became super powers and nations represented larger people blocks, their ability to just walk away from a stated monetary policy increased. Thereby negating the good effects of gold on a system.

The US had changed it's gold backing policy once before as hard times attacked the local economy. After the 1929 downturn began to gut the wealth of almost everyone, we just took gold out of the INTERNAL money system and added that supply for backing the EXTERNAL money system (foreign dollars). Indeed, all American gold was called in from US citizens. So, for anyone that owned real gold (in their hands), the historic dynamics of retaining ones wealth in gold during a "debt destroying black hole experience" was removed. Further, the "gold force" was not allowed to do it's job of cleaning out all the "dead wealth" created through the prior process of inflating the money supply.

Of the many excellent writers on the USAGOLD forum. I think some would see that the "hard times" of economic contraction are created in the first place by not adhering to a golden monetary system. I agree. But looking at it today, whether it's before the fact or after the fact, society just will not work within a system that fully kills off bad debt. Even if one separates society into two groups,, "controllers" and "the rest of us", it's still the way the world has functioned from the beginning. So, the perception I have received as to how policy will evolve in the future presumes human dynamics will continue as they always have.

Also:
Having changed the rules once (1933) already. We (USA) later proceeded on the same road again. By 1971, we were making dollars at a rate that virtually assured another change in the gold backing game. Indeed, it was becoming obvious that gold could not control the will of a large nation.

Second:

In addition, the very system itself offered no discipline. Think about it. Accepted policy dictated that a nation's gold was held in the same geographic economic block that utilized the money said gold was to represent and control. If that block held the gold and the "real money substitutes" under the same society roof, there was no impartial authority to control how the rate of gold could be exchanged for dollars! A natural, fair $X dollars for X amount of gold exchange rate could be changed at will and for the economic will! For a true gold system to really work, gold would have to be stored and it's conversion rate controlled in a separate nation from the country that printed the money. Without that separation, a large modern power could "using local law, take it out of the system" or "not ship it's gold" if the money supply increased too much. Indeed, this first item was followed by the second and is exactly what happened after 1971.

So, our modern society was quickly proving that it was incapable of maintaining a monetary function of gold if it was intertwined in any official fiat currency mix. Even if the currency represented an outright gold receipt in storage and supposedly redeemable through force of international law!

The trail is heading uphill now

Few people can fully accept or consider that oil became the backing for world dollars after gold was removed in 71. But that is exactly what happened in theory and practice. Using some earlier writing, I'll tie them into what we are saying today. I'm going to repost some of my comments
(between ---- marks) from the USAGOLD forum archives. Starting with FOA (1/15/00; 14:58:12MDT - Msg ID:22961).

---- 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, not gold reserves. Still, with London gold and oil mostly settled in dollars, the foreign dollar oil pricing 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.--------

Having read that (and keeping it in mind), I return to the implied questions of my "Foundation" post below. "Why in the world did foreign governments, especially Europeans, eventually go along with supporting a now fiat dollar reserve system after 71?"

Well, the whole notion of using any paper money is in the confidence that we can eventually trade it for something,,,,, Beer, food, clothes, cars, etc.. Gold was always in the money mix to insure that we could get these items at a somewhat standard price. Still, most of society thinks along the immediate line that: "I don't care where the fiat money comes from or what it's backed by,,,, especially if I can get something well below today's value cost,,,, and it benefits me, now!"

This is where oil made the jump from being "just a commodity" to "the major world

necessity that can and did back the dollar". Prior to the US going off gold in 71, our whole economic structure was expanding because we were gaining massive leverage through cheap oil. Back then, oil was literally changing our lifestyle for the better, and doing so because it's dollar price was so incredibly low relative to what science was doing with it. Modern science had made oil worth so much more than we paid for it, we could extrapolate our debt and money supply growth far into the future and still figure that productive increases would cover it. In effect, the US was targeting it's economy and money value to future oil flow value, not gold. Here is the same thought in my post:

------ 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"!--------

The only problem was that if we continued this route, two things had to give: we would have to leave the gold standard because our money supply was exploding (relative to gold supply) and find a new source of oil because ours was running out. Again, here's more from my old post

-------At that time (prior to 71) we were buying local (internal) oil with "fiat dollars" (made so by the 1933 internal gold confiscation) and foreign oil with "gold dollars".-----

------ , 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.--------

In the eyes of our official thinkers then,,,, For the local US economy to mature we needed to get off the gold standard,,,,,,,, get the world to accept fiat dollars backed by oil,,,, and find more oil that could deliver triple dollar value for every dollar we paid! It was a tall order and one that would require a major adjustment. The transition through out the 70s was rough to say the least.
More from my post:

----------they (usa) 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 (internal dollars were not backed with gold after 1933) , 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 (oil) prices were higher. --------

------- 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. (They were) Caught between what appeared as a good system based on cheap oil and the loss of gold delivery ------

------ Even as we left gold behind (1971) and oil went up (1978), the system still worked (at higher prices) because oil was perhaps delivering $100.00 worth of value and being brought for $30.----------

In a somewhat convoluted way, by leaving the gold bond, it forced all world oil prices higher. Advancing the search for new (still cheap by value return standards) oil and paying for it using dollars backed by not only oil payment settlement in dollars but the continued purchase of supply "well under world use value".

G-7 countries knew that initially they would have to sell some gold in a controlled burn that would allow gold to seek a higher level after the dollar / gold break. However, once oil producers understood that gold was going to be "managed" at reasonable levels, the continued pricing of oil in dollars and it's flow was assured for some time. Allowing the exchange of dollars for gold on the world markets,,,, as needed and wanted.

This also appealed to major countries outside the US because it addressed the "second" problem I listed in the beginning. That being the geographic location of a currency's real backing asset. With most of the world oil reserves located outside the US,,,,,, and the US slowly running out of it's domestic reserves,,,,,,, using oil as a backing dynamic somewhat controlled the "free will" of the US. If indeed, the US backed away from managing a cheap gold market or ran it's printing press too fast,,,,,, oil prices could be managed upward in a devaluation of the dollar. No, not the best of policy concepts for the world, but better than perceiving that the US "Fort Knox" gold was a control on money printing!

Going back to the initial logic of my "Foundation" post, this was the context that G-7 countries "brought into" as they accepted and supported the new fiat dollars without gold. Like I said, the alternative would be a real mess to behold and this position brought time. Time to conceive and introduce a new world reserve structure.

It worked in a broken pattern for a number of years. Oil and gold defied all predictions of higher prices as they retreated from every advance. Central banks gorged themselves with worthless dollar reserves and prevented a hyperinflation of the dollar in the process. They did this, because they knew that gold had the ability to completely replace any and all loss of dollar reserve value once a new system was in operation.

Cutting across the field and returning to today's trail

Nations today, with little gold holdings seemed to have no clue to where this was all going. To a degree, the US used them as they took in dollars and never brought gold at all. They must be thinking that the dollar can be expanded forever and never lose value! To this end, they have based their entire social and economic order on selling goods to the US for a dream in return. Yet, after all these years they are only now seeing that foreign dollars are worthless when the US only runs a trade deficit that will not reverse. The real risk today is now being understood. The American economy will only slow down from a hyperinflation,,,,, and that will be caused from a shift from the dollar reserve function! Trapped holding dollars and no gold to compensate, these other nations are headed for real trouble.

Again, thoughts from my Foundation post

Euroland thinkers (today) are beginning to see where they really don't need dollars in reserve to retain market share in the US. Just as I asked: "if the US is just pumping it's money supply to build a bubble,,,, flooding the world with inflated dollars that we must buy to engage exchange rates..... With the Euro in play,, why do I need to hold their dollars to legitimize the further creation of my own currency? I can buy gold as a "wealth asset" to hold as a physical reserve and print my own money supply..... It's the same difference and at least I have a reserve that

" " IS NOT FLOWING FROM AN IRREVERSIBLE TRADE DEFICIT " " !

In better words:

The Euro float is still too small to receive a massive dumping of unneeded dollars. Indeed, the more the US tries to discredit the Euro,,,, the greater the risk of a "Washington Agreement #2" where the BIS / ECB uses unneeded reserve dollars to BYPASS the paper markets and massively buy "real PHYSICAL gold". In fact, all they have to do is enter the market in a minor way and the entire paper gold arena will go up in flames.

So, Is the Euro falling? Or is the dollar running away as a liquidity crisis threatens it's use?
Are we at the very doorstep of a crash in the US markets and it's dollar?
All caused by an evolving transition from the dollar reserve system?
We have some old writings on this subject and will examine them later.

We make camp here

FOA/ your Trail Guide

Trail Guide (2/28/2000; 20:03:54MDT - Msg ID:26170)

Reply

Julia (2/27/2000; 12:02:03MDT - Msg ID:26095)

Questions for Trail Guide and Oro:
Under your particular system that you advocate:

Hello Julia,
You are right in that this could unfold several ways. Your question is unique in that it's in a real world perspective. This is somewhat how I see it working out:

---1. In what form will I be paid for my job? ----
If your American, in dollars. No matter what the value or inflation rate, the dollar will not die as the US currency. Just like in Mexico today, one would also carry a hard currency in his pocket (dollars there, today are hard). Depending on how this unfolds, you may carry Euros here later??

----2. Could my gold be used as collateral for a loan to purchase my house?
My view is,,,,I doubt it very seriously. The push, world-wide will be to keep gold from being entangled in the loan system. You could sell it and pay a large tax. But, that will only be for people that have to have currency (to satisfy a debt). Or, you could

do like most, use the gold directly as a lawful legal tender. I know this sounds strange now, but in a later context it may not. I'll be talking about this later.

-----3. What are my investment options for my gold? Is there an avenue for me to loan my physical gold for interest or will it be strictly hold for growth return. ------

------ 4. Will I even be allowed to keep my gold and have the freedom to buy more?-
----

For myself, I expect to be holding gold as a "real wealth" asset that will rise in currency terms. It will rise from any further fiat inflation and,,,,, it will rise from "it's" world currency demand. I expect to use bullion coins "lawfully" as a currency that cannot be lent or borrowed. However, the premium on old pre 33 coins will soar because they will be the only form of gold that can be lent and borrowed against. As hinted on the Trails page, the laws could be changed making it impossible to force any loan payment in bullion gold. Voluntary payment accepted by both parties is ok. But one may not,,,, in court,,,,, force gold payment to cover any debt. This would not stop gold use, but would stop all bullion gold lending as no one could be sure of the return of physical gold.

As always, I own gold as a percentage of my total wealth,,,, not all my wealth. I suppose the more one understands, the higher the percentage may be.

Julia, I'm going way out ahead of myself here. This is what I see for now! (smile)

Trail Guide (2/28/2000; 20:05:48MDT - Msg ID:26171)

Reply

Al Fulchino (2/27/2000; 20:52:22MDT - Msg ID:26107)
------Foa/Another, I am following the price of oil. But, if I understand the two of you correctly, we haven't accounted for the price of what oil should be from the inflation registered since the lateeighties in dollar terms. So I would have to see still higher oil prices and at some point a coinciding rise in gold or a higher price that trails oils dollar rise per barrel.----------

Hello Al,
You are right, oil has along way to go before it returns to an overpriced range. By my numbers it should be around $45 and that is the lowest. Even there it represents a positive economic function for the economy because of what we can do with it.

It can rise to this level because we no longer have the whole world supporting the dollar. The pressure to make the dollar look and feel good at all costs is waning. Not even $50 in paper gold will be an incentive to gun production. The dollar backers may try it, but with oil eventually rising, no one will come to their paper gold party.

Like I said before, the political software is in place, the mechanics of this process are moving and we are "on the road" to high priced physical gold. Actually, in dollar terms, high priced everything!

In fits and starts, oil will ratchet higher. Just like the river we looked at "on the trail", the whole thing is moving in one direction. We may hit some rough water, but we are going to the sea come what may!

thanks TG

Trail Guide (2/28/2000; 20:07:24MDT - Msg ID:26172)

Reply

Henri (2/28/2000; 11:13:27MDT - Msg ID:26130)
Trail Guide
-------Question I have...is not the process of the ECB/BIS gold buying already begun with the latest sales (Dutch) being managed by BIS to undisclosed buyers? Also the Swiss have indicated that if their sales are initiated they will be handled in the same manner?------

Hello Henri,
Yes, the BIS is indeed moving the gold now! Probably completely outside the LBMA. We don't know exactly where it's going yet as it's not showing up in the EMCBs,,,,,,,, yet!

We have talked before about the ECB/BIS sooner or later buying gold. I'll be writing about this later on the Trails page. Prior to the Euro they (BIS) had marked $280 as the bottom. I think they were shocked that the dolar/IMF bunch were stupid enough to sanction it's trading below that
figure. I was too as I made a major effort to buy more physical in the spring of 99,,, around 285 or so. Then the BBs just dumped paper on the markets as if no one would care! Well, it stayed down there for what 3 months? Then here comes the Washington announcement. Still, that agreement only isolates the continent from being caught in a paper storm. If this currency war gets out of hand, our boys could drive the London price as low as they want it to go! The paper won't be worth much in real gold, but every trader, market maker and mine owner/ investor is contractually locked to that price making medium. It could all go down in a huge ball of fire and only the physical holders will be whole. (notice I said holders not just owners (smile))

thanks TG

Trail Guide (2/28/2000; 20:09:57MDT - Msg ID:26173)

Reply

Cavan Man (2/28/2000; 15:14:27MDT - Msg ID:26144)
Trail Guide
------- Could you please explain " the dollar running away as a liquidity crisis threatens its use"?---

Hello Cavan Man,
I can't find the series of post where we discussed this! Buried somewhere in the archives are several references from me, ORO and others addressing this.

The short and sweet of it:
This is one of the things old Martin Armstrong, Another and others referred to a long time ago when asked when the dollar would fall and gold rise. It seems that in the later stages of an extremely expanded economy, any contraction of financial assets forces the currency to rise, not fall. We can look to Japan as somewhat of an example. After all of their hyper inflated assets began rolling over years ago, they had (and are having) a difficult time keeping the currency down. The officials have to constantly pump the money reserves and supply in order to drive it down.

The dollar should behave no different when the time comes. This is where many

investors read the signs wrong and assume the currency is strong from a dynamic economy. Most people understand price inflation, and how excess money creation is the process that makes it. But few can grasp how hyperinflation is started as a different dynamic. It is a "driven recourse" where the Central bank is fighting a super financial contraction before the fact. Usually it's created by some unexpected event, either natural or man made.

I think the Euro is consuming some of the financial roll the dollar once had. In the process dollar assets are disappearing while people fund the shortfall in the short term arena. This can be the only explanation for the constant daily reserve adds by the fed (that TownCrier is reporting). We may truly be entering a crisis phase now? We shall see.

Again, I stress that in this situation paper gold can work for or against you! People keep working gold as a trading play using "house rules" that favour the casino. In this ongoing drama using any leverage at all is going to carry some tough odds to beat!

Also: ---Has your view on confiscation (USA) changed--------

No. But there is a risk of them changing the legal tender laws..... and that could make owning the old coins or newer non LT coins more attractive. This was a new item for me. I never saw it in this context. Ever notice how all the new bullion coins are marked as legal tender? I'll get around to this in time.

Later Cavan Man

Trail Guide (2/28/2000; 20:11:48MDT - Msg ID:26174)

Reply

Leigh (2/26/2000; 19:13:43MDT - Msg ID:26052)
FOA
Dear FOA: If the long-expected market crash occurs soon, how long do you think it will take for hyper-inflation to set in? Should we be stocking up on things now and preparing for panic in the stores, or will the inflation happen gradually? Thanks!

Leigh,
I have lived in the South Pacific right in Typhoon country. Part of regular life was to be stocked up on everything, all the time. Even generators. It's the same in the waters where CMax sails his boat, stocking up is normal (if one has reserve cash to do so). Indeed, for many people of the world Y2Ks and major inflation's are,,,,,, well,,,,, just the way it works.

It isn't so important to know when as it is to know "it will". Besides, stocking up on things one always uses actually is an easier way of life,, perhaps even a luxury (smile).

Good Luck TG

Also Elwood (02/25/00; 19:56:55MDT - Msg ID:26013)

----The dollar now is no different than a dot com. No real earnings, no prospect for real earnings in the future, yet sky-high values are the rule of the day. FOA likes to

quote Dirty Harry. Here's one for him: "Well, it's a high price to pay for being stylish."----------

Elwood,,,,, you're killing me (smile)! Old Dirty Harry movies along with Charles Bronson were the rage all over Europe for a time. So, if you have any more of those, I'll have to say "Go ahead, Make my day"!

Ha! Ha!, enough,,,,,I'm gone now TG

Trail Guide (3/1/2000; 16:05:00MDT - Msg ID:26254)

justifiable use of federal power at a time of national emergency

Interesting stuff!! no?

Legal Tender Cases

(1870, 1871), two cases decided by the U.S. Supreme Court regarding the power of Congress to authorize government notes not backed by specie as money that creditors had to accept in payment of debts.

To finance the Civil War, the federal government in 1862 passed the Legal Tender Act, authorizing the creation of paper money not redeemable in gold or silver. About $430 million worth of "greenbacks" were put in circulation, and this money by law had to be accepted for all taxes, debts, and other obligations--even those contracted prior to the passage of the act.

In Hepburn v. Griswold (Feb. 7, 1870), the Court ruled by a four-to-three majority that Congress lacked the power to make the notes legal tender. Chief Justice Salmon P. Chase, who as secretary of the Treasury during the Civil War had been involved in enacting the Legal Tender Act, wrote the majority opinion, declaring that the congressional authorization of greenbacks as legal tender violated Fifth Amendment guarantees against deprivation of property without due process of law.

On the day the decision was announced, a disapproving President Grant sent the nominations of two new justices to the Senate for confirmation. Justices Bradley and Strong were confirmed, and at the next session the court agreed to reconsider the greenback issue. In Knox v. Lee and Parker v. Davis (May 1, 1871), the Court reversed its Hepburn v. Griswold decision by a five-to-four majority, asserting that the Legal Tender Act of 1862 represented a justifiable use of federal power at a time of national emergency.

Trail Guide (3/1/2000; 16:17:02MDT - Msg ID:26255)

government's power to enact legal-tender legislation and defending such power under the "necessary and proper" clause of the Constitution

Strong, William

U.S. Supreme Court justice (1870-80), one of the most respected justices of the 19th-century
court.

Admitted to the bar in 1832, Strong practiced law in Reading, Pa., and served in the U.S. House of Representatives (1847-51). While sitting on the Pennsylvania Supreme Court (1857-68), Strong, a Democrat but a firm supporter of the Union, changed his political affiliation
and became a Republican.

-------- in Knox v. Lee and Parker v. Davis (1871), the newly formed court overturned the Hepburn decision by a vote of 5-4. Strong spoke for the majority, upholding the
government's power to enact legal-tender legislation and defending such power under the "necessary and proper" clause of the Constitution. The abrupt reversal of a major decision so soon after the enlargement of the bench renewed the charges against Grant. Despite this controversy, which overshadowed Strong's appointment to the high court and his first major decision, he served with distinction for 10 years, winning the respect of the legal community for
his ability and integrity.----------

Trail Guide (3/1/2000; 16:30:16MDT - Msg ID:26258)

And how many "shinplasters" are in your bank account?

Here is some more very good food for thought. Please note the word use and how it could be so very "in context today". Especially these items:

--suspensions had occurred during periods of war or economic crisis----------

----- "Hard money" advocates wanted to resume paying specie for this paper money, while "soft money" supporters feared the deflationary impact resumption would produce. -------

-----public favourably inclined to keep using the much more convenient paper money--------

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the redemption of U.S. paper money by banks or the Treasury in metallic (usually gold) coin.

Except for a few periods of suspension (1814-15, 1836-42, and 1857), Americans were able to redeem paper money for specie from the time of the ratification of the Constitution (1789) to the onset of the Civil War (1861). The suspensions had occurred during periods of war or economic crisis. With the outbreak of hostilities between the North and the South, the federal government again suspended specie payments late in 1861.

In 1862 the government began issuing paper money, called "greenbacks" and "shinplasters," and in 1863 it authorized federally chartered banks to issue national bank notes. By the end of the war in 1865, more than $430,000,000 worth of paper money (declared legal tender by Congress) was in circulation.

"Hard money" advocates wanted to resume paying specie for this paper money, while "soft money" supporters feared the deflationary impact resumption would produce. After the Supreme Court sanctioned the legitimacy of the paper money in the Legal Tender Cases (1870-71), congressional backers of a return to specie

payments passed the Resumption Act of 1875.

In accord with the Resumption Act, specie payments were resumed on Jan. 1, 1879. But the knowledge that the government could indeed redeem each greenback or bank note at par in gold made the public favourably inclined to keep using the much more convenient paper money.

Trail Guide (3/1/2000; 16:39:34MDT - Msg ID:26260)

greenbacks continued as the accepted currency!

You may have to put these posts in order, but it's worth a thought.
I know most all of you already know this stuff,,,,, but thought a short review would be good.
(smile)

Resumption Act of 1875

in U.S. history, culmination of the struggle between "soft money" forces, who advocated continued use of Civil War greenbacks, and their "hard money" opponents, who wished to
redeem the paper money and resume a specie currency.

By the end of the Civil War, more than $430 million in greenbacks were in circulation, made legal tender by congressional mandate. After the Supreme Court sanctioned the constitutionality of the greenbacks as legal tender, hard money advocates in Congress pushed for early resumption of specie payments and retirement of the paper money.

On Jan. 14, 1875, Congress passed the Resumption Act, which called for the secretary of the Treasury to redeem legal-tender notes in specie beginning Jan. 1, 1879. The bill also called for reducing the greenbacks in circulation to $300 million and for replacing the fractional paper
currency ("shinplasters") with silver coins as rapidly as possible.

Members of the new Greenback Party were bitterly opposed to the Resumption Act, and in 1878 they succeeded in raising the amount of paper money allowed in circulation. Specie
resumption proceeded on schedule, however, and Treasury Secretary John Sherman accumulated enough gold to meet the expected demand. When the public realized that the paper money was "good as gold," there was no rush to redeem, and greenbacks continued as the accepted currency.

Trail Guide (3/1/2000; 16:45:50MDT - Msg ID:26261)

(No Subject)

Cavan Man,
Don't ever think that your old college teachers weren't learning too as they went along! We always learn from each other. All our lives!
In these articles, it's interesting just how easy people groups can change the rules. For better and worse. I'll send some more in a minute. Also am working on the next Trail walk.)smile)

Trail Guide (3/1/2000; 16:57:05MDT - Msg ID:26262)

farmers and others who wished to maintain high prices!

Aristotle,
Isn't it interesting (and supporting our freegold cause) that the government can "legitimize" an "unbacked" "greenback" currency ,,,,,,, by just accepting debt satisfaction (payment) in said paper!

See: last sentence

It seems that during both yesterday and today, the publics perception of money in circulation is more identified by it's ability to "square the books". Whether it's gold or fiat!?!?

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Greenback movement

(c. 1868-88), in U.S. history, the campaign, largely by persons with agrarian interests, to maintain or increase the amount of paper money in circulation. Between 1862 and 1865, the U.S. government issued more than $450,000,000 in paper money not backed by gold (greenbacks) to help finance the Union cause in the American Civil War. After the war, fiscal
conservatives demanded that the government retire the greenbacks, but farmers and others who wished to maintain high prices opposed that move. In 1868 the Democrats gave partial support to the Greenback movement by endorsing a plan that called for the redemption of certain war bonds by the issuance of new greenbacks.

Trail Guide (3/1/2000; 17:10:58MDT - Msg ID:26264)

Legal Tender,,,,,,, a long subject

After reading below, one can see that silver came into the picture more so because it would allow "greenback" expansion. The whole context of involving silver into the money system came about from the changing of the "Legal Tender" laws earlier. The thrust of the argument was that
people wanted the ability to expand their fiat monetary base..... and the Legal Tender laws were the first way such a change came about.

be back later TG

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More on the "Greenback movement"

The Panic of 1873 and the subsequent depression polarized the nation on the issue of money, with farmers and others demanding the issuance of additional greenbacks or the unlimited coinage of silver. In 1874 champions of an expanded currency formed the Greenback-Labor Party, which drew most of its support from the Midwest; and after Congress, in 1875, passed the Resumption Act, which provided that greenbacks could be redeemed in gold beginning Jan.
1, 1879, the new party made repeal of that act its first objective. The 45th Congress (1877-79), which was almost evenly divided between friends and opponents of an

expanded currency, agreed in 1878 to a compromise that included retention of the Resumption Act, the expansion of paper money redeemable in gold, and enactment of the Bland-Allison Act, which provided for a limited resumption of the coinage of silver dollars. In the midterm elections of 1878, the
Greenback-Labor Party elected 14 members of Congress and in 1880 its candidate for president polled more than 300,000 votes, but after 1878 most champions of an expanded currency judged that their best chance of success was the movement for the unlimited coinage of silver.

Gold Trail Update (03/02/00; 20:15:21MDT - Msg ID:26315)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (03/02/00; 20:15:21MT - usagold.com msg#9)

A Clear Path

It's a nice day to get outside! Let's walk a while.

Think back at our recent history of gold and one can build a better perspective of this "new gold market".

Onward:

After the 1971 gold window was closed, the gold market didn't immediately feel the effects of major physical buying. At least until 1976. Most of the world remained shocked that the dollar was no longer backed, but perception remained that eventually gold would be brought back into the official money system. Yes, the dollar did drop in value but not so much that it would destroy the reserve system.

The world remained tied to using dollar reserves even though gold no longer backed them. Oil prices began their long march upward, but most of these early advances were more so political statements, rather than related to the dollar problem. Oil states, flush with cash, were able to convert dollars into bullion at still reasonable prices (as could everyone else). In addition, rising oil revenues were running well ahead of bullion prices and goods inflation. Producers saw little reason to overly rush into gold because some thinkers still held the prospect of a later dollar / gold relink. Especially so as gold began to sink in price after the US made it legal to own again (for US citizens).

By early 1976, gold was heading for $100 an ounce and making dollar holders less nervous. At that price gold was only a little more than double it's last official price of $42 per oz.. It seemed that the US had achieved what was largely unspoken at the time:

---------- By taking the dollar off the gold exchange system, it provoked a large increase in the dollar price of oil. As I just pointed out, most of those early price rises were political. But not all of it. There was some marking of oil to the free price of gold in a attempt to replicate any lost bullion value. Still, initially, oil prices more than made up for their (producers) now accepting fiat "greenbacks".

Oil was then and is now the life blood of our "new oil economy". For the US, this rising price set in motion a massive effort to find new untapped reserves that were

unusable with the low prices an earlier gold dollar generated. Prior, without a rising oil price, the US faced the real prospect of running out of local oil and having to accept the reality of eventually importing Middle East crude for close to 100% of it's needs. What many only speculated about in the late 60s, later became reality as the Middle Eastern reserves did indeed prove large enough to supply and cheap enough to pump for everyone's needs. Their reserves would outlast and underprice our reserves, as long as we paid them in gold dollars. ----------

I pointed out in my "First Walk" post how oil was indeed taking over the job as an asset backing the dollar. Even with the first increases in dollar oil prices, the world and the producers were very willing to accept a dollar value based on an expanding "new oil economy". At least until mid 1976!

Look over here:

Of course, during this time there was plenty of "background noise" on the world stage. There always is and it usually distorts the picture just enough to keep us from seeing what was really happening. Like looking at a river up close, in the rapids, instead of far away. But, in 1976 :

------The IMF convened a monetary summit in Jamaica and ratified "The Jamaica Accords" in April. For some major people, this paper was the reality that drove home the golden point. The Accords formally recognized the managed floating currency system for the duration. Marking a turning point in how national super powers effect fiat currency use in our new modern economy. But more importantly, gold was "demonetized" as a reserve asset! ----------

Most everyone immediately grasped what this meant; "that gold would no longer back the currencies as it did in the old gold exchange system". However, for some 15 years to come, no one fully understood what was really said! In the Accords, the wording stated that gold would remain a " " Reserve Asset" "! Indeed, as a non currency, real wealth "reserve asset", this world class money was set free to become a backing for any economy. Even one based on a new reserve system. This my friends, was the key to perceiving what would later happen in the world gold markets. We'll get back to it later.

It's no secret why gold went wild from it's lows that year. For the first time since the 71 break, really big demand was driving the market. No it wasn't just the public's buying of coins and small bars. Nor was it the futures traders with their paper orders that caused gold to rise so much. It was the wholesale scramble by huge dollar holders trying to buy some of those "reserve assets" before it's price went sky high. This buying was in the form of 400 oz bars,,,,,,, lot's of them at a time! Some Central Banks slowly sold into the storm in a effort to manage the demand. Politics and the media did a good job of telling the story as they saw it. But the real reason for the managed rise was to demonstrate to oil producers and other dollar holders that everyone couldn't convert if they brought physical all at once. Had some banks not sold, gold would have gone into the thousands, and in the process destroyed the dollar long before it's date was due. Without a reserve system to replace it, our world economy would have crashed and burned.

Further along the path:

Without the prospects of gold ever backing the fiat money system again, a good portion of the next oil price hikes (late 70s) were dollar related. It wasn't until the mid 80s that two things occurred to lower oil prices for an extended period of time.

First-----

The incredible rise in oil prices once again took away some of the pressing need for producers to buy gold. Oil itself was compensating for price inflation. Not to mention that gold was seen as still relatively high. Further, the gold marketplace itself was evolving into more of a contract market than a physical one. Offering hope that financial demand could be channelled away from becoming physical demand.

Europe, London and the US had all joined together in a quiet effort to better manage the price of gold. All in an effort to once again buy time for the dollar. From a US perspective, this time was needed to "work out" the dollars problems. From a Europe / BIS perspective, it was time used to build a dollar replacement.

Did both of these power blocks know what the other was doing? I think they fully well did. But as is usually the case in warfare, the generals on each side think the other doesn't have a chance. Truly, the net effect of this joint effort resulted in a stalled gold market, even though the reasons for it differed.

Second------

Once the evolution of this supposedly free gold market was seen by oil as backing the value of the dollar (with a stalled gold price), production was increased in the mid 80s. The combination of OPEC's added supply and the new supply created by the price induced US drilling, all forced oil prices down. The whole process was seen in the media as the world's dealing with OPEC and forcing the dollar down their throats in the process. But no one ever made the connection that they didn't have to take dollars for settlement and the world would still buy oil. But support the dollar for a purpose they continued to do!

Oil still had it's political ups and downs over the years and the same reflected in it's prices. But supply was mostly assured from a level to falling gold price. During the next ten years form 85 through 95, few really noticed that although gold and oil charted in the same direction, they never flowed in the same direction. Nor did they grasp how the gold market was engineered to supply gold for this very reason.

With most of the dollar oil problem licked, the G-7 began an effort to keep the dollar in play. Even though it's debt had aged it and it's timeline was running out. In 1985 they started a series of currency moves that would last until the early 90s. From the "Plaza Accords" (85) to the "Louvre Accords" (87), it was all an effort to stall and stretch out any crisis of the dollar. It seemed that no matter how much the dollar was inflated or how much debt was built upon it, it would be supported for all the world to see. Not even the gold market would be allowed to reflect any portion of this ongoing currency crisis. Showing their full colours in managing this "new gold market", the $500 price in late 87 was quickly brought down. Indeed, the evolution from a bullion marketplace into a mostly "new paper marketplace" was well underway. The later fall in price after reaching a Gulf War peak, was even more stunning.

It was right about here, in the early 90s that some major players began to stop trading gold. Instead they started slowly buying physical. It seems they finally understood what the "Jamaica Accords" of so long ago really meant. Indeed, it was worth leaving all the "winnings to come" on the table! Because, no matter how high dollar assets would go, physical gold was destine to go much, much higher.

In December of 1991, twelve members of the original "European Economic Community", now called the EU (European Union) signed the "Maastricht Treaty". It spelled out the process where they would establish a full currency union, called the EMU (European Monetary Union).

Once the EMU process was signed into law, we could see that there was indeed a purpose behind the formation of the "European Economic Community" in the early 70s. Because it closely followed the 1972 "Smithsonian Agreements", signed in Washington, declaring the dollar / gold break an official act by the US. Nor was it a coincidence that the very first discussion of a Pan Euro currency block in the form of a "European Economic Unit" was first heard of in 1976. The date of the "Jamaica Accords". The EEU, a precursor to the Euro, soon became official in the early 80s.

On January 1 1999, the Euro was born. On the headlines of almost every paper, the new Euro currency immediately became the topic of speculation. How high or low would it go,,,,,,, will it last,,,,,, what good is it,,,, and on and on. Yet, completely hidden from view and outside most speculator interest, one important item was overlooked. Once this competing reserve currency was formed, the two major power blocks of the world no longer shared the purpose of maintaining a paper gold market! Established, maintained and supported for the purpose of absorbing the demand for gold, it's price damping effects were no longer needed.

What an overview:

From a Euroland viewpoint, the dollar no longer needed to be supported by a low gold price. With the Euro in place and holding a large portion of the worlds new, non currency "reserve asset" for support, they no longer had a reason to buy at $280 or sell at $480. Indeed, they told the world they were backing out of the paper gold game with the Washington Agreement. We fully expect that during the 5 year time frame of that agreement, physical gold will soar from lack of supply as they trade it outside the London dominated paper markets. We also expect a convoluted workout of the left over contract markets as they fluctuate between $0 and $infinity. Further, the greenback could now go as high or as low as world traders would like to take this now "on it's own" currency.

From an oil producer viewpoint, with the physical gold market now only a shadow of the total "paper gold market", they can now only float a few dollars in sufficient amounts back into physical gold. With half the gold market supporting players retreating into the Euro umbrella, the present market will revert to little more than a paper float. With this in mind, it should be no surprise to anyone that crude prices began rising almost immediately after the EMU. Eventually, even $30 oil will disrupt world dollar debt to a point where the dollar exchange rate collapses. Forcing a run from dollar settlement and into Euro or a Euro + gold pricing basket for crude.

Prior to this they watch the same drama today you and I see. An ongoing dollar liquidity crisis that had long ago reached the end of it's timeline. Now it grows worse,

brought about by not only the loss of most of it's Euroland financing function,,, but also it's Pan European support. Truly, this crisis demand will drive the dollar ever higher. A hyperinflationary trigger, not completely unlike the one facing Japan today. Day after day one has but to watch the US Fed ever pumping reserves in a effort to reflate a world dollar tire that's full of Euro holes!

From a gold bullion viewpoint: the Jamaica Accords signalled a permanent shift from holding gold and fiat currencies in competition with each other. Yet, the eventual good effects of such a shift would only happen once the sick dollar system was killed by it's debt load. Untill 1999, one of the two world's power blocks had a purpose in keeping it alive. Until a fall back replacement could be formed, a dead dollar would leave gold alone in the currency roll and sent the world into a depression. Truly, with talk of the EMU falling apartin 1997, oil wasn't the only entity that would have bid on gold if the Euro had failed.

But it didn't. Soon, bullion will return to doing what it did centuries ago. Representing the value of the worlds assets and productive wealth. Only, with the world having far more in the way of modern things than ever before in it's history, "Freegold" trading as a "reserve asset" will be valued as never before.

You ask, what are the dynamics of such a position?

How are world investors prepared for this event?

I'll tell you my view,,,,,,, next time on the trail!

Thank you for walking with me,,,,,,, FOA/ your Trail Guide

Trail Guide (03/04/00; 07:04:54MDT - Msg ID:26357)

gold talk

http://www.the-privateer.com/gold6.html#latest

ALL: Some good items on the web now. Especially MK's post of USAGOLD (3/3/2000;8:36:06MDT - Msg ID:26331)!

ALSO:

From the Privateer web site: see above

----Gold stocks are STOCKS, they are NOT Gold. This leads to a some further observations. -----

ALSO: some good reading at GATA!

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http://www.egroups.com/group/gata/399.html?

----------Apparently the foaming-at-mouth
media feel it's ok to have religious fervor if
discussing political freedom, religious freedom, and

press freedom, but not OK about monetary freedom. If you ant a real 'free market in gold,' free of government and central bank interference, you are a fanatic. Yet the paper money in your pocket shrinks in value every day and always does in a fiat (non-convertible, dictated) money system, as the supply is endless.----------

ALSO:

----------"I submit to you that the gold market story that has evolved a great deal over the past 12 months is going to change radically in the next 12 months.----------

I'll be back later for some discussion ,,,,,,,, TG

Trail Guide (03/04/00; 15:47:23MDT - Msg ID:26368)

Comment

USAGOLD (3/3/2000; 8:36:06MDT - Msg ID:26331)

----Those of you who read this report regularly know that we don't buy the government statistics on inflation. -------

Michael,
Isn't that so very true! I completely agree. But in a more broad sense, doesn't that just delineate this era into something completely different from other recent (relatively mild) US inflations?

Here we are with a currency that's been in it's most recent extended inflation for 15+ years and almost no statistics show "major" price rises yet. Considering the overall world-wide expansion of dollar assets during this period, we would think 15% price increases would have already been the norm for several years. Along with seeing 15% interest rates. Clearly this is not the case as somewhere, someone has been buying up our expanded dollar assets and holding them in support of the dollar system. This portion simply cannot be held as an investment, because one must eventually buy something here to gain from it.

I really love how everyone likes to say that all the foreign money is coming here to invest in this system,,,,, and that is why our markets and dollars were so strong most of this decade. Truly, if this was the case, our gross investment outflows minus the foreign investment inflows would have to have covered the huge trade deficit for the past 20 years! It never happened! Take out the expanded dollar reserve holdings of foreign CBs and their matching local currency creations from this and it would show a different picture. A colossal trade flow of dollar assets back into the US for conversion. Truly CB support was the dynamic that saved us from a crippling price inflation.

So, we have enjoyed a position of issuing a reserve currency and having mostly foreign governments support our asset values and lifestyles by absorbing all. This dollars support ,,,,,,, if they stop it's all over, yes? All the past dollar inflation will show up here in the only way that can balance ,,,, in the form of a major hyper price

inflation. But not to worry, they have helped us for some time and will continue because the dollar is still the only reserve currency to support,,,, right?

But suddenly our USA official policy has changed from the recent past responses to up-ticks in price inflation. Our officials are doing their best to set the stage of not reporting any price effects at all. Covering the recent past, present and future reports by changing the rules. What gives? Why not do as in the past,,,,,, report rising prices,,,,, and raise rates to control it? We have the tools and support to do this, or do we?

In the past, "real figures" were reported because we "could" do something about them. Raise rates and tighten money! But we always thought (or were told) that these "tools" could be used by themselves. In reality, they never could. The dollar was "the" reserve currency and had to have the full support of other nations in order for this host country to reign in money growth and control prices. Doing so alone would leave us open to the risk of a complete economic crash in our economy. Of course the worlds system would also die because no other currency reserve existed then. So, the risk of "no support" was never there. Today, it is. I think my friends call this a strategic political risk unique for this era.

Yes, we could raise rates in a magnitude needed to control the situation, if the real price inflation figures were reported. But, if at the same time foreign nations decided not to support us and begin slowly converting dollar assets into another denomination??? We would have the very visual effect of a falling dollar with rate rises also appearing as an attempt to stop the currency from failing. Instead of just raising rates for the simple reason of slowing the economy. On top of this, if our present paper system that controls the gold market pricing action was to suddenly fracture,,,,,, the outflow of money into real gold would really make dollar inflation look ??????? Interesting situation, no?

I think today, the Euro has changed things and we are now entering a "final US inflation" because of it! It's not just the last few years we are talking about, rather the complete era. Our past ability to control rising prices without creating a major economic contraction is gone.
Gone,,,, not because the Euro is so great a competition for us,,,,,,, rather gone because "that" block of support has it's own major currency system to support. As a result, our US money printing through reserve expansion is now on a permanent one-way road. It will continue until it converts everyone into a hard money saver and paper sellers. Rate rises will be small and always be well behind the fact. One way or another, our currency value is going to adjust and it will impact every paper asset denominated in dollars.

No, our governments hiding of facts is indeed something more different than in the past. Currency war strategy has a way of doing this. We can expect more in the future. We know that more such under reporting is coming, because these are current signs of a monetary system living it's last days. Once the tools to correct a "regular inflation" were impaired, the final inflation process begins without end. If one is correctly prepared, it's going to be a real show to watch!

thanks TG

Trail Guide (03/04/00; 17:50:29MDT - Msg ID:26375)
Comment

Hello Solomon,
You write:

Solomon Weaver (2/23/2000; 22:12:25MDT - Msg ID:25912)
Is it Kuhn who gave us paradigms?

-----Something on the back of my brain tells me that the phrase "paradigm shift" was coined by Thomas Kuhn in a book called "the Structure of Scientific Revolution". It keeps reoccurring to me that FOA is telling us about a "new" gold market, which will behave much differently than the "old".
And many of us analyse the current market using today's perspective...----------

---
TG:
Yes, I think this is a major problem and one that will backfire on many investors. Let's face it, no matter where the average investor resides in this world most all of them operate with a perception that the dollar will remain the worlds "supported" reserve currency. Few of them fully appreciate the impact a deviation from that norm would create.

They buy into gold derivatives with a dogged determination that the dollar price of these securities will always reflect the physical trading price on an equal or greater basis. It won't. It can't!

We can trace almost all of this perception from the views of the "gold trader". A perception that the entire "Western gold market" is built upon. He's primarily a paper trader of gold stocks, gold stock options, gold futures, etc.. Their whole strategy rests on the argument that the "price of physical traded gold" will wait for them to convert their paper profits into gold if the run really gets started.
The very leverage they play for is the same leverage that will gun the physical price faster than they can ever move.

As I just noted to MK, the publics real price inflation grasp is going to be from real events. Not from the past official policy of telling us how it really is. In this atmosphere the sponsors of our paper gold market are going to have a free hand to sell (create) contract gold without end. The more the Fed guns the reserves, the more the cash liquidity will be available to sell gold. Because so few of the paper traders wish to exercise these contracts, price discovery is totally in the hands of the market sponsors.

Because of this, at first dollar hyper inflation will not be reflected in a rising price of gold on the current dollar paper gold market. It will be reflected in a corresponding lack of real gold relative to outstanding contracts! A physical gold shortage will happen "first", as the contract price system slowly defaults in an ever lower price. Next the paper markets will totally fail from non availability. That means a super low (discounted) bid price for contract gold. That's the same price the stock market players currently value your gold shares with.

Once the dollar gold contract system fails (and this will be happening during a full blown "hidden" price inflation), a physical gold market will develop,,,, weather officially (Euroland) or black market style.

The point is that during this dollar inflation, physical gold will be in almost no supply

and it's price will be 10X the paper price. No body, and I mean NO BODY is going to be cashing out of gold shares or any form of paper gold and doing an even swap! Every gold mine that operates using the
dollar gold market to sell into,,,, does it's financing with and is hedged leveraged with dollar based Bullion Banks ,,,,,, is going to see their stock ride the paper gold market to it's end.

A few of them will be allowed to tie themselves into ECB/BIS physical sales, very few! Many will try, but only if they can escape their financing ties with banks, that themselves are locked into the current paper bullion market. It's that simple.

I've mention this dynamic before. It's the main reason why I own only a very small slect few gold shares. If they fall,,,,, it will not impact me at all. Of my hard money "metal" investment portion of wealth,,,, 99% of it is in "non-USA Legal Tender Bullion". But not completely for the reasons our site provider does it (a good portion is in K-rands and bars, the rest in early and rare bullion). I'll
discuss this a later time.

We are always watching for the political dynamics to change, but I think only two things could make this happen.

First,,,, The US Fed would have to suddenly decide to break the current inflation on it's own and shut down all liquidity operations. Strangely enough, this would have the absolutely opposite effect many think. In today's changing times, such a deflationary move would completely fracture the contract creating ability of the Bullion Banks. The paper gold market would soar first, then lock from failure. Obviously, mines and their shares would do very well in such a situation. "If" investors could understand the positive effects such a dollar deflation would have on gold.

Second,,,,, our current process will change if Euroland decides to bid and trade openly with physical gold outside the LBMA marketplace,,,, and do so at ever higher dollar prices as they dispose of their mountain of dollar reserves. This is a very real possibility during this developing
currency war.

Otherwise, they have decided to let the "Western gold traders" live in their "paper market" and die in their own stew as the contract prices fall to ??. All the while letting the paper market have it's way with us,,,,, as they withdraw from supporting the dollar while the Fed tries pump liquidity as a real price inflation breaks out.

Solomon,
It's some interesting drama unfolding, no? Your advise in this next post is "right on"!

Solomon Weaver (2/23/2000; 21:22:54MDT - Msg ID:25906)

-----So, given that this is not the current structure of the gold market, and that it is only likely to change when there is a massive problem in the status quo, it is actually very safe to say that the real bull cannot come until the paper market of today collapses. Until then, it is really only that bear in disguise that I mentioned a little earlier ------

------I think what Trail Guide is trying to tell us is that now is the time to get some

gold for yourself, because when the destructive bear/bull enters to make way for the real bull, it will be much too late to get real gold at prices of today.----------

Thanks,,,,,,,,,,, TG

I have to read / study some contracts for a while. USAGOLD back and respond a little later (smile).

Trail Guide (03/04/00; 22:57:31MDT - Msg ID:26385)

Reply

USAGOLD (03/04/00; 16:51:08MDT - Msg ID:26370)

---------Why not?-------

Michael,
This whole inflation picture fits so perfectly together now, that none of us want to believe or fully accept it. Even I reserve a small corner of my brain for doubt. Honestly, none of this thinking came my way on it's own conception. It was drilled into me by others over many years. Long before most of what the last few years made apparent.

Today, I have the luxury of accepting this broad hyper-inflation view with confidence. After watching it progress for so many years and using this different perspective, all the current contradictions make sense to me. It does all fit so well:

Allowing the stock market to run away with no hint of trying to stop it.

Letting the money supply and bank reserves grow uncontrolled.

Forcing down interest rates after the LTCM problem.

Watching the trade deficit explode with no thought of intervening to lower the dollar exchange rate.

Changing the rules for calculating the PPI and CPI.

Buying in 30yr. treasury bonds so the markets would not expose the cost of a runaway money supply.

Promoting to the world that we are paying off the national debt when we clearly are not.

Even going against their own system and accepting a new definition of gold in the IMF. Just so they can keep some foreign dollar assets alive a little longer.

Paper gold traders talking about slicing out their piece of the pie using the same leverage that got us here in the first place.

Oil prices that can only indicate a withdrawal of support. Indeed, the very kingpin of support that has made the dollar last so long.

On and on and on!

These are all the things of a dyeing money system. One running on it's last breath as those that control it can only maneuver to prolong it. Not save it!

Yes, the trail up close is so very clear while the fog of human emotions clouds the far view.
Thanks TG

Golden Truth

Hello,
I see that you need concrete advice.

First, you can only own your wealth in a way that your heart and understanding tells you. Perhaps you placed far more of your assets in metal than you could hold "through thick and thin"? I have been buying bullion for a long, long time, but it's not so much of my wealth that I have to sell it. I admit, it is probably much more than most anything read here. But then, I don't know who is here, do I? How about you? Do you have to sell because you own "too much"??
Owning physical gold as I and others do is like having a bank account. I don't check my bank every day or month to see if the dollars and Euros have gone up or down against other currencies. If the dollar fell against the Yen by 30% (as it has in the past) I can tell you I won't draw it all out and dump it (the dollars or Euros). The simple truth is I don't own gold for trading as so many "Westerners" do. I own it because some very sharp people have educated me about how the real world works. I fully well expect that world financial dynamics and human nature will drive gold sky high and keep it there for the rest of my life time. For myself and my friends, we don't need to know exactly when. Whether it's next month or five years from now is good enough. The fact that around 1997, political conditions existed that could have prompted a bid for gold didn't change my plans or lifestyle. Placing a good portion of ones wealth in gold at $380, $370 or $360 didn't destroy their future or mine. I still own that very same gold today and have never sold. I have only brought more. Truly, it didn't disappear as some stocks or leveraged options did. It didn't plunge like the major mining shares did. We didn't buy gold stocks or leveraged derivatives based on any possible outcome. Nor should have anyone else in in this "new era",,,,, in my opinion.

Second, knowing what you know now, should you sell it all and buy back later. Or never buy back? Or invest in the stock markets. Perhaps the Dow will double several times over again. Is that the answer? It could be for you?

If you do decide to hold only paper wealth, you will certainly not be alone. Many people are going to sit in paper and watch and see how this all plays out. Some in the "right" investments and some in the "wrong". Where will you be?

Third, I give this insight from myself and others. It gives you a view through other eyes. All through history people have won and lost. Others have watched the ones that win and lose. I can only say that wherever you stand when the music stops, it will be a place you remember all your days. For
myself, if the Dow goes to 1,000,000, the Euro goes to 30 US cents and gold hits 5 cents,,,, at least I will know where I stood,,,,,, when the music stopped! But even then, I will not be broke.

Truly, some people cannot by nature gain by following the path of others. I can and I do.

If you don't understand my position now my friend,,,, you never will.

Thanks TG

Trail Guide (03/05/00; 00:50:28MDT - Msg ID:26386)

Reply

Cavan Man (03/04/00; 20:42:02MDT - Msg ID:26382)

Sir Cavan Man,
The real unknown here is the total amount of physical gold we all hold in out portfolio. I remain vague about it because one can only buy wealth with their own understanding. None of us know how long we will live, and I can tell you it takes most of a lifetime to understand gold. So it's best to buy a percentage equal to what you can grasp. With the rest do as you say, buy land and other forms of wealth.

Just as I mentioned to Golden Truth in what I believe is the proper perspective, gold is not an investment. It's buying another form of long term wealth. Yes, I'm certain that all the items I point out will eventually impact gold for the better. But I don't buy it with the perception of making those forces work for me through trading. Once one does that, you lose the ability to see it as a wealth holding. It becomes an investment you can win or lose with. Or worse, we leverage it. Then it loses all the fine attributes a hard wealth holding was intended to have in your portfolio.

Many, many people have learned that bitter lesson. We only read and hear about the wise people that "just brought that mine share" around it's lows. Not too long ago! And if they had it earlier, they were smart enough to "trade it" using moving averages and "Comex traders commitments numbers". It seems everyone will admit to the "little loses" but will never tell you the whole story. That is that their current "gold investment" would really have to go up 1,000% for them to just get even from all the "little loses" (and in truth big loses) they took over these last many years. Still the song is sung about their recent 50% gain they just made. I just (smile)!

We only point out the Euro because it's dynamics are what will impact gold the most. A Euro account will only benefit you if you can live abroad. I can and sometimes do. I don't present it as a "trade", it's a possible bank account or demographic unit one may want to hold some of their wealth in. As an American, I have always presented physical gold as the very best way to protect our other wealth. For myself it is a great portion of my wealth.

I also present from the position that our present paper gold market has in itself leveraged the actual physical market. If the dollar paper market fails, it will make physical gold rise in the greatest percentage. Further, the inflation of all dollar assets are what creates an even greater leverage against physical gold.

In this position I am not a "gold bug" in the modern "western sense". They are almost 95% in paper derivatives of gold. Gold stocks included. Here, I am truly in the minority. Actually, if one looks around world wide, official physical gold trading is

less than 10% of paper gold trading. Off the records it's huge.

Again, most of the paper is put in play by dollar based traders.

I hope this further expands my views (smile), TG

Solomon Weaver (03/04/00; 21:15:43MDT - Msg ID:26384)

Hello again Sir Weaver,

You write:-----I will agree that if distortions in the paper pricing gold market drive the price down dramatically, the classic result will be for the price of gold mining cos to fall too...but in the end, these companies are not producing paper gold ... they are producing real gold. We should also
remember that when the paper POG falls below the cost of production, unless miners have an outlet to get a "real price" they will simply stop producing.----------

TG:
In the end, could be yes and could be no! You know how a true forward sale works. So, if contract gold falls far enough and interest rates spike high enough,,,,,,,,,,,, their banks will force them to forward sell below production and let the rates on the "portfolio pool" bring their cost back to break even. This selling further puts pressure on the contract prices.

Then there is the political agenda. If the mine means enough to the local economy, the government could carry the shortfall by carrying the "pool note" at an even higher rate.

--------It is also not really in the interest of the short sellers to drive the price way down...just keeping it tame where it is is enough to keep their books in line..as a matter of fact, as the paper and physical markets begin to separate, the shorts will look even better, since the paper POG will fall dramatically. Until counterparties tell the shorts that they have to "go into the new physical
markets to buy back"!!!!----------

TG:
Solomon, these modern market sponsors mostly do not actually sell gold short in the old sense. They write contracts against their cash equity. They don't even think physical gold, they think in cash settlement terms. If someone shoves cash at them and says write contracts, it's done! Gold isn't part of it. Indeed, the lower the contract price sinks the less likely any counterparties are to call for gold. Because, if,, and that's a big if,,, any physical callers are still in paper by then, they know a big call is an invitation for arbitration, plain and simple. Today, starting Sept. last year,,,,,, this market became a huge cash settlement arena and all the big players know it. The few physical sales (BOE and Dutch) are but little band aids that are used to manage it to some degree.

-------I look to the BIS to be the "new market" in a crisis. When they see that the Yankee market is locking up, they will be the default for large parties who want to sell or buy real gold. They will do this because they will want to stabilize the bipolar currency market (dollar/Euro) to allow an"organized slide" of the dollar. At the BIS

(or the market backed by their name), mining companies (who have material free from hedged contracts) will be free to deal with gold buyers. Euroforces will have a vested interest in showing a publically traded real price for gold both in Euros and in Dollars. ----------

TG:
I mostly agree. But, mining companies free from hedged contracts are not out of the woods by a long shot. The present group of Bullion Banks finance virtually all new mined gold from beginning to end. Don't think for a minute that a BB in deep water because it's paper market is sinking will let it's mine clients just sell their gold wherever they want.

If the world contract prices are in the dumps, and a physical market is not considered "legitimate" yet (as in not the true price or black market), all mine valuations will be in the toilet. Pardon my french! In this brief atmosphere, banks will have a free hand to seize assets and force financing at will. Plus all the government intervention that may happen.

My point is that the risk of investing in most gold mines is far greater than the perceived reward. That's because most investors rule out a great rise in physical gold while seeing only the positive side of the stocks. At best, mines have ten times the risk of gold with only a small possible gain premium. Yes, under some possible workouts they could soar. But tell that to the people that own mines today that are on the edge of shutting down.

As Mr. Eastwood would ask "You just got to ask yourself,,,, do you feel lucky?" (big smile)

---------I don't really want to be walking down to the bank with my gold coins to cut a deal...----------

TG:
I agree, it would be far more profitable in selling only a little of your much more appreciated gold to MK and using that proceeds to pay off the mortgage. Thus having extra gold already and not having to buy bullion later with cash (another smile)

Solomon, I hope my views offer a different perspective for yours and others thoughts.

I must go now,,,,,,,, see you on the Trail,,,,,,,,,,, Trail Guide

Trail Guide (3/6/2000; 15:34:02MDT - Msg ID:26448)
(No Subject)
elevator guy.

Indeed, the paper game could be just about to unwind now! You are so very right to say----------
" " Dont buy paper on the dips, cause its a shell game " "!

Gold has been in an unfolding story line for several years now. We have tried to isolate political and private movements that would impact the price of gold even

sooner, as it travelled along it's destine path. But with each twist and turn the coming gold crisis was controlled with no perceivable change. At least not on the surface.

Oil always was the catalysis that would eventually begin the impact phase on gold's future. Whether it cam from outright intervention in the physical marketplace or by destroying the house of dollar credit with a large price rise,,,,, the dynamics of oil would eventually launch the Euro into reserve position. During that currency transition, physical gold would literally soar in price! Taking with it the entire financial structure of most of the dollar based banking system. Including most of the gold Bullion banking process.

With oil now above $32, it looks increasingly likely that we are about to start this process. With this in mind I repost an old piece. Perhaps I will also place it on the Trails page to remind everyone exactly how myself and others will be positioned for this turn of events.

Thanks Trail Guide

FOA (3/14/99; 17:33:37MDT - Msg ID:3369)

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 instil 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

Trail Guide (3/6/2000; 19:59:41MDT - Msg ID:26454)
(No Subject)
http://www.goldminingoutlook.com/
All:
It's not easy to trade an impending currency crisis. Especially one in the making for so many years.
I submit that all the contract forms that this gentleman tracks will soon become a whirlwind. We shall see!

From Mr. KAPLAN'S web site----------

QUESTION:

Why are there so many recent changes to your outlook for gold?

ANSWER:
Rarely are there so many conflicting signals.

Sentiment is somewhat bearish, but not markedly so;

fundamentals are improving steadily, with unexpected setbacks;

commodities as a group remain strong, but a few key ones are still in danger of a pullback;

the U.S. equity market and the U.S. dollar are acting oddly;

the Australian dollar looks as though it is recovering and then moves to new lows;

technical indicators indicate an important pivot point but are less clear on direction.

Trail Guide (3/6/2000; 20:13:31MDT - Msg ID:26457)

Reply

Hello Cavan Man,
If the hard portion of your investments were like their 50% (or larger or smaller) in bullion (or even gold stocks and options). Now say they went to zero for a while, would it change your lifestyle much? Could you sleep at night?
Or if it went sky high,,,,, could you stand not to sell for a while?
It would not change anything for me. So my position and perception of this market is right,,,,, for me.
How about you?

Be back tomorrow TG

Gold Trail Update (03/10/00; 10:51:53MDT - Msg ID:26641)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (03/10/00; 10:51:52MT - usagold.com msg#10)

A Fireside Talk

We have walked a ways since our last chat, 03/02/00. Let's expand on what was said in each of these rambling talks.

"Introduction Post"

To understand gold we have to look at it through worldly eyes, in a very "broad context". This is important because gold has a better history of storing true net worth over people's lifetimes. More so in a generational sense, not just in the decades span most of us choose to see it in.

Even though fiat currencies often record it as a poorly performing asset in the relative short run, it has far outperformed every paper money system. That's because every paper money system has eventually died from old age while gold lives on.

During both the short and long haul, physical gold is wealth insurance for our extended families. This holds true because even holding gold in the early successful stages of a currency's life, war, politics and natural disasters can work to destroy any nation's assets. This includs ones personal wealth that's denominated in the business structure of said destroyed society. Gold mines included!

Over time, one could never compare the returns of investing in stocks and bonds to owning gold. This is simply because when gold is entangled in currency schemes, it's fiat value is falsely presented while the currency system ages. Only the commodity use of gold is reflected, not it's much higher wealth "reserve asset" function.

However, this present era has become one of those unique periods in paper money history when gold will take a great leap in value during the relative short term. Perhaps we can define it as being between 1990 and 2010. Having covered the accumulation phase of the first ten years already, the next five should be one for investors to just sit back and watch. The last five will be a time where we spend some of our physical gold wealth.

This will occur in a transition from an ageing currency that's still entangled in gold valuation schemes and politics, into a new currency reserve system that's positioning itself to let gold run. In this new venue, we are going to see gold become a world class "reserve asset" that's not tied directly to any official money system.

Again, once physical gold is swept clear from paper moneys, it's value in real life terms will soar.

The modern gold era never changed. Banks lend the currency that is invested in South Sea - like companies. Then the companies and governments create ever more currency debt at the request of the populous. At first the currency is a receipt for gold, then it becomes a receipt for more receipts. Then more currency is created to save these same failing debts receipts, but no gold is there to back it! The endless cycle goes on, all the while hiding our modern value of gold in the process. As the game reaches the end, we even begin to think that the "natural things" and "real things" of life are not the only wealth. Rather, a contract can also be held as one's life savings. It will end!

As paper debt increases, it ages the currency by always generating more "fiat receipts" than human production can ever service. Then, at the end of the "currency timeline", in a great flood of human emotions, we reach for "natural conclusions" to a non retractable financial problem!

One of the conclusions we reach are that physical gold can replace the lost values we once placed in fiat debt and equity, even the loses in paper gold and gold equity! In this drama these same fiat values that we once traded as wealth receipts can no longer be valued at par with real earth things. Once at this point we reach for natural real wealth on a epic scale.

In the process the entire society, including the government structure and it's outgoing money system are all carried with us in an emotional flood to the sea. Sweeping away the whole format of our worlds currencies and real wealth. We will watch this new format unfold.

This is why so many fail to see why one should hold physical gold at this time, in this closing era. They ask, why now? What is different from 20 or 60 years ago? Seeing only the jewellery value of gold in contrast to past official fiat currency rates (dollar at $42 in gold) as enough appreciation to be fair. We think a move to $600 is enough and invest for that outcome. Locking ourselves out of the real surge.

These questions and perceptions arise because we can only review the recent history of gold. As such it was unnaturally priced in the fiat currencies of pounds and dollars, not traded "next to the currencies" and valued as a "real wealth" "reserve asset". In a price discovery process such as is coming, gold in the past would have reflected all the great wealth advances that have happened sence the early ages of European gold coinage.

Again, for most of us this recent period offers only a fiat value comparison and leads us to accept it's present low fiat valuation. Yet, gold's fiat values over this era were only relative to it's manipulated price during an extended Anglo-Saxon currency timeline. A period that saw the dollar take over the pound's role of representing and dominating all world wealth. Including gold wealth!

During this whole period, gold's value did have small shifts up and down. Even our recent 20+ years are representative of these small shifts. Yet, because of our fiat perceptions we see these moves as large bull and bear runs for the metal. While all the time a truly great value leap in gold was building, waiting for the present dollar lifetime to end. Once the dollar gold entanglements are ended, gold's relative worth in modern world wealth and production abilities will return. In our modern day, the old adage that "gold is worth a mans suit" will prove far, far too low a value.

While we think about this, I'm going to eat some fresh trout. Then, tonight, under the stars we can come closer and extend the next "Foundation post" and others.

FOA/ your Trail Guide

Gold Trail Update (03/10/00; 17:00:47MDT - Msg ID:26651)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (03/10/00; 17:00:46MT - usagold.com msg#11)

A Fireside Talk (continued)

Hiking a gold trail usually requires us to ramble on as we walk mentioning any points, commenting on good views and taking notes as we proceed. But, after the end of several days on a trail, around a quiet fire, we put it all together. This is the format we take. Our first fireside talk was just posted. It and these (continued) posts will expand on our walking "Thoughts" before we continue the hike.

"Foundation Post"

From several viewpoints we proposed the same question: Why did so many of the world's nations continue to support a dollar reserve system after it went off the gold exchange standard?

They definitely had a choice; continue to use the dollar or go back to using gold. They choose to use the dollar! I pointed out how this policy flew in the face of common sense, and especially did so as the US only embarked on a policy of continued monetary expansion. In effect, inflating the whole world's currency systems right up into the end of 1997.

My point was that their actions can only be justified from a position of "buying time". Most of the major World and European countries had economies and currencies that could stand on their own in a competitive world. Yes, their transition from a dollar reserve would have been painful. But, compare that loss to the percentage of lifestyle gain they paid as a tax to the US by artificially maintaining the dollar exchange rate. Their Central Banks support polices were a decision to waste their citizens productive efforts in a process that held together a failing currency system.

They could not be this dumb! As I pointed out in the Foundation post:

-----For the more developed gold owning countries of the G-7, they had a different question in mind. Again, if taking in inflated dollar reserves was the act of importing US dollar inflation into ones local economy,,,,, and in the process creating a market for your goods overseas,,,, why not just print your own currency without taking in dollars - - In doing so give the same buying power the US citizens have in your market,,,,,, to your own people?----------

The other side; why not create a market for your own goods by selling them to your own citizens, using your own currency as a reserve?

Clearly, after 1971 the result of a failed dollar reserve system would have delivered a healthy dose of "real" price inflation to the US. Not just the 10% or 13% we experienced! But at least for the major European countries, with their money systems expanding on their own over the next 20+ years, their citizens would have brought their own lifestyles somewhat relative to their efforts. At least this was more reasonable than paying slave taxes in the form of dollar support. Or maybe it wasn't ?

Indeed, the whole world would have slipped further down the inflationary scale had the dollar failed. Everyone's lifestyle would have slipped a lot more than it did. More in the US, less in Europe. But more importantly, the whole international house of trade would have slowed tremendously without some form of world currency reserve. It's possible, that once we left the reserve system, the return to an increasing momentum of world trade flows would not have been seen again for several generations. Such is the case a world financial fracture on this scale could have created.

Yet they didn't return to gold! In the eyes of many, gold had been discredited as a controlling force that could regulate world finances and trade flows. Yes, gold was an option then, but we had just seen how modern superpowers can just walk away from the discipline of gold. In my post:

----Even if we have a pure gold system, human nature will find a way to turn it into securities. In doing so we will - - come hell or high water - - lend more gold than we have and borrow more than we can pay back. One has but to return to the history

books to see it all in plain print. Over and over again, we start with a solid gold foundation and soon degrade it into trash. It's not just the American way,,,,, it's the world's way. ----------

It seems the only explanation for the continued support of the dollar came in the form of "buying time": time to recreate a world reserve currency. But this time, make it subject to a whole group of diverse nations of conflicting political wills. In this format no one country can call the shots for the world. In addition, take away the need to compete with gold. Let gold be a supporting "reserve asset" that trades in a free market, unlent and non monetary so as to circumvent it's manipulation.

In this position a modern digital fiat currency can only represent the productive efforts of the nation blocks it represents. No different from the fiat schemes we have endured for 60+ years. Only this time without an illusion of gold backing and it's discipline. As such, a free market for gold will, on a ongoing basis, constantly devalue any and all currencies of the world. Just as in a somewhat similar concept where the stock markets of the world today currently discount the inflation of their local currencies.

Perhaps the payoff will be worth the past sacrifice of so many productive assets and savings. Perhaps we will never know just how far the world would have sunk had they written off the dollar back then. Without that knowledge as a measuring stick, we cannot compare if the recent loss was worth it.

Today, dollar support is winding down in the growing shadow of a Euro currency. This will eventually have a tremendous negative impact on all paper assets denominated in dollars. Whether they are viewed as hard paper assets or soft, the coming price inflation will wreck the use of dollar trading vehicles. Hard gold, owned as physical gold will make all the difference in the world.

Next, how oil was used to mask the motives of building the Euro, even as it supported it's creation. We will next extend the "First Walk" post. But first, more logs on the fire.

FOA **Gold Trail Update** (03/11/00; 08:26:08MDT - Msg ID:26672)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates./ your Trail Guide

FOA (03/11/00; 08:26:08MT - usagold.com msg#12)
A Fireside Talk (further continued)

Expanding from the: "First Walk Post"

Many political problems confronted any drive towards an EMU. In order to build a consensus for a Pan European currency, the architects had to have time, years of it. The last thing they needed was a world-wide economic downturn brought on by a failing dollar system. Working between 1976 and 1982, the software for such a system was only just beginning to really take shape. It was a slow, hard process because during this period and many years prior, the dollar was already experiencing convulsions. They needed at least another ten years, but without something to make

the dollar more acceptable even five years was too long.

Working within a large group of nations required painstaking discussion of all ideas out in the open, so their agenda had to offer something for everyone. In addition, this new currency could not be seen as a competition for dollar use, otherwise the US would most certainly try to split the group.

It's important to understand that most of the world wanted to at least see another currency that could share some of the dollar's function. It didn't have to replace it. To this end, most every country gave some philosophical and political support in it's creation. But, by supporting a dollar that was now completely removed from any commodity backing system, would require the help of some major players.

Another group was extremely interested to see how this new currency would turn out. The major world oil producers. Prior to 1971, they were secure in selling oil for US gold dollars, even if it's true worth in a modern oil economy wasn't completely understood. At least gold had a long history of eventually defining it's value as equal to modern advances. Better said, if oil did more for the economy, then that increased value would be reflected in a stable value of gold. But after 1976 they found themselves selling a resource for far more than they realized it would bring and doing so in dollars of unknown future value. In the unfolding economics of it all, these people saw the same thing we did.

From my "First Walk" post:

------Prior to the US going off gold in 71, our whole (USA) economic structure was expanding because we were gaining massive leverage through cheap oil. Back then, oil was literally changing our lifestyle for the better, and doing so because it's dollar price was so incredibly low relative to what science was doing with it. Modern science had made oil worth so much more than we paid for it, we could extrapolate our debt and money supply growth far into the future and still figure that productive increases would cover it (the lost value due to money inflation). In effect, the US was targeting it's economy and money value to future oil flow value, not gold.----------

After 1976 they (oil producers) jumped into gold but soon found that their excess dollar flow could never even partially be shifted into gold as it was traded on this new commodity arena. For them, gold wasn't just a "trade", it was payment in the form of real "reserve assets". Oil assets for gold assets! If the CBs hadn't sold into the storm, gold would have went to the moon from oil flow alone. So they, and everyone else soon found out that there was a world of difference between trading "gold dollars for real gold" at your Central Bank and "buying commodity gold in a trading arena". In truth, the gold market was only a free market for commodity trading. It was never allowed to trade as a "wealth reserve asset".

The options were few. Buy gold outright and see it's price run past it's "money for oil" value, or include gold in a currency basket for payment of oil. In essence saying: "straighten this currency problem out or you will be the one buying high priced gold"! They optioned for a third way. Continue to sell oil for ever cheaper dollars, all the while waiting for something to replace the failed reserve system. So they watched as the US said they would fix the dollar and Europe said they would replace it.

It was clear that the US would continue printing money as long as it got oil flow at a price that created an increase in American lifestyles. To this end, the dollar economy

would eventually crash if oil was not priced cheaply in dollars. In addition, pricing oil in a currency basket with gold would just as easily crash the system. It was here, between 1980 and 1985 that both the US and Euroland proved that they could keep gold on an even level if oil could play the game.

Higher oil prices had indeed brought forth more oil flow and crude reserves for the US. This alone did wonders to extend the US dollar economy and the extra load of debt it was building. From this position alone, producers could justify supporting dollar settlement for oil, but only for a decade or so. The US and Britain were busy building a contract gold marketplace that would channel money away from real gold, thereby freeing up more physical to partially exchange for excess world dollars their oil imports produced.

Still, this didn't explain all of the game. It brought time for the EMU to build, but who was going to carry all the eventual excess dollars that would flow from a booming US? By 1986 a booming US economy was the result of still cheap oil. It was being sold to them and everyone for expensive dollars that flooded the world in an ongoing trade deficit!
From my "First Walk" post:

------It worked in a broken pattern for a number of years. Oil and gold defied all predictions of higher prices as they retreated from every advance. Central banks gorged themselves with worthless dollar reserves and prevented a hyperinflation of the dollar in the process. They did this, because they knew that gold had the ability to completely replace any and all loss of dollar reserve value once a new system was in operation. ----------

In this new format (post 1982), the US and it's dollar system would only work if oil was sold to them cheaply and in dollars. It's no secret that cheap oil is created by opening the valves. But, dollar settlement without gold was a political agreement just waiting for a reason to change it's mind. Foreign Central Bank support for the dollar was the key that kept this temporary condition working. Still, without the added kicker of a world cheap gold price along with a significant revaluation of that gold in the future, oil would have went for settlement in a Euroland basket of currencies + gold, long ago.

The US had already proven that it could not be trusted with any form of gold currency. At least most of the major European countries still had a good record of trusting gold. This is where we saw the impact of oil in the building process of the EMU. If they were to be at least attracted to a new Euro system, it had to accommodate a new attitude in dealing with gold. They looked at the 1976 "Jamaica Accords" and said, "why not use it as it's written, keep gold as a "reserve asset" not a "money asset". Once outside the money system, at a high enough price, it could become a possible world oil currency without destroying anyone's economy."

These were the early thoughts that have continued to evolve through today. But the trick was in keeping the gold market functioning between now and then. It had to supply some gold to exchange excess dollars, keep the price within reason and maintain the major mining structure for supply. The last was most important because the BIS knew how the dollar faction was using gold to try to fix the dollar. Their agenda worked with the EMU process, but was outside the EMU agenda. Both factions wanted the dollar maintained, but the US was willing to sink gold if it brought ever cheaper oil. It was a short sided political process, but it brought votes.

The BIS was willing to maintain gold above $280 until the EMU. If they didn't, they would lose the support of oil for the Euro system. It wasn't just the fact that this price kept most of the major mine supply online, it was that crude at around $8.75 in gold was their bottom price.

When the Hunt brothers were going around talking about "an ounce of silver was worth a barrel of oil" they were closer to reality than even they thought. Prior to 1971, the lowest oil value was pegged by producers at around one gram of gold (at $42 that was around $1.30). At one gram per barrel today, $280 was still the bottom price. It's no strange thing that the real dollar price of oil never stayed around this level either. In any event, this was the reason for all the arm twisting in the summer of 1999. Even though the EMU was a done deal, the Euro was still too young to float partial oil settlement. With gold being driven home by the US faction, oil support for both the dollar and Euro was in limbo. The Washington Agreement not only took care of that, it officially announced to the world that the paper gold markets were ending. Indeed, it was paying the way for Euro Crude!

Today we are still on track for crude oil settlement to begin happening in Euros. Oil prices have continued the rise we predicted once the Euro was created. What is left of the gold market is but a huge paper float that's slowly losing it's credibility from the loss of over half of it's past major supporters, Euroland. To date, many of the major left over gold contracts are being shifted into Euro based settlement. It's only a matter of time until the illusion of a falling Euro is suddenly erased by a crashing US stock market along with it's dollar.

Next, we expand my "Clear Path" post. Then we will hike again, while talking about real events today.

Here are a few parts of Another's Thoughts as some time ago. They give us a different view. We are on his trail today:

6/4/98 ANOTHER (THOUGHTS!)

--------I think, over time, the gold derivatives market did "break" the control of the BIS. Gold is held by many world class entities, as a capital asset. These "Giants" did understand the purpose for $350 gold. In this range, the gold mining industry and many capital reserve gold assets would survive. Gold below $300 was not wanted, as even the BIS would be forced to move with the price much below $280. The last small gold war ended in the early 1980s, as the choice was to use the US$ or go to a gold based economy. No other reserve currency existed, and gold lost the war as all continued to buy dollar reserves.

Today, a new currency is formed. It offers a way to break the dollar valuation of gold without the total destruction of world-wide currency markets and economies. In time, oil producers can offer their low cost reserves at true valuations, that support industry and commerce in exchange for a revalue of real money, gold, in a real currency, Euros!----------

5/26/98 ANOTHER (THOUGHTS!)

-----From the day of our birth we are taught to value all things using the one factor alone, currency! Can one contemplate the value of all possessions in other terms? Do you not have to think first as to "how many dollars is that worth" then "how many dollars is this worth" to compare two items? If it is deep within our mind, that we can know value only in terms of paper, to this I ask, can one know value at all!

The Western mind does focus on "what I buy today for the lowest price". Yet, in this modern world economy, the lowest price is always the function of "the currency exchange rate"? The Yen, it is compared to the dollar today, and used to purchase goods. One year later and the Japan offers these goods for much less, as the Yen has fallen to the US$. The currency value of this purchase, was it "true " today or a year ago? Understand, all value judgements today are as subject to "exchange rate competition"! It is in "this exchange rate valuations" that the private citizen does denominate all net worth! A safe way to hold the wealth for your future, yes? You should ask a Korean or the Indonesian?----------

-------One should grasp that "today, your wealth, is not what your currency say it is"! In this world, paper currency is for trade, only! It is for the buying, selling, earning and paying, not for knowing the value of your family holdings! Know this, "the printers of paper do never tell the owner that the money has less value, that judgement is reserved for the person you offer that currency to"! Again, I ask, how can we know a true value for our assets, when they are known only in currency that finds it's worth, as in the exchange rate for another currency?----------

---------Many will "think long and hard on this", but will find little reason for this position. For it is in your history to know only "things valued in paper terms". Some say, "I hold investments of great increase these past years, and am much ahead of the inflation, if it should come". I say, "your investments, world-wide, have moved little, as it has been the currencies that denominate your assets, that fall a great deal". The price inflation that comes, it is larger than your vision can see! Your past, holds little of knowing value outside of currencies, this does block the good view!----
-

-----There is more: Today, the world reserve currency holds the exchange rate of one dollar equals one three hundredth of an ounce of gold! It is this rate, that makes the dollar, not as the Indonesian currency. Perhaps a secure thought? However, even this 1/300 rate is also subject to "exchange rate competition"! This new rate was purchased by the acceptance of the "new paper gold" as equal value to "the physical gold"! This large, new paper gold market was created to increase the supply of "traded gold". The physical gold supply alone could not be increased to bring the dollar into the mid to lower 300s exchange rate area, there by making it "strong in gold". But, as in all new markets, for the "traded gold arena" to accept a "paper gold item" in great amounts, it required new collatteral / assets to give this paper item "integrity"! That "integrity" was found in oil-------

-----Some say, "gold fall because noone was buying it". I say, "gold fall because many were buying it"! They buy as the "trading market" was made "much fat" with added paper! Understand this: The US$ price of gold could only fall if a market existed for paper gold priced lower each time of offer! If the price did not fall, this paper market "could not function" as "it would not be profitable to the writer"! It was, for many years, in the good interest of all, for the dollar to find a gold price

close to production cost. That time has now much passed!----------

------One day soon, this "paper gold item" may lose it's "integrity from oil" by way of "competition" from a new reserve currency! In that day, "paper gold" will rush to become "physical gold" as "dollar gold contracts" rush to become "Euro gold contracts". You see, the value of the gold lost from the Euro CB sales will return in the form of a "Euro strong in gold". The "gold reserves" held for the EURO will offer strength, but it will be the total destruction of the dollar gold market that does make " this currency go home"!----------

-----When the future comes, and one holds asset values in dollar terms, many may discover, there wealth was not as this currency said it was! In that day, you will know your assets, as expressed in the real money of our fathers! This new dollar/gold exchange rate will end your search for the

"the true value of gold"

Thank you
Another

Trail Guide (3/12/2000; 19:58:28MDT - Msg ID:26743)
Comment
HI - HAT (03/11/00; 03:50:00MDT - Msg ID:26667)
Gold only Gold
All. Forgive the darkness of my posts. I must call it as I see it in my bones. I see WAR on a world scale. Many fronts from which it will escalate from. Conclusion drawn from inate synthesys of mass psychology. Historical crowd behavior. Trail Guides dollar timeline has been means to paper over most of the worlds divisions. This has been the new world order all along. Bread and cicuses for the world. At the end of this dollar timeline when ORO's "there is no spoon",dawns, the fall will break Alice's back and Wonderland will burn.

Hello HI-Hat,,,, and welcome!

I can understand the darkness you feel. When you say "Gold only Gold" that's the right track. But I don't think things will be all that bad for everyone. Ask these questions and see how people respond.

I have never thought that the world would come to a stop. After all, we have been at this for,,,,,,, 2000+ years?? It's easy for me to say that anyone preparing for a change will come out better than the person that doesn't.
Because we have to consider this in an obvious context: ----- if the world has always been in a state of change, don't the people that prepare for change always win out over those that plan for a status quo?------

Further:

I have to ask all the people that use the "New World Order" context to explain the problems: -------when has the world not had a "World Order"? ------ When have we

not been organized in tribes and nations trying to get the better of the next in line? -- When has any government not acted
for the wishes of only part of society? -- Isn't it impossible for any governing body to act in the wishes of everyone?

Let's see, people war against the "order" that's controlling them. In the process they form the "Next Order" and that "order" doesn't please everyone, and on and on! So, what is "new" about all of this? Our history books are packed with conflict. I guess seeing the world the way it really is comes under the heading of -- "our growing discovery of real life"!

Mr. Farfel does a good job of defining how deceiving we are in our dealing with each other. I agree that some of these belong in the HOF, for one good reason that they do reflect how so many people preceive the market! He point's out how many groups trade in unlawful, immoral ways to take the gold bugs money. But I point out that instead of getting out of the dark alley where these crooks operate, we stand there and dare them to do some more! And they do! Can you
believe that? (smile)

I almost get the feeling that paper gold bugs get mad because the "big they" won't let the bugs win using the paper game of the "big they". Again, so when has the world been different? Did we all grow up in a USA that was nothing but a society of saints? (Outside of us on this forum, of course! smile)

No one bothers to mention that the "big they" could not play their paper game in the dark alley if none of the "little us" were there for them to play with! To use the most American of phrases to reference one's misplaced mindset:

"Knock, Knock,,,, Hello,,,,,, is anybody home up there"???? (huge smile)

Trade with MK and you will certainly be guided into "the light" and away from most of that risk!

Trail Guide

Trail Guide (3/12/2000; 20:00:09MDT - Msg ID:26744)
comment
Leland (03/11/00; 11:44:19MDT - Msg ID:26681)
Al Fulchino, your 10:44:14 is echoed in the LA TIMES (Grin)
Is there a positive side to the gasoline price hikes? Phil Proctor, this column's man in Beverly Hills, heard an L.A. motorist tell "CBS Evening News": "I want to pay three or four dollars a gallon. I want to feel like I'm living in Paris." Ooh L.A. L.A.!

Leland,
Ha, Ha! Oh yes! Most Americans don't have a clue as to how leveraged their lifestyle has become from cheap oil. The price is way up in Hong Kong too. These high values that most of the world is paying has served a purpose of rationing demand for them already. In reality their
economic structures are much more stable at even higher prices than ours.

TG

Trail Guide (3/12/2000; 20:02:05MDT - Msg ID:26745)
Reply
Cavan Man (03/11/00; 20:38:48MDT - Msg ID:26697)
Trail Guide/Aristotle
TG: I have read and re-read what you have written this past year many times. The serial along the "Trail" is teriffic. I believe I know now what you mean when you say, one should hold as much gold as, "one can grasp". The grasping is not only a tactile sensation. By grasp, you mean intellectually
"grasp".

Hello Cavan Man,
You have that in context! Once people really "grasp" the whole concept, they will "grasp" onto a much larger proportion of gold coins. We are passing through a period of history unlike anything ever before. There is at least a 50 / 50 chance that once inflation becomes obvious in official
statistics, paper gold will be driven into the dirt! That's a 50 / 50 chance that gold paper, mine shares included will experience a drop that "no one" can stand, and I mean "no one"! Paper leverage works both ways my friend!

Paper gold can go to zero, but in the process physical gold will become unavailable to price. Everyone likes to say that if physical becomes scarce, paper won't trade either! Don't kid yourself. The less physical is in supply to deliver against contracts, the more the contracts will be discounted to reflect that fact. This market has never been in such a position before and there is no precedent for it. The major players in this game will not bid on or hold a gold contract that is heading for cash settlement. Whether it's traded privately, OTC, London or Comex.

When I read where investors bemoan how "the big boys" aren't buying gold, I just smile. They don't have a "grasp" as to why a billion dollar player would "NOT" want to buy into a market that's failing from a lack of "official" credibility. LBMA volume continues to fall away, slowly spelling the end of this era.

The good thing about all of this is that we will all get to see some real dynamics at work. Yes, it's a 50 / 50 shot! The paper markets are going to go "straight up" and die, or they will go "straight down" and die. No in between. Now those are some odds to "grasp", right Cavan Man? (big
smile)

TG

Trail Guide (3/12/2000; 20:04:24MDT - Msg ID:26746)
Reply
law (03/11/00; 20:53:31MDT - Msg ID:26700)
FOA "A Fireside Talk (further continued)"
(03/11/00); 08:26:08MDT - Msg ID:12
In your much appreciated "Fireside Talk (further continued)"
I'd like to point out what I believe was probably just an oversight in your proofreading? In your 4th paragraph you state..."But after 1976 they found themselves selling a resource for far MORE (I believe you meant LESS) than they realized it would bring and doing so in dollars of unknown
future value." I choose to point this out...not as a technicality because of my

familiarity, but for someone reading this with less of an understanding of the context in which this occurred and which you have written, in order to avoid any semblance of confusion.

Hello law!
Thanks for reading so closely! I fully understand your point. Your perception is probably clear to everyone as it was / is the most accepted explanation. However, the truth was that most all of them "privately" didn't completely understand just how important oil was in it's backing of the dollar's first, early debt expansion.

Years prior (before 1970) to the first big price increases (between 70 and 76), the US was changing the whole world economy on advancements in oil energy use and new products from refinement. Our lifestyles were advancing in a way that reflected $10 (in gold dollars) crude, back then. Only we didn't tell anyone (smile)!

Hell, the way the market was first structured, we had to
have the Texas Railroad Commision to raise the local prices otherwise crude would almost be given away. Actually, OPEC used the TRC as a blueprint to raise world price structures because they and most everyone was blank in trying to value the stuff in real use terms. The fact that the first OPEC increases worked as well as they did was a wonder to the producers. In reality it worked more so because the US needed the price to rise to bring in more domestic reserves. (You have read how this was done through the 71 gold closure?)

Don't get me wrong, by 74 they (OPEC) were only just learning the "real" economic value of oil to the world economy. Back then, only a few understood how the US was extropalating it's debt to reflect oil use wealth. They (US) went further after 76 and were using cheap crude to inflate the whole financial structure. Yes, it was cheap in relation to the fiat dollars we were then paying for it. Some of the producers were smarter than others and really "grasped" how oil was just as valuable as a world reserve currency backing as it was was for actuall use.

I'll expand my statement:
" " they found themselves selling a resource (crude oil) for far MORE (in commodity value) than they (had earlier) (prior to 1970) realized it would bring ------ and doing so in dollars of (now) (1976) unknown future value (because their oil was the backing for the economy the dollar was based upon) (no longer gold after the 1976 Jamiaca Accords)."

Law and others, I'm sorry I can't make this more clear, but it's a very hard subject.

Thanks TG

Trail Guide (03/13/00; 07:01:29MDT - Msg ID:26777)
Comment
tg (03/13/00; 00:13:13MDT - Msg ID:26760)
Hedging your bets SLF
I am getting overly cynical, but when someone says to me that gold is a 50/50 chance of going up or down, it really means that they don't really know which way gold is headed.

Hello tg,

In my view, a cynical "grasp" of this gold market is one where a person cannot separate between paper gold and physical gold. I agree, anyone that plays the gold derivatives game has no more than a 50 / 50 shot. I advocate the physical only game where one has a .9999 shot!

As such, a lot of old paper traders are now buying gold itself for what used to be a "paper trade"! Bars, old world coins, bullion coins and rare coins are being purchased with an eye on selling some of them at huge percentage gains later.

The big difference today is that physical gold advocates are the minority players in this game and have the largest leverage. Paper gold traders are no longer "the contrary" players as they are in a majority. We only have to look at the volume of paper trading going on around the world to see
that paper gold, in all forms out trades the physical ten to one (at least). In addition the very leverage they play for will work against them as it has already done. Truly, the paper player has just a 50 / 50 shot.

And that:

------ " " really means that they don't really know which way (paper) gold is headed " " ! (smile)

From my post:

Trail Guide (3/12/2000; 20:02:05MDT - Msg ID:26745)

------There is at least a 50 / 50 chance that once inflation becomes obvious in official statistics, paper gold will be driven into the dirt!----------

---------Paper gold can go to zero, but in the process physical gold will become unavailable to price-------

----The major players in this game will not bid on or hold a gold contract that is heading for cash settlement. ----

------Yes, it's a 50 / 50 shot! The paper markets are going to go "straight up" and die, or they will go "straight down" and die. No in between.---------

Thanks TG

Trail Guide (03/13/00; 08:13:30MDT - Msg ID:26778)
Comment
HI - HAT (03/13/00; 05:03:02MDT - Msg ID:26770)
TRAIL GUIDE HOPE

Hello Hi - Hat,
I do hope the gold market is resolved in a major "UP" spike that kills the shorts and the paper they road in on! At least that outcome will give the mine stocks a temporary spike. Remember, I own a small percentage of a gold mine also.

This would be the absolute, best way for this to resolve itself. But even in this, our present era is unlike anything before it. If we do have a paper destroying spike, physical gold will "immediately or eventually",,, at least match the mine stock run (or even pass it by -- by a hugh margin)! Making all the risk one assumes in holding paper a needless one to take. Even if the stocks outrun physical by 20% or 30% for a while, that return will not make it a "break even" for most long term holders.

I never entertained the idea that the paper markets could diverge from the physical in a down spike. It was Another that made that point about a year ago. It completely caught me off guard. But still, I made physical my #1 percentage holding because it will outperform in the long run.

Looks like the currency war is starting to impact the markets now! I'll be updating the Trails Page later.

Michael and TownCrier: Nice job with the new web home page! Now I know what MK looks like,,,,,, yup,,, he's a goldbug,,,,, can see it in his eyes! (smile)

TG

Trail Guide (03/13/00; 08:42:55MDT - Msg ID:26782)

Comment

ORO,
The interventions now should be to just slow the fall, not reverse it as in the past! The same thing
is happening in the gold market. The paper players no longer have the official support behind them.
To drive the contracts to new lows today, will require the markets to separate in values. So, just
like the PPT, the US gold faction may be just managing the movement, not controlling it.
Also,
The ME is doing a very good job of managing the crude flows. This is something completely different from anything seen in the past. I believe their security in this policy is found in the Euro, trading in the background. Eventually, the oil card is going to trump our dollar economy into a slow growth mode. Yet, this will crater the equity markets because they have priced wide open growth to continue. I suspect the only growth we are in for will be major inflationary. we shall see.

TG

Trail Guide (03/13/00; 19:06:30MDT - Msg ID:26801)

(No Subject)

Hello ORO,
You lost me my friend? I'm not sure what your "No!" is referring to in my post?
I understand that the official word is for them to only slow (manage?) a downward drift in the equity markets. Not save and reverse it any longer. I heard this several weeks ago. Yes? or do you still mean No?

Our posts are below.

thanks TG

Trail Guide (03/13/00; 08:42:55MDT - Msg ID:26782)
Comment
ORO,
The interventions now should be to just slow the fall, not reverse it as in the past!

ORO (03/13/00; 18:41:32MDT - Msg ID:26797)

TG - No. The public is not a participant in these decisions and the public's favor is not sought. Even if it were, the public is well outside its rights and is evidently engaged in self defeating behavior that reduces their own welfare. Even if we did have control of the gun, we are obviously shooting it at our own foot. As things stand, the gun is only partly in our hands but the aim and the trigger are in
the hands of the oligarchy that Rhodes set up.

Trail Guide (3/16/2000; 9:22:06MDT - Msg ID:26913)
"a 50 / 50 chance that once inflation becomes obvious in official statistics, paper gold will be driven into the dirt!"
ALL: Am working on the next "Trails Post". Will be back here later. But just to make my position again here is an old post:

Trail Guide (03/13/00; 07:01:29MDT - Msg ID:26777)
Comment to:
tg (03/13/00; 00:13:13MDT - Msg ID:26760)
I am getting overly cynical, but when someone says to me that gold is a 50/50 chance of going up or down, it really means that they don't really know which way gold is headed.

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As such, a lot of old paper traders are now buying gold itself for what used to be a "paper trade"! Bars, old world coins, bullion coins and rare coins are being purchased with an eye on selling some of them at huge percentage gains later.

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that paper gold, in all forms out trades the physical ten to one (at least). In addition the very leverage they play for will work against them as it has already done. Truly, the paper player has just a 50 / 50 shot.

And that:

-- " " really means that they don't really know which way (paper) gold is headed " " !---- (smile)

From my post:

Trail Guide (3/12/2000; 20:02:05MDT - Msg ID:26745)

------There is at least a 50 / 50 chance that once inflation becomes obvious in official statistics, paper gold will be driven into the dirt!----------

---------Paper gold can go to zero, but in the process physical gold will become unavailable to price-------

----The major players in this game will not bid on or hold a gold contract that is heading for cash settlement. ----

------Yes, it's a 50 / 50 shot! The paper markets are going to go "straight up" and die, or they will go "straight down" and die. No in between.---------

Thanks TG

Trail Guide (3/16/2000; 9:32:38MDT - Msg ID:26914)

----LBMA volume continues to fall away, slowly spelling the---

I must be getting old, because I'm going to repeat myself by re-posting another one:

Trail Guide (3/12/2000; 20:02:05MDT - Msg ID:26745)

------You have that in context! Once people really "grasp" the whole concept, they will "grasp" onto a much larger proportion of gold coins. We are passing through a period of history unlike anything ever before. There is at least a 50 / 50 chance that once inflation becomes obvious in official
statistics, paper gold will be driven into the dirt! That's a 50 / 50 chance that gold paper, mine shares included will experience a drop that "no one" can stand, and I mean "no one"! Paper leverage works both ways my friend!-----

----Paper gold can go to zero, but in the process physical gold will become unavailable to price. Everyone likes to say that if physical becomes scarce, paper won't trade either! Don't kid yourself. The less physical is in supply to deliver against contracts, the more the contracts will be discounted to reflect that fact. This market has never been in such a position before and there is no precedent for it. The major players in this game will not bid on or hold a gold contract that is heading for cash settlement. Whether it's traded privately, OTC, London or Comex.------

------When I read where investors bemoan how "the big boys" aren't buying gold, I just smile. They don't have a "grasp" as to why a billion dollar player would "NOT" want to buy into a market that's failing from a lack of "official" credibility. LBMA volume continues to fall away, slowly spelling the end of this era.-------

-----The good thing about all of this is that we will all get to see some real dynamics at work. Yes, it's a 50 / 50 shot! The paper markets are going to go "straight up" and die, or they will go "straight down" and die. No in between. Now those are some

odds to "grasp", right Cavan Man? (big
smile)----------

TG

Gold Trail Update (3/17/2000; 9:16:57MDT - Msg ID:26977)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (3/17/2000; 9:16:57MT - usagold.com msg#13)
A Fireside Talk (last one before we hike the trail in "real - time" context)

Expanding some of my "Clear Path" post #9.

We are only just now arriving at a time period that will bring about "The Currency Wars". Everything prior to this was only a preparation period to build an alternative currency. The years spent traveling this road were done to prepare the world for an escape medium when the dollar finally began it's "price" hyper-inflation stage.

Few investors can "grasp" that in reality, our dollar has already been hyper inflated , but without the higher price effects. Years of deficit spending, over borrowing, debt expansion have created an illusion that the dollar was immune to price inflation. This illusion is evident in our massive trade deficit as it carries on with no negative effects on dollar exchange rates. Clearly other investors, outside the Central Banks were helping in the dollar support process without knowing they were buying into a dying currency system.

The only thing that kept this process from showing up in the prices of everyday goods was the support other Central Banks showed for our currency through exchange intervention. As I pointed out in my other writings, this support was convoluted at best and done over 15 to 20 years. Still, it's been done with a purpose all this time. That purpose was to maintain the dollar for world economic trade, without which we would all sink into depression. Indeed, the mainstay of this support required an ever expanding world dollar base. There is simply no way the old dollar debts along with the new ones could have been serviced without this money expansion.

The entire long term process is / was very clear to a few major financial players as they prepared for the dollar's retirement as a reserve. Their main strategy for dealing with this was found in several positions. One was a long term buying of real physical gold. The other was the acceptance that all trade and investments would eventually transition away from dollar use. To combat this they began to denominate their paper assets and business transactions in other currencies (now the Euro holds the main transition flow). This was done because, as the dollar prices of real things first show real signs of rising, all forms of dollar derivative contracts would begin to unravel. Better said, the process of dollar contract failure would show up in the form of discounts on these derivatives from par value. Because most of our "end time" dollar world has built itself into a huge derivative game, this discounting will occur across the board in almost everything we deal in. Not just gold.

The first signs that official dollar support is winding down is seen in real world pricing

and official policy. The most obvious "first" price sensitive arena to reflect a "real coming inflation" is not gold as so many think, it's the stock markets. Their long term bull run, mostly starting around the early 80s completely reflected this official sanction of world dollar expansion without price inflation. It's only in the last year that we can see where equity markets are telegraphing a transition into dollar expansion "without world support". Better said, major price inflation is coming on a level equal to hyper status. Many stock markets have headed straight up in reflection of this.

Another area where we see this change is in crude oil. For years, every rise in crude prices was quickly shut down from added supply. Done to add the producers portion of help to the dollar support effort. Even war in the oil fields was not allowed to create a dollar destroying price rise. Once the Euro was born and seen in operation as a possible "backup" currency, added crude supply to keep prices low was no longer available. Prices have risen and fallen in a broken fashion that will continue it's upward bias. This policy change is not only a vote of confidence in Euroland, it's also a Euro reserve support function that will lead to much higher physical gold prices later. Oil around $30 (and $45+ later) now values gold upwards to $930 using the old one gram = one barrel from a pre 1971 gold dollar price ratio. This has fueled ongoing trade in gold by the BIS as it seeks more physical gold supply outside the LBMA paper contract world. A process that can only further destroy the present contract gold illusion as expressed in a paper dollar gold marketplace. Eventually, $930 gold crude will become the absolute bottom pricing range as real dollar price inflation begins.

The most recent example of official policy change toward the dollar was found in the Washington Agreement. It marks the end of Euroland support for the paper gold markets that helped maintain a dollar / oil settlement bond. In the beginning (1980s) it was a joint effort by at least two factions that has today become only a single effort by one faction. The US / Britain.

Even with this, the US accepted a reworked IMF gold structure. Because of this, they (US) are today operating two policy positions that contradict each other. One tries to use an escalation of the gold price to maintain IMF support for foreign US debt, while the other tries to keep the "gold trading desk" of several market makers solvent through an even lower price.

This places Euroland, the BIS and major world physical gold players on a direct collision course with the US backed contract gold marketplace. The effects of this will "most likely" be seen in a literal flood of new paper gold entering this arena in an effort to maintain "bookkeeping" credibility for the market makers. Today we see the beginnings of this change impacting the market as it is evolving into little more than a large paper float that exists mostly for this "bookkeeping" purpose. It will stay viable until dollar price inflation dries up to physical supply that to date still sells into this market. No doubt, the mine companies will become the very last sellers to support this arena. Possibly, selling into it's paper pricing all the way down.

For years, gold bugs have figured that gold would be the next dollar escape mechanism. Not another currency. They gave little thought to the reality that our modern world could not, would not price gold as a "reserve free trading asset" without a digital paper money reserve to do it in. Once the dollar begins it's decline through price inflation, it's use as a reserve and more importantly it's use to establish a gold market will stop. This will cause an unexpected delayed positive

impact on gold values as gold's paper marketplace goes through tremendous convulsions. We may see dollar price inflation in all things, yet gold values fall as contracts fail from constricted supply. Eventually, even the mining sector will be forced from shareholder loses and poor contract price economics to abandon the dollar pricing contract system. I expect that during this time the physical price of gold will be soaring as it's lack of trade constricts supply. Most paper gold traders today, don't understand how a real dollar price inflation shrinks physical gold trade, no matter how high or low the price goes. Further, they continue to use the various dollar gold derivatives even as their paper supply mushrooms. A process that forces the contract gold price down. Yet, all the while they are proclaiming that they are "in the gold market" and bemoaning how the manipulation of the metal is giving them loses.

It's important for new players to understand that no government or private banker in the world today can manipulate the dollar price of traded physical gold once real price inflation begins in the reserve currency. A failing currency system would find governments and bankers selling into a virtual "black hole" of demand.

Prior to dollar price inflation effects, the impact of official policy can only manipulate paper contract prices. Just because traders are willing to sell physical gold for a paper settled contract price doesn't mean that's the real gold value in the world today. More to the point, this is simply a temporary condition that could exhaust itself before price inflation, once physical delivered against paper prices dries up. Thereby forcing contract prices into discount and destruction.

This modern paper market is relatively a new concept in world gold trade. It was created by banks, western traders and mine operators themselves over the last 15+ years. They supported this market by buying into it instead of buying and trading only real gold. True, the paper promoters may have been dishonest in presenting the effects of this process, but no one was forced to use it! Without user cash flow giving credibility to these paper derivatives, the market would not exist in it's present form. Yes, it's true that the Euroland and dollar faction agenda, along with oil interest and indeed physical gold traders all benefited from this investors market making cash flow! But this is reality for any investment where a buyer of a contract abrogates the security of present real ownership into a paper position with counterparties risk. Even today, call option buyers give their money away in support of this illusion, instead of buying coins outright. Truly, western gold paper traders and gold stock investors today a have evolved and in no way represent what the term "gold bug" used to mean. Today, physical gold advocates are the real gold bugs as they now posses the real leverage paper players only think they have!

To close, I offer two post from the USAGOLD forum.

The first is from Mr. Kosares and presents a true picture of how real gold flows have moved over the recent years. It collaborates my point made long ago that CB gold was never flooding the market as traders and the media thought. In reality it's been the evolution of investor use of the paper markets that have set lose so much private gold. Thereby playing into the hands of official policy.

This second post is from Mr. Solomon, who offers up a wisdom that is so very relevant to this fireside talk.

USAGOLD (3/8/2000; 15:05:37MDT - Msg ID:26541)-------
Interesting Fact....
According to the World Gold Council's Demand Trends #30 released a few weeks ago, theofficial holdings of gold were 1106.0 million ozs in 1996, and 1080.6 ozs in October, 1999.

In other words, central banks over the past four years have lost in the aggregate a mere 25.4 tons-- or a little over six tons per year.

That after countless mainstream press articles bemoaning the surety of central bank sales, the Bank of England dishoarding, Dutch and Belgian central bank sales, Canadian, Russian, Malaysian ,Jordanian sales -- and others.

What the mainstream press fails to point out consistently is that while some central banks have been selling, others must have been buying. I want to thank my good friend, Voyager, for prompting me on this subject.

Solomon Weaver (03/14/00; 21:11:52MDT - Msg ID:26846)--

I remember a comment by Another which stated that dollars (cash) was a "derivative"....at first I was confused.. but over time...I started to understand.

Money "derives" its value from what it can move.

Anyone, with half a sense for history and culture, who sits down and ponders the most recent few hundred years of mankind's developments, comes to the dizzying realization that we have developed a massively new epoch in the total history of our species...in the last 300 years we have truly tasted the fruits from the tree of knowledge..and on some levels have indigestion.

The primary common denominator to our survival is knowledge (and its partner, wisdom).

Until about 120 years ago, oil was not very valuable...but the more we discovered how to "burn" it and how to "form" it (chemicals, plastics), the more valuable it became.

Like others here at the forum, I think that gold and silver are due for a return to hard asset category, and given their lackluster performance in the last 15 years, in a time with immense economic progress, can only enjoy a solid recovery (both in price and popularity).

On the other hand, I think we all have to consider that (all paradigms aside) humanity has entered into a world where the physical survival of 50% of our population requires the continuing functioning of a very complex set of physical and economic flows. These folks live in a derivative world. Milk is in cartons. Heat comes in over wires. Wheat arrives baked.

We see the rumblings of reemergence hard-liners in China and Russia and the "idea" of future wars is discussed....The problem with this is that with so much of our ability to create wealth tied to knowledge (techknowledge), invasion of the rich no longer

generate the spoils they did before. I think that if we are honest, we will recognize that the extended use of emergency executive orders by the President would accomplish the same thing as having America invaded.

Would any President really want to be the one to do this? When Roosevelt called the bank holiday in the 30's and confiscated gold, does anyone think he wanted this???? He was a decisive man, stepping into a new office where he realized we needed some real bitter medicine. Gold was targeted because it was the "accepted" place for people of all nations to "park their wealth" in pockets "outside of the formal banking system". Back then, there was no highspeed digital money,and a large portion of money was cash....today, when you move money it goes from "your bank" to "counterparties bank". It is almost a pure derivative money. Even if gold were to rise in value such that it could be valued close to the same as today's fiat pool, most of us would die quickly if the digital fiat system did not work.

We look at the divergent paths of gold metal vs. gold paper. When gold paper becomes worthless, gold metal will have value because it holds inherent credibility. But given its very scarcity, that gold metal will need "another currency" to move its value into in order to transact purchases. In a dollar crisis in a digital world, there is really nothing to gain by "confiscating gold"....the primary concern should be to keep the "remnant of the dollar economy" stabile enough that "gold will flow back into it". Perhaps I am naive to believe that our leaders will understand this...if they don't then they are not only fools they are derivatives of fools. I like to hope that this might be one of the reasons why the very intellectually astute monetary mind of Mr. Greenspan decided to stay in power...I think he may be one of the few who understand the problems of foolishness (particularly when viewed in the magic mirror made of gold).

Poor old Solomon

Thank you for reading

FOA/,,,,,, your Trail Guide

Trail Guide (3/18/2000; 8:27:29MDT - Msg ID:27018)
Oh Yes!
http://www.siliconinvestor.com/stocktalk/msg.gsp?msgid=13231804
As Cavan Man said, " "your grasp" " of the market is what will make all the difference! Between now and that $x,000 per ounce price, we may see convulsions like never before in history.

"Another" said long ago that "noone" would stand in this wind without the heavy weight of real physical gold holding them down,,,,,,,,,, "NOONE"!

Here is some of mr. Frank V's thoughts from the link above:

Frank Veneroso has been invited to speak at the Australian Gold Conference in Perth, Australia the first week in April. Some of the most noted Australian hedgers of gold want to hear what he has to say. Frank is a great speaker and I believe he understands the gold market better than any one else out there.

Frank and I were chatting today about the gold market - what else - and he now believes the move up in the gold market will be much greater than he ever dreamed of. In a nutshell, he thinks this way because of the extent of the manipulation of the gold market. Too much gold has been devoured at too cheap a price. He now believes the gold loans could be as high as 13,000 to 14,000 tonnes. They just cannot be paid back.

Frank also believes that the eventual stock market collapse will be so overwhelming and confidence in the stock market so shattered, that gold will become the "go to" investment vehicle. That is why has come to feel that the gold price will rise to heights that, heretofore, he could not even imagine - like $2,000 per ounce, or higher!

I do not know what kind of speech he will deliver to the Aussies, but I cannot imagine a good number of them not rethinking their hedging strategies by the time the conference is over.

Trail Guide (3/18/2000; 15:04:13MDT - Msg ID:27037)
(No Subject)
Hello everyone, I'm working on a few replies and comments. Will be here off and on over the next four or five hours.

I'm sure everybody agrees that there is a lot going on right now!

TownCrier, that ECB is something else. Double their gold reserves???? Who would have thought that (smile).

be back,,,,,,TG

Trail Guide (3/18/2000; 17:06:40MDT - Msg ID:27044)
Reply
ORO (3/16/2000; 14:39:54MDT - Msg ID:26937)
Short replies
Trail Guide - Do you think this display of reckless money flows of the past two days is the result of the Bankers (that own the BBs) and their facillitators at the Fed and Treasury thumbing their noseat the EU? Or do you think they just lost control for a while? I tend to think the latter.

Hello ORO,
Yes, I think you are right. But, I don't think they lost control for a while,,,,, we may be seeing the first signs of a runaway system making it's own rules! It's right around here,,,, at this point in the process,,,, is where the shift begins to give the Fed an "all or none" choice. Nothing in-between will do.

The whole world is calling them to show their cards,,,, right now! The real problem is

that the Fed knows what is in the works as well as do I. Whether they lock down hard or "let it rip" with just a small rate rise,,,,, the dollar is going to lose it. Big! So they will try to go slow "manage it" the only way they can and that will lead to Hyper-Inflation. This time.

What an incredible dynamic to witness!

TG

Trail Guide (3/18/2000; 17:08:23MDT - Msg ID:27045)
comment
TheStranger (3/17/2000; 20:31:49MDT - Msg ID:27009)
Does The Government Lie About Inflation?

Hello Stranger,
Well we may as well get used to it, because it'll be this way for the duration!

I rode the big bubble in Japan with some of my assets. From the 70s right up into the topping process (late 80s). Even felt their money flows in Hawaii real estate (Maui and Big Island). It wasn't much different from our (US) position today. It's the reason I never played for this market
run in the US. It looked the same in the beginning but it's failure will be impossible to escape from once it gets going. And it will destroy a lot more "illusion" wealth. You know, the kind of wealth that a dollar can buy today, but will not buy later.

In Japan everything ran upwards; a well located house ran up hundreds of percent. Eventually the whole lifestyle was impacted,,,, and you know what? They never had any inflation to speak of either! (smile). I think almost everyone has heard the story, but I was in it up close and from a
distance. Their market went from around 3,000 to almost 39,000 while our downtown projects went up 1,000%++++++. But the Yen was strong and always had to be forced down because all the inflation was presented as "wealth building market dynamics" . Ha! Ha!, it was a joke and everyone knew it! Rates were always relatively low, not because everyone was saving but because the system was "managing the run"!

The only reason they did not go hyper is because they are locked to our economic system. We have been the ones holding them up all this time (90s), not them helping us as so many think. Hell, they are cleaned and gutted (I think that's how it's said). Now they are going to bite the bullet when the real dollar price inflation shows up everywhere except in the official CPI. They cannot match the dollar on a downhill run without locking their economy into the same hyper inflation.

Eventually their stock market will break upward from it's 10,000 to 20,000 base, but it will be because a steak (already high priced) will cost a years salary. (Hmmmm, time for bean soup?)

TG

Trail Guide (3/18/2000; 18:33:10MDT - Msg ID:27052)
comment
SteveH (3/18/2000; 10:05:12MDT - Msg ID:27022)

Crazy Bill

Hello SteveH,
That Crazy guy is closer that he thinks! Everybody used to calculate it that way (70s 80s), trying to understand what was happening. The trouble was the markets (both oil and gold) were being moved by political forces even though they (producers) kept tabs using the real stuff.
If you read my Trails, then you know where we are heading once this dollar inflation breaks out in the open. $900++ gold and $45 oil will be the very bottom then. Of course I'm talking about the real stuff, not paper contracts.

TG

Trail Guide (3/18/2000; 18:36:43MDT - Msg ID:27053)
reply
Hello Christopher, and welcome!
First I would like to say that more than a few investors have spoiled a good dynamic from working in their favor,,,, by trying to leverage it to death! Just as I mentioned to Stranger about the Japan run,,,,, once these human trains get going, all one has to do is throw a little luggage on
whenever she slows down! (smile) Or in this case, take advantage of an asset that everyone is buying in contract form while driving the real item down. In the beginning, no one ever thinks the investment will run as high as it eventually does. The Nikkei and Dow markets are a good example.

Hell, just about any little bit invested in the beginning became a small fortune! Gold will not be any different as it will outperform all it's paper derivatives, even hyper inflation. The trouble is that it will be doing it as it's modern contract marketplace crashes. So, getting oneself all paper leveraged up will just ruin all the fun later (smile). I copied this guy (somewhere?) because he had most of what
you read "correctly pegged"! Western thought is fixed on paper gold and keep losing wealth into that black hole because they will not "get off the train track"! Read this:

---- Most discussion is too one sided,,,,,gold share people (the real modern goldgubs) dominate the web. Gicves impression that everyone buys shares and not bullion! Between them they battle on the web. It's the Western shares against the SA shares! There is a whole world of people out
there that don't buy them! They don't need to, made enough in the paper world already!-------

OK, now to your items:

Christopher (3/18/2000; 10:33:46MDT - Msg ID:27023)

1. HOw far out is the expected event? Do I have days, weeks, or a year or two(will it coincide with the Euro in 2002?) Of course I do realize that this is just your opinion.

TG: The expected event is "right now"! Like watching a plant grow,,,, no one can see it happening while watching it. Yet leave and come back in a few months and it's bigger.

Look at it as the guy (gal??) above sees it. The opinions most of us read come from people that need that plant to produce fruit "now"! Otherwise their leverage eats up

their wealth. But, all the while,,,, over these last few years they have missed the opportunity to build a chest full of physical gold at low prices. They lose money trying to time a "historic event" of huge positive financial implications,,, and miss the whole thing. Hell, the small plant has grown into a medium tree already and they "poo-poo" it because it hasn't produced fruit on their paper schedule. Just like some idiots I knew that were repeatedly blown out of the Nikkei around 8,000 because of leverage and missed the run to 40,000. We are talking about missing turning $100,000 into 60 mill. Get my point.
You have to use a broker (yes I'm talking about our host) that can help you see a conservative big picture and stay with the "big move"! Making most of your wealth while trading metal with him for the game of it! Not jumping out.

2. HOw much gold should I try to accumulate between now and then? (again I realize that this would be just an opinion, but would it be too much to ask for a specific guestimation?)

Yes, that is too much to ask because it puts you on the wrong track. We are talking about owning real wealth, not stocks, bonds, futures or options. I look at it the same way some of my friends do, like real money. I own a lot of different currencies, but they are held as savings accounts in the bank! I treat gold coins and bars the same way. Once you see it as real wealth, then ask yourself just how many dollars, or yen, or Euros, or francs is too much? It's not an investment, it's saving money wealth,,,,, money wealth that is real cheap to accumulate between $400 and $200.
Get some of those old European coins and you could be holding what was once a "Kings wealth"! For myself, any gold that is not US legal tender.

3. If and when the expected event arrives, how are we to use our gold that we have accumulated over time? Will we spend it at the grocery store, or gas station? Will we trade it in for Euros or whatever new currency replaces the $US? Or will people be coming to us and begging to trade their diamonds or real estate for a few grams worth of our wealth?

My friend, if you had Yahoo stock from the beginning and someone asked you the same question,,,, your answer? Hell, I heard that south of San Francisco, people are signing over stock to buy houses. My point is one I made over several posts, the dollar will remain the US currency for everyone to use,,,,, only it will lose a lot of value to gold.

TG

Trail Guide (3/18/2000; 19:31:17MDT - Msg ID:27055)
Reply
TownCrier (3/18/2000; 16:28:20MDT - Msg ID:27039)
Sir R Powell's comment on ECB doubling reserves

Do you see the raised ceiling on ECB reserves as a move to accommodate the potential for increased valuations of the existing reserves, or might it be to facilitate their direct "processing" of larger pools of foreign exchange in whatever fashion they deem to be appropriate...exchanges of dollars for gold as a simple example?

Hello TownCrier,

That is a good question! It could be either or a combination of both. They have to begin dropping their dollar holdings soon because they don't need them much longer. But there is more to consider than that.

Yes, the US trade deficit is rendering their earnings on these assets useless. What good is it to earn someone else's liability when they keep sending you more. Still they must carefully consider their next move because it will shape the US future.

They will not use dollar reserves to buy very many Euros because they don't want to stop it's building positive float momentum. If they buy other currencies it would slam the dollar and force the Fed to lock down,, driving our economic expansion into a depression,,,, stopping the exit from
dollar reserves by others. In a way like the Japan outcome so far.

The present exchange rate is a creation of their (ECB) taking in more dollars and not spending them,,, nothing less,,,,, even though they no longer need them. This is the real joke about the Euro weakness, if they only "begin" unloading their dollars, the US trade deficit, not the dollar selling by Euroland,,,, would make mush out of this illusion of dollar strength.

This is what the Fed is going nuts over. The Euro weakness is what's turning us into an inflation machine and they (fed) can't politically stop it! In my view, the big play will come as they (ECB)ask for more gold reserves from their member banks instead of buying it from them with Euros or
dollars. Then, use their dollar reserves to buy gold outside the BIS, while buying the Swiss float within the BIS using Euros,,,,,driving gold up two or three hundred and letting the paper markets dissolve.

This way they replace lost dollar reserve value but still force the US to keep it present trade policy because the trade deficit will not go away in this format without a changing exchange rate.

This is where everyone is missing the strategy,,,,,, they want the US business, but also want us to slip into an inflation on our own,,,,, by expanding our money to fund our trade deficit. You see, it's a position we cannot retract from! IN the process, the ECB could use our unending flow of dollars to buy gold? As this matures, gold in Euros will not rise as fast as gold in dollars.

Also, this is what is driving England to drop gold to save what BBs they can before the fact. I wrote about this some time ago. They are indeed heading for EU and won't need that much gold anyway. The ECB will let them in without their gold because their joining is a victory for Euroland.
Without the LBMA paper market, oil and gold will completely move to full Euro settlement. Especially if the dollar price inflation picks up steam,,,,,, and oil is doing it's best to set that fire.

thanks TG

I'll be replying more next day

Trail Guide (3/18/2000; 19:38:09MDT - Msg ID:27056)
quick one

The Victorian

Hello, hold tight! I just would not "add" to a Legal Tender position. I'll explain later.

TG

Trail Guide (3/19/2000; 8:59:38MDT - Msg ID:27072)
reply
Cavan Man (3/18/2000; 16:35:54MDT - Msg ID:27040)
Hello Trail Guide

What of the rest of the world, especially Euroland? When the US equities markets and dollar crash, won't the impact be felt 'round the world?

Hello Cavan Man,
I'll get to this later on the Trails page. Thanks for sharing the fire (smile),,,,,TG

Also:

Trail Guide (3/18/2000; 19:38:09MDT - Msg ID:27056)

Hello, The Victorian,

I have written often about my views and reasons on these subjects. But here is a quick run through:

The US will not call in it's citizens gold.
It will later encourage them to hold gold.
It will never be allowed to back this dollar with gold again.
It may create a new currency in the future.
In that process it may classify all "legal Tender" as old currency belonging to the US and call for it's return.

To Further expand on:
" " The US will not call in it's citizens gold." "

They will have no reason or precedent to do this. The dollar as well as all other world fiat digital currencies are no longer attached or legally considered gold receipts. Because the dollar was (in 1929+/-) a circulating gold loan in receipt form, and it and gold was our official "Legal Tender", they had the right to change it. Whether this was theft, right or wrong, I don't care, they did it and
got away with it. Once this precedent was established, our government gained the right to change their circulating "Legal Tender" as needed. Again,, whether right or wrong it's now outside our ability to change this.

But, I have to add that one never knows for sure what a government under preasure will do??? So just consider all of this for the record and as future context.

Today, they DO NOT have the right or NEED to call in or change any form of gold because none of it is established as "Legal Tender",,,,,,,, except new modern coins that are not collectable and are so marked (and officially classified) as Legal Money. The Eagle and possibly the Maple are.

Our position is: that the coming "Currency Wars" will pit the fiat dollar against the fiat Euro. Because of the "Jamaica Accords" any official gold held behind these currencies is only a "non - money,,,,,, non - currency "reserve asset"! In no different perspective than them holding title to large blocks of sellable land or even oil storage reserves. This gold is an asset that can be traded or sold for a fiat price if needed. Yes, we all know it will be the last thing traded in the immediate future, but later, at thousands per ounce it may become an oil currency or background official settlement reserve. If, and it's a big if,,,,, the US was to ersetablish a gold currency, this time they could only guy the gold to do it,,,,,,not confinscate it.

With that "grasp", we must consider that during these coming fiat currency wars, governments will be thinking the higher the gold price the better! Gold ownership in Euroland and the US will eventually be encouraged as a "private wealth asset" no different than stocks and houses. However, one risk could remain for US citizens!

If the US later decided to change it's fiat dollar into "fiat dollar #2", the powers that be may call in all "Legal Tender"! Again, they are not calling in gold, just any "legal currency". The future political strategy for doing this would be in a "future circumstance" context and require a small book to describe it. I will do it later on the Trails page, but it's going way out in future events.

IN any event, I buy the bars, K- rands (because they addressed this a long time ago) and low premium rare coins. To be honest and open, I buy a lot of the rare items mostly because I view them as an art form. But also: because just such a future (dollar changing) event could cause all
their premiums to sky-rocket!

So, yes I do own some Eagles and Maples and all the rest, but will not add to these positions. If I was a small holder (under say $250k), I would not change anything,,,,,, rather adjust future accumulations.

Remember, this is a forum and all of this is just thought discussion,,,,, so think about it (smile).

TG

Trail Guide (3/19/2000; 9:05:10MDT - Msg ID:27073)
(No Subject)
To Bill,,,, the friend of SteveH,

I posted a clip of your thoughts yesterday and am now sorry I did it. I thought it was in the open but later found out different. Not again (smile).

TG

Trail Guide (3/19/2000; 9:12:49MDT - Msg ID:27074)
(No Subject)
Ha! Ha! Correction:

-------If, and it's a big if,,,,, the US was to reestablish a gold currency, this time they could only guy the gold to do it,,,,,,not confiscate it.------

should be:

------If, and it's a big if,,,,, the US was to reestablish a gold currency, this time they could only buy the gold to do it,,,,,,not confiscate it.---------

OH boy,,,,, be back later

TG

Trail Guide (03/19/00; 18:34:10MDT - Msg ID:27100)
(No Subject)
ALL:
Well, I just returned and found so many things to reply about! I'll try to combine most of this into one post and clarify / extend my views. SteveH, wonderful context! Also, my message was to BillM, I copied and posted some of his items that were re-posted from another site. ORO, will
comment later.

Be back much later,,, thanks TG

Trail Guide (03/22/00; 07:53:28MDT - Msg ID:27266)
Comment
http://www.prudentbear.com/markcomm/markcomm.htm
I have some real time today! So I'll start here and comment backwards into the last few days.

ORO (03/21/00; 21:19:39MDT - Msg ID:27252)
---------Take 20-25% off the market and the banking system is just plain caput. No more banks at all.---------

Hello ORO,
You are exactly right! With the gross number of financial derivatives written worldwide today, any major, lasting drop in dollar financial assets will leave the entire system with zero equity. This is an absolutely non - reversible fact and everyone (Mr. Greenspan included) understands it.

Read this from the link above:
http://www.prudentbear.com/markcomm/markcomm.htm

----Thus far, we have placed considerable focus on money in this forum, as it is our contention that our monetary system has spun out of control and is being poisoned by unsound practices. Money excess, however, is but one critical aspect of this massive credit bubble. In fact, excesses in money creation are easily matched by excesses throughout the entire credit creation process. In both cases, Wall Street is the leading instigator-------

---------The stock market is absolutely dysfunctional and an obvious speculative bubble, fostering a breakdown in the effective allocation of capital. There are also massive trade deficits destined to only grow more extreme as imports are left to satisfy the credit induced excessive demand. We see this week that February imports into the Port of Los Angeles were 25% above last year's level. -----

TG:
Once we worked ourselves into this position there was no "political" way for the US to work the dollar out of it. Better said, it's a done deal! Our entire dollar reserve system has become a function of contract derivatives that must expand in order to survive. It's an incredible dynamic that few get to witness up close as it unfolds. It's also a deadly game that will literally eat one's assets if it falters while they are trading in it.

This is why the Fed only raised 1/4 point. They must remain behind the expansion curve thus allowing the dollar inflation to continue. This is the whole thrust of my walking the gold trail today. Others have known about this ending "dollar timeline" long ago and began preparing for it. These people (entire country systems, actually) are not trading this dynamic with an eye to make more dollars from it, rather they are positioning themselves to be "out of the way" of this train. Truly, trying to make more dollars in this is like trying to accumulate more real estate in downtown Rome just before the "Roman Empire" falls.

This is why physical gold is seen as "so alien" to most "western traders". They fail to understand (or they don't accept) how a hyperinflation destroys all wealth denominated in said paper currency. You can trade yourself into a billionaire, but cannot spend it into something of real value faster than real things prices rise. Physical gold is one of those real things that neither the currency or gold contracts written in that currency can match. Once this contract system begins to fail by reverting into "cash settlement", the paper gold trader immediately begins to fall behind a surging physical gold price. Most think they will be faster than the markets and will cash out, jumping into physical. Thinking that at worst they will sell for, say $1,000 then buy for $1,050. But, like a dog chasing his tail, the entire marketplace will be doing this! Once the gap becomes real, traders that use paper contracts will discount their bids that you must sell into. These spreads against physical trading cannot be arbitraged because a real shortage of deliverable gold will break the arbitrage credibility. This is the actual failing dynamic we will witness and it will mostly happen as a sudden event. Not drawn out over months.

Forget the official CPI reports, once real price inflation comes into real view the paper markets will disintegrate with untradeable speed! Unfortunately, some 99% of the most visible western gold bugs all accept that their present "gold market" will counter match this loss of wealth. It will, but only in dollar terms! Not in real gold terms because gold will be devaluing the dollar on a massive scale. Even if the officials temporally stop all US gold trading, Euroland will allow it. Thus continuing to mark the dollar to the gold market.

Again, this is just one segment of an overall disintegration of dollar wealth as we know it. Any and all companies in real goods production will face the same nightmare as their distribution network runs head long into this dollar derivative breakup. Hence, the comming run that will take place to settle in Euros.

Gold mines are in the same boat because they cannot just walk away from their trade banks by selling gold outright, on the street corner. What bank, under gold contract stress would settle their trade? They will sell into the paper gold market through out the discounting phase until their inflation induced operations costs decimate their margins. I am betting that the only ones that will at least keep up

with the return on physical gold will be the mines that can most easily restructure to sell into Euroland, for Euros. We shall see.

Back to your bookkeeping trade flows:

Good luck keeping up with it all! (smile)) The whole system is spiraling out of control now. We just call it the end of a currencies "timeline" and leave it at that. Most everyone else will eventually call it the beginning of dollar hyperinflation.

There was a lot of commentary recently about how the Fed didn't really know what money was, or how to measure it's growth or velocity. I wasn't jolted by this because they cannot lock down a run away currency and let everyone see that their breaks have burned out (or don't work). Politically, they must doubletalk themselves into a policy of "ongoing management". The only way for them to stop this is to literally shut down and bankrupt the dollar system. But, that was a political option in the late 70s and early 80s as there was no other reserve to run to. So, as the fed locked down then, everyone stayed on the train, took their loses and helped slow the thing down.

Today, everyone on this run away train is yelling to hit the breaks. The fed driver just turns and says don't worry, I'll break it hard if we go much faster. Look around and you'll see all the train mechanics jumping out the windows (physical gold and Euros) because they know if the real
breaks are hit, the dollar will just jump the tacks at this speed and wreck apart.

ALL:
So get ready to lose a substantial amount of your net worth as this all unfolds. In fits and starts, everything is going to seem to go up much higher in prices before this is all over. Yet, the illusion will fail. Physical gold will have it's day in a way that few will ever understand.

Onward to other items (and more of your's ORO)

TG

Trail Guide (3/22/2000; 9:17:23MDT - Msg ID:27271)
Comment
HI - HAT (03/22/00; 03:46:57MDT - Msg ID:27260)

----------To be so removed from entropic rhythems and have our whole advanced civilization on this high of a derivative tightrope can only lead to disaster or totalitarian structures. ----------

Hello Mr. Hat,

This is a great observation, but we must accept and adjust to the flow of human will. As a nation of people or even as a group of freedom fighters, society can and does often try to change the course of history. It's a good cause. But battling people and controlling one's own wealth in times of
trouble are two different things. As wealth owners" we must guard against an attitude of "the new totalitarian structure is going to control everything and take away my stuff (in gold or whatever form), so why bother to fight that cause". For gold advocates it's usually hear as " they will take

your physical gold, so we may as well play their paper game now, and win more, before they stop it all". Hence, the promotion to "trade it" because we cannot win!

I see this attitude all over and it's not something completely new for our time. Mostly it's new because western thought is fixated on a paper defense. The outrage is expressed because people can no longer play the financial paper games they played before, without losing to the "cabal" (or whatever). In the process, they come up with all sorts of strategies to combat the "big forces". Yet, none of these strategies perform well today. These "big forces" are driving the system into the ground as they try to keep their own financial selves ahead of the game (not to mention saving the viability of the dollar).

Again, I submit that one does not have to "fight it" by standing on the train tracks and yell "don't run over me again because it's illegal". To keep holding (or buying) gold derivatives because someday, the "big forces shorts" are going to eat it, invites your own assets being served up for dinner at the time.

Buying more options, more futures or adding to that gold stock that went from 10 to 1 because it's now a "long term option" against the eventual "paper surge", begs the question: "What if the shorts don't have to cover?" What if the paper markets add even more equity to their gold short position by falling even further? What if the US banking system creates so much "free inflation" "bookkeeping cash", that the shorts have an endless supply of contract producing ability. Let's face it, as long as the paper market sets the physical price, those that have sold real gold short may not ever be called to refund it! At least until the marketplace completely fails!

We see it all over the "Western Web". Paper gold investors want this market to coexist with a "cleaning surge" that pays off their paper positions, yet completely destroys the positions of the very people that make the market??? As such, they forget (or never accepted) that the world gold
market today is an "official illusion" built for the benefit of the US dollar. For the game to pay off the way they want will require the fed to just lock it all down. That simply is not going to happen and even if it did, no one could honor the contracts written anyway. Under these conditions, does anyone think the governments will watch the free worlds banking system melt away as they wait for the gold mines to dole out a covering supply at $XX,000 per ounce?? If you do, please stay on the tracts while waiting for the next train!

No, we are going to progress exactly as we have to date. The dollar will continue to inflate itself into the hyperinflation of all goods prices. The paper gold supply will continue to expand along with the dollar until "discounting" begins to crush it's ability to function. Physical gold will be the very best thing to accumulate as it's leverage multiplies every day under these conditions. Truly, the key to coming out ahead in this is by playing a game no one can rig. Buying cheap gold from others who accept that officials set it's price through paper trading, is like selling real estate in Rome just before the fall. Selling paper deeds for Roman gold, that is!

TG

Trail Guide (3/22/2000; 9:36:38MDT - Msg ID:27272)

Comment

ss of neap (03/22/00; 08:05:21MDT - Msg ID:27267)

-------I believe that the problem is that most people do NOT know IT.------
Hmmmmmmmm---

Hello ss of neap,

Well,,,,, sadly that's true. But, then this has been the case all thru history. Yet, today, nothing stops a person from buying real gold in coins. It's a clean judgment call for everyone to make. It's no different than buying a stock for $300 and watching it go to $3,000. What of the poor person that sold it to you? They didn't have to sell. Indeed, they sold because they thought it was going to $100.

My point about gold is that it's a wealth asset as old and as free as the world. You either accept humanity as being honest or you buy a little gold as wealth defense. If there has been any real deception today, it's been in the western perception that paper gold is real gold. This is where many of our modern gold bugs "do NOT know it". (frown)

TG

Trail Guide (3/22/2000; 18:28:43MDT - Msg ID:27306)

Late Reply

I fear I' m going to be banished to the Gold Trail if I don't stop saying "I'm ready to talk",,,, then run away! Sorry all, had some contracts (not gold) to look over.

USAGOLD (3/22/2000; 10:06:08MDT - Msg ID:27273)
Trail Guide...
Good to see you here today, my friend.

A question for you inspired by a conversation with a well-placed friend of USAGOLD yesterday. He reminds that the upcoming OPEC meeting on March 27th is exactly six months to the day after the Washington Accord announcement.

He wonders if there is any scuttlebut about an announcement being made in Vienna that the Gulf will start taking euros in payment for oil (corrected per MK, smile). The extravagant dollar printing goes on almost without interruption. The oil price rises and Europe must convert to dollars first, then buy oil at the jacked-up price -- three times what it was less than a year ago. This has to be a
tremendous burden on Europe both politically and financially, and I note the quietly proceeding talks between European financial officials and the MidEast.
What is your take on this? Do you think the March 27th OPEC meeting in Vienna will be the day the Euro speaks with new authority, or just another OPEC meeting?

Hello Michael,
Thanks for all the effort by the Centennial people for making this such a visual pleasure. It's a class act by a truly professional team!

My thoughts:

Don't think for a minute that Euroland is suffering any worse than the US. In reality, their true inflation impact is about the same or less than it is on Americans. By true inflation I mean the real prices that regular people have to deal with. Some commentators state that we have it better, but that is looking at it using the US

rigged CPI against the more honest Euro rates.

Sure, their oil costs have gone up more because the Euro is down against the dollar. But relative to what? It's a moving target that defies comparison. Oil was way down from today when the Euro came out at an artificially high rate. Did that exchange rate reflect the correct value of oil in Euros at that time? Could be yes or no because the entire Dollar / Euro / oil value comparison was / is being manipulated for an end goal.

In addition, on a fundamental basis one must consider that their barrel use per person unit is way less than ours. The result of cost containment efficiencies structured in a long time ago. Gasoline rates, commercial train use and public transport etc.., all allow them to function with higher crude while receiving less of a cost jolt. Further, these countries trade more with each other. This arrangement allows them to work with a lower Euro while enjoying it's positive effects on exports. Even with higher oil prices! The real question we must ask is why are they taking all these dollar assets and what will they eventually do with them.

Currently our trade deficit is flooding the world with dollars that have no practical purpose for use in buying anything but oil. Sure, they can and do invest in our stock and treasury markets, but that only produces more of the same currency. Further, if the fed was to do anything that would tame out deficit, that action would slam the dollar, stocks and even bond rates. In the process destroying more value than could be gained. So gross foreign dollar holding is only a long term losing position. As such it (dollar support) must be seen as only a parking arrangement. There can be no explanation except that they have a trump card that will eventually replace any lost value these dollars will throw off. They are drawing us into a self inflicted inflationary trap by helping the system build a dollar flood.

This is the card they are playing right now and it's the reason the US is trying to get crude down quickly. Lower crude is our main defensive policy because that's our real money killer if we don't. Long term, high dollar crude has a super inflationary impact on US money policy. Because our cost structure is hit the hardest from high oil "over time". The flaw is in our use per capita. The oil flows alone translate into huge outgoing dollar credits. When combined with an already hyper expanding trade flow, the dollars are piling up overseas like never before. We are digging our own grave, because for the first time the dollar is in competition with another reserve currency that can withstand and prosper during a crude oil assault.

I doubt they (ME) will shift oil to partial Euro settlement yet. It would look too obvious and the Euro float is still to small. The impact would derail their (Euroland) current dollar strategy. My bet is that it will be done once real price inflation begins to impact our economy. Over and well beyond the reported CPI. Something not far away. Once the Fed is seen holding it's "behind the curve" interest rate course and pumping reserves when obvious inflation is gaining momentum, the justification will be there. I suspect they (producers) will "basket" the price first, them proceed by slowly changing the currency percentages.

If Euroland is talking with the ME about anything, gold is somewhere in that discussion. (smile) If the paper gold market gets clocked in the middle of all this, expect them to convert the gold trading center in Dubai into a physical arena settled

in Euros. Hong Kong and Zurich will be hot on that trail.

So, having said all that, watch the Euro get included in settlement anyway! (smile) If this was ongoing, I know Another would not tell me. Boy, that would be something to know ahead of time, right (huge smile)!

thanks TG

Trail Guide (3/23/2000; 12:03:54MDT - Msg ID:27349)
reply
USAGOLD (3/22/2000; 10:16:11MDT - Msg ID:27276)
Trail Guide...Euros/Oil
One other nuance to that question:

Do you think that the doubling of euro reserves might be preparation for such a move (euros for oil)? More gold at ECB's disposal would raise the level of MidEast interest and confidence per the anlaysis of the Gulf mind-set as posted by Another some time ago -- at least as I interpreted it.

Hello Usagold,
Yes Michael. This is part of their plan. I think the original concept (or compromise) in building the Euro was altered somewhat around 96 or 97. Gold had to be placed in a more established framework that could easily reflect a higher gold (value) price in their reserves. Fiat currencies are held as part of many nations reserves, but they are more a function of supporting the inter currency exchange rate. After EU, ECB gold reserves became more of a backing asset, outside traditional fiat reserve use.There it could later be used to settle long range imbalances in the system. Not much
different from the old gold exchange standard yet today not entangled in actual currency comparison thru fixed rates. The ECB made this a obvious point by openly marking their gold reserves to the market on a quarterly basis. They didn't have to do this. The act must be seen as having a policy purpose. With this statement alone they promoted a Euroland policy that higher dollar gold prices were fine, even good for the Euro. Further, this said that our currency will stand buy itself as a representation of our productive efforts, for better or worse. If peopled later wanted to own gold instead of Euros, the ECB is saying, good, buy all you want at whatever price physical gold will trade at. In the future, gold prices and gold flow will be free.

This is a cornerstone for countries who's export values are mostly measured in real resources instead of human resources. It almost sets up a currency that's more suitable in reflecting their kind of wealth to the world. People today, missed the whole advantage of this. In reality, the higher the gold price, the easier it will be to buy natural resources in Euros internationally. The tradeoff comes
to countries that had the leadership to buy gold early, instead of depending on dollars alone. Oil producers will be compensated for already owning gold in that it's (gold) appreciation will return all the value stolen from them as they depleted oil and sold in dollars.

I expect the ECB to eventually own a lot more gold than they do now. Whether they buy it with newly issued Euros (using the BIS perhaps), buy it with reserve dollars or have it "transferred" from their ECMBs (through policy changes) gold reserves will be a future key item in determining the
integrity of the ECB.

Again (from an earlier post), if Euro was declared the settlement currency for oil, it would triple against the dollar overnight. No one wants that at this time. They want the Euro to be seen as strong in usage, strong in gold, strong in a hands off policy but not yet strong against the dollar. Right now, the dollar is in the process of killing itself through massive currency expansion. And doing this for the first time with a competitor standing next to it. Once real price inflation takes hold, the dollar will fall on it's own against the Euro. Without intervention.

This is the period we are just entering. Today, the dollar gold markets are in the middle of a major transition started about this time last year. The Washington Agreement only made official in September what was being changed in March 99. The oil markets are also responding to a new dynamic in world oil valuations. The fact that oil need not be locked to dollar prices anymore than gold does. The physical supply of both these items is reduced to the world markets in the attempt to more reflect their true worth in dollars.

Already Euroland values oil much higher than America. One has only to look at the gas pump prices to see this. They also value gold much higher and ECB policy alone makes this evident. Such an open policy in support of both these items cannot go unnoticed.

Today, world production of everything no longer has the dollar as the only option. If prices are unacceptable, things can be sold in Euros. In the past the oil "valve" was the only way to achieve a more honest return for an irreplaceable resource. A usable resource that paid back three times the "lifestyle" from what one paid for it in dollars. Now the US must contend with not only the valve,
but a "currency alternative" in the ongoing process to revalue oil! The adding of gold to the Euro's reserve base can only build the credibility of that alternative over using the valve.

thanks TG

Trail Guide (3/23/2000; 13:33:40MDT - Msg ID:27355)
reply
Julia (3/23/2000; 11:23:36MDT - Msg ID:27344)
Trail Guide
Hi Trail Guide,
You mentioned the "US rigged CPI index" in your post to Michael I think it was yesterday. I'd like to know what "Index" would give the "REAL" picture of inflation in the U.S., especially as applies to , say, rental property over 20 years needing an inflation increase clause according to ?? Index?

Hello Julia,
Ha! Ha! My first thought would be to use any index that's always going up! Marking it to a ratio of US postage is a real winner. Let's see, an average of the spot wholesale prices of "Western Red Cedar", Kansas City delivered "Winter Wheat" and Hawaiian "Koa wood rocking chairs"!!!!!!(big smile)

Seriously,
The reality of it all is that almost every major index is somewhat "rigged". At least the ones you could get a counterpart to sign on to. Depending on the application a ratio of gross electric use and it's price can work fairly. It is a dilemma??

TG

Trail Guide (3/23/2000; 13:36:09MDT - Msg ID:27356)
comment
jinx44 (3/23/2000; 9:23:49MDT - Msg ID:27341)

Hello jinx44,

I don't know about this? Let's see:

-------The reason that politics will influence OPEC s decisions is that the current and future prices of oil are turning out to be a major economic issue and thus a major political issue. ------

TG: Yes, this is good! Oil's been political for 30 years or so. Nice recap.

--------The reallocation of wealth from oil consumers, mostly in western economies, to oil producers, mostly in developing economies, cannot proceed without affecting capital markets in western countries.------

TG: Yes, again! This must be at least the second or third time around.

----------OPEC is a cartel and the sole purpose of a cartel is to allocate production quotas among its members as to maximize their revenues. Once a cartel starts to make decisions about production levels, which do not seek to maximize its members revenues, they lose the economic
incentive to be part of a cartel. When they have no economic incentive to be part of a cartel, they also have no incentive to abide by its decisions. Then the cartel dissolves and each producer determines production levels independently. ----------

TG: Well, the maximizing of revenues is "not" the sole purpose of closing the valve. If they wanted "maximum" money flow they would shut the valve completely off!! Then auction off the stuff one barrel at a time to the highest bidder. Boy we would see some serious "maximization" in that
process! (smile)

How about adding in: We want a fair price for the resource? Not the maximum price. Where was all the US deplomacy when oil was at $10?

Or: We want to conserve this limited resource so as to last everyone longer?

Or: Why don't the Americans charge the same price for gasoline as Euroland, in order to conserve "our" oil? These are all valid reasons to be part of a cartel also.

Further: Why is it that everyone thinks that just because you have two water wells in the ground you must pump from both of them,,,,,,, otherwise you are manipulating the supply. What if you never drilled the second well? By god, that must be some form of "cartel" also. In that context,
Arabia is manipulating the supply by not trippleing their holes in the ground. If they did, then we could triple our demand that they pump at capacity??

----------This brings us to the dilemma of the big producers in OPEC, chief among

them are Saudi Arabia and Venezuela. The big producers in OPEC cannot fix the price of oil unless they are willing to become the swing producers adjusting their production as is needed to achieve a certain
price level of oil. ----------

TG: Wait a minute, he says they "cannot fix the price of oil unless they are willing to become the swing producers". He must have missed the last year or so. OPEC controlled prices recently without using swing producers. Everyone either cut production or limited their increse in order to maintain better prices. First he points out the "economic incentives" of very high prices, then leaves out the part about "economic incentives" to keep the price from falling through the floor! (frown)

------Saudi Arabia and other Arab oil producers in the Gulf can now go it alone and raise oil production by 2 million barrels per day, as is asked for by Washington, thereby driving the price of oil in the near term to less than 25 dollars per barrel. ----------

TG: Oh! OK! I get it now. Washington asked them to cut production earlier so as to raise prices. So, now Washington is ready for prices to fall so they will tell OPEC to raise production.

ALL: The only delima I see here is in what the US is going to do if OPEC only raises 1.25 to 1.5 million?

TG

Trail Guide (3/23/2000; 13:37:12MDT - Msg ID:27357)
reply
Cavan Man (3/23/2000; 11:40:05MDT - Msg ID:27346)

Hello Cavan Man,
Well I guess I should have watched "frontline". If I did I would have a much better grasp of what is going on. (sarcastic smile). Tell you what, I'll just hold what i've got and watch how this all develops. You know the earth takes a turn every 24 hours and we never occupy the same spot for long. So, even if I stand still, my holdings are in a "fluid" position, right? It's the good thing about gold, it works in every spot in the human universe!

Thanks TG

Trail Guide (3/23/2000; 15:35:35MDT - Msg ID:27363)
Reply
PH in LA (3/22/2000; 19:16:32MDT - Msg ID:27308)
Euro value as seen in Spanish Pesetas
Greetings! Trail Guide.

TG:
Hello my friend, your words:

---------You touch on a dynamic that brings no end of consternation to family discussions on the international situation between the US and Europe (Spain). ----------

TG:
Ha! Ha! You should be in my house? We need hired security at parties to keep our guest a safe distance apart! (smile)

------At the introduction of the Euro, it was not artificially high when viewed from perspective of the Spanish Peseta. At $1.18/Euro, (the Euro is pegged at 166 pesetas per Euro), the value of the dollar vs. the Peseta ($ = 140 ptas) was already slightly above its traditional level which has normally fluctuated between 98/$ and 130/$. Presently it seems determined to stay above 170 and has reached 174 more than once.----------

TG:
Tell me, do your people feel petrol has gone up more in percentage than, say,, Los Angeles? In the same light has price inflation at the "real people" level gone up more than the US? Your guess, perhaps?

I'm makeing a point that at this time we cannot prove, but: had the Euro stayed stronger at it's birth stage, price inflation within the Euroland partners could have been worse. Because they trade so much with each other, a stronger Euro would have forced even lower % rates and gunned the economy. Prices would have went up based on regular supply and demand economics within their system. Imported items in dollars make up a much smaller percentage in Euroland than in the US. So, the foreign competition to control cost increases may not have worked as in the US. It's a strange thing, but it was possible that the ECB was somewhat worried about this. When considering a "brand new" currency, the lesser of two evils may have been a lower Euro vs Dollar initially. In this way inflation would only match the US rate,,,,, at worse???

-------Perhaps the Euro/peseta ratio was pegged at 166 to compensate for the robust level of economic activity in Spain. Nevertheless, a ratio of ±172 pesetas per dollar is really VERY high now. It reminds me of ANOTHER's comment that we would see gold and the dollar rising together
Perhaps the reality of the efforts to be expended to keep the POG down were not anticipated at that time, and for this reason, we are seeing only part of ANOTHER's prophecy being fulfilled. Your own writings point to an eventual "unglueing" of this effort. Do you and ANOTHER think that
the removal of the lynchpin presently holding all this together will be the result of a deliberate action on the part of Euroland? Or will it more likely be a gradual unfolding of events that brings about the "marking to market" of gold values that you are convinced will happen "in our lifetime"?----------

TG:
I think somewhere in the archives I wrote about this before. Trying to reconcile it. The dollar is completely doing what no one thought it could, given the inflationary prospects of the continued US money policy. On this count Another was right in that Euro competition was driving a liquidity shortage demand for dollars even as the Fed guns the presses. This is a limited dynamic that will burn itself out fairly fast, I think. Who knows, looking at today's rates, we may have seen the dollar/Euro top?
If this is the dollar top, a gold crisis is next. I think Another gave a false perception to us about gold. He probably equated a gold crisis and a gold run in the same context?? If you remember, it was last spring (??) that he corrected me by pointing

out how the markets could separate (paper vs physical). I never saw it that way untill then. How much they (US faction)can hide the crisis or hide
the true price of physical in this is up in the air now? In addition, this business of England jumping ship for the Euro and buying time for their BBs before the fact,,,,,, was a new move on the chess board.

All I can say now is that we definitely have a super inflation in the works! Hell, you can see it in the Dow alone. We might as well get used to it, because all the rules are going out the window.

I've got more "off the cuff" comments to make but have to go now. More replies to ALL tomorrow.

Thanks PH,,,,,,,,, TG

Trail Guide (3/25/2000; 14:16:55MDT - Msg ID:27464)
(No Subject)
Julia (03/25/00; 05:55:41MDT - Msg ID:27444)
Trail Guide - Inflation Indexes
Trail Guide,

Or..... we could base it on "Master's Golf Tournament tickets."(Smile!)

Hello Julia,

I have an old badge to the masters. Dated 1986, April 10-13. Number X(?????). I can't print the numbers, you understand. It's price was $75.
Ha! Ha! You know and I know that's not what it really cost to be there, then or now!

Yes, this would be some inflation index!!!!! (big smile)

TG

Trail Guide (03/25/00; 15:46:22MDT - Msg ID:27467)
comment
Journeyman (03/21/00; 06:32:00MDT - Msg ID:27201)
Paper/gold composite spot

Remember, the "spot gold price" ISN'T the true price of physical gold - - - though you can still buy physical gold at this price. The spot gold price is a composite price including both physical gold and gold contracts, the paper component implying a much greater physical gold supply than actually exists. Buying physical gold (and taking possession) at this point in history is thus sort of like paying milk prices for a bottle of cream. Almost no one else has noticed yet.

I know we all pay lip service, but at times like this, it's good to remember. Also good to remember, if TC or MK was it? was correct, most of the gold "sold" actually travels around to other CBs, it doesn't really enter the market, doesn't affect the supply/demand equation except psychologically.

Finally, if we truly want a return to honest money, the more gold actually released from the CB vaults the better, no matter what the price temporarily falls to.

Regards,
Journeyman

Hello Journeyman,
Reading your post made me think of something I was wanting to say about the "Legal Tender" item. Many readers commented on it earlier when it was brought up.

My point about not using modern gold classified as LT comes from the 1% chance that the government may in the future proclaim all "old" LT "illegal" to possess! Recently and in the past,,,,, after an extended price inflation,,,,,,,, most countries just knock off a few zeros and print a new
currency. Declaring that they are phasing out the old one at some specified date.

But I sense that here in the US, they may want to "suddenly" declare all LT illegal to use and own. The reason for such a policy would be to trap the majority of "cash" users in a position where they cannot spend their holdings before the fact. Whether cash owners keep cash to hide money assets
or ill-gotten gains, these holdings would be flushed out with such an action. Of course this would be a "state of emergency" action. But they could come up with some scheme to temporally make us tender our cash for "bank credits" until a new money was made, after the announcement. This way
no one could prepare for the usual "turnover" process, by knowing in advance that a new currency was being printed.

I know,,,,,, I know,,,,, it's a strange way to see it, but I believe it's a real possibility. We have to understand that this would not be aimed at gold ownership, just hidden LT ownership. This is mostly because hidden cash is, as some commentators write, is more than anyone can count. In the
mean time, Eagles would be inadvertently sucked up in this maelstrom because they were classified as LT. I have even read that this was a preconceived trap, laid on the American people in an effort to placate their bullion desire. Yet, still allowing a backdoor way to grab their gold for other
reasons! Reasons outside the legality of a gold recall, that they clearly cannot do within he current dollar status.
More likely than not, we would be able to replace our called in gold, but with privacy lost!

I feel like a conspiracy nut for saying this, but it makes some sense.

Further:

Leigh made an excellent point (hello Leigh) in that one could just melt them down. Absolutely true, but what a needless mess, no? Anyway, I pass this on in it's abbreviated form for all to consider.

Someone else also asked how one could store a very large gold holding. Well, we have to accept that once one's wealth becomes large, it's impossible to hide. This has always been the case. We just place the bulk of it in accredited storage and keep what we will privately. I think we all have to
remember that the truly wealthy people in both the US and the world, all have gold! In addition they are not as stupid as the media print them as. CNBC could parade a countless number of billionaires on tv and never once would any of them say they

own gold. In fact, they would go out of their way to say how dumb an idea it is!

My point is that most of the world leaders, your congressmen included, have gold that they would never admit to. Once we left the "dollar being gold" world, they all started down this trail. In addition, none of them own gold as a bet on it's price movement, they hold it as insurance. This said, we must understand that in the end, when push comes to shove, they will not pass laws that damage their own interest! Trust me, their own interest has always been above ours (smile), don't you agree!

Journeyman, I do have a reply on your post. Will have it in a minute.

Thanks TG

Trail Guide (03/25/00; 16:29:55MDT - Msg ID:27470)

comment

Journeyman (03/21/00; 06:32:00MDT - Msg ID:27201)
Paper/gold composite spot

I know we all pay lip service, but at times like this, it's good to remember. Also good to remember, if TC or MK was it? was correct, most of the gold "sold" actually travels around to other CBs, it doesn't really enter the market, doesn't affect the supply/demand equation except psychologically.

Journeyman,

What MK wrote about total gold in the CBs is absolutely true. I agree with him in that we read so very little about this statistic. I think it's because it obliterates most of the theories about how the CBs are killing the gold price by selling off this unneeded asset.

I and Another pointed our countless times that the CBs were mostly playing the BBs against the market by giving "gray guarantees" to protect their (the BBs) paper positions. In reality the whole thing is a political thriller every bit equal to any 007 film.

The truth of it all is that they could never control the value of physical gold and because of this kept most of their holdings in tact. I would even go so far as to say that much of their draw down is an illusion.

We must remember that selling a real asset to the public for cash does not control anything. You get the gold, they get the paper money. It's the same for crude. The price is what you get real oil for. The lower the better. Just like gold, a lower price imparts the benefit and use of the product to
the buyer. Indeed, a lower price is the loss is to the seller. Through out this 1990s gold downturn, what physical gold the new buyers obtained was to their gain. There was no control at all, the buyer gained the gold!

What this modern gold market can control is the value of contract gold. Here they (BBs) do an exceptionally fine job. They sold paper gold to everyone that wanted to only bet on it's price movement, not buy gold. To this end, they took everyone's money and the buyer got nothing in return. Yes, it did play an important role in supporting the dollar while the currency world was in transition. Just as our

USAGOLD writer SteveH has said, this gold industry and the contract market it services was sacrificed. But, look at what would have happened if they didn't. Indeed, the time brought was purchased on the backs of gold bugs, not physical gold advocates. One ended up with depreciating paper and the other with an ages old world class money. This isn't the first time citizens of the world such as Farfel learned that "betting" and "owning" are two different things. It won't be the last!

This country is diving head first into a grand hyper inflation and no amount of Fed maneuvers will stop it. People that learn this early on, before the physical comes into short supply, will be miles ahead. Buying gold between $400 and $200 will be like knowing a member with Masters Tickets. Cavan Man, do you know me better now?

I'll work on the next hike now. We are packing up for the real thing my friends! Get ready.

TG

Trail Guide (3/28/2000; 5:27:15MDT - Msg ID:27598)

USA------ Oil prices

http://biz.yahoo.com/apf/000328/gasoline_e_1.html

Galearis (3/27/2000; 22:10:14MDT - Msg ID:27588)

-------I drive a SUV. Please note the following: It is an old Ford Explorer, and it gets 30 miles per gallon. -----
==========

Farfel (3/27/2000; 23:01:10MDT - Msg ID:27590)

-------Meanwhile, the nation suffers for it as gasoline prices DO have something to do with DEMAND, not simply supply.----------
==========

http://biz.yahoo.com/apf/000328/gasoline_e_1.html

--------OSLO, Norway (AP) -- If Europeans spotted gasoline for $1.50 a gallon -- a price that outrages Americans -- motorists would be lined up around the block to cash in on an incredible bargain.----------

--------Norwegians pay up to $5 per gallon for lead-free regular, even though their nation is the world's second-largest oil exporter.------
--------In Britain, also a major oil producer, drivers endure the world's most expensive gasoline, at $5.75 a gallon.-------

==========

ALL: We have a long way to go before learning that oil is worth a lot more that our currency says it does!! (smile)

TG

Trail Guide (04/01/00; 07:58:23MDT - Msg ID:27896)
(No Subject)
Today is a good day for a hike on the gold trail. Be back a little later with a full pack!(smile)

TG

Gold Trail Update (04/01/00; 16:59:06MDT - Msg ID:27915)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (04/01/00; 16:59:05MT - usagold.com msg#14)
Walking The Trail
http://csf.colorado.edu/forums/longwaves/mar00/msg01356.html
Hello everyone!

It's been a few weeks and it's time to stretch the legs again.

During these last few days I have seen several renditions of my discussions from the USAGOLD Forum circulating around. Good! Glad to see it being thought about. I just wanted to let it be known that this was a collection of several of my rambling posts. They were strung together and included some commentary of ORO and a few other good posters there. I don't know who put this together but have seen THC, Singlion, Sharfin and a host of others posting it all over. With a title of "Selling Paper Deeds for Roman Gold" it does truly hit home for gold advocates today. Food for thought in a hungry world. Thanks people, for adding your own special flavor to the currency problems we consider today.

http://csf.colorado.edu/forums/longwaves/mar00/msg01356.html

Onward

Every time the dollar price of gold is driven down we hear cries of despair all over the web. Understand that these sounds you hear are not really the noises of physical pain, rather it's the ages old wale of one person giving his wealth to another and getting nothing in return. (frown) As "Gold Advocates" we hear these same as signals that indicate more free assets coming our way. As Real Gold buyers, the feast only becomes larger and our real wealth greater! (smile)

You see, a Gold Advocate looks at gold as a wealth currency and continues to accumulate it at any better price. Follow those that "mostly" invest in Paper Gold or even the "Gold Industry" and one can only see where more losses are coming at these lower prices. Some gold mines may be a good buy here, but not many of them.

Some moaners place gold as a downtrodden relic and swear never to invest in it again. Yet, from our view, they never purchased "gold the currency" in the first place. Their idea of "hedging their wealth with gold" included a wholesale buying into the concept that "paper gold" was "real gold". It never was and never will be. Paper trading only works while the paper world stays together. A dynamic that is

unraveling now!

There is a big risk difference between betting on the price of gold for a short run profit and buying real wealth currency for a long term crisis event. For myself, the largest difference will be in the real wealth gained in the future, not today. Over the last 15 years political gold policy has caused paper players to walked the gold trail like drunken sailors. As a result their assets have done likewise. One step forward in the little gold paper runs and two steps backwards while waiting for the next move. All the while giving away their dollar wealth with nothing to show for it when the real run comes. In the end, they will sober up only to find that they made little progress as most of their "gold" investments brought them full circle. About even if they are lucky! Yet, bullion holders will experience gains that make almost any investment today look tame.

Look over here

The currency of gold hasn't done nearly as bad as paper traders would have us think. As a person of the world I own many currencies (dollars included) and all of them go up and down as much as gold. Some even more so. Because gold is but one very large currency holding for me, it takes on an exchange significance.

Using very approximate values:

In January 1985 one dollar would buy 1/300 ounce of gold. At the same time it would buy 3.25 German Marks and about 250 Yen.

Ten years later, by 1995 one dollar would buy 1/375 ounce of gold, 1.40 Marks and less than 100 Yen.

Here we have two world class currencies moving well over 100% against the dollar! Yet, gold was more stable as it moved only 25%. From Jan 1999 gold has been even more stable than the Euro, today resting within 5% of it's value from the Euro starting range.

My point is that today, all currencies will run up and down in their race to full fill a fiat's destiny. Yet, in the process their percentages moves could be temporally far greater than what gold moves. Making gold look like the most stable holding of all. Even as paper gold bugs cry about how it's crashing?

In this light we must all consider ourselves like insurance companies writing risk policies by holding paper currencies. The higher the movement risk, the more interest we must receive to hold our wealth in paper form. Indeed, just as an insurance company is lucky in good years to balance it's exchange rate loses against the same interest return, currencies are not that great a deal in today's world. Physical gold becomes a fine wealth holding that pays a much higher premium than any fiat currency. It's zero interest is "high" in relation to the default (inflation) rate inherent in paper money. In the future, some will even pay a "negative" rate in the paper markets to try and acquire gold through legal force. This is called buying a gold contract in default and trying to force the counter party to produce gold. Some will, most won't!

For all of you with a mind for intrigue, the game is now on to buy gold at negative rates. ORO, the SDR is telling your story. (follow his past discussion on the USAGOLD

Forum) If the US would just stop pushing paper gold boulders down the hill,,,,, and stood and watched for a while,,,,, they would see that the avalanche now has a mind of it's own and needs no help. The whole paper gold mountain is on the move. (smile)

Further we walk

All of the massive tonnage of contract gold that is owed today was never as real as investors thought. It was an illusion of paper supply. Most of the gold sold by the European and other world CBs moved no further than the next CB vault. The gold trading world brought this "physical selling" story in it's entity and in the process supported the dollar's life.

Today, Europe is the greatest supporter of "Freegold" the world has seen for some time. As they act out their policy, the paper gold marketplace as we know it priced in dollars will fail. The completely unexplainable gold sales by the BOE are only a means to this end. They are much more concerned about joining the Euro and saving some BB face than any longer saving the dollar.

The US is now "in it" alone as they have lost the dollar war and the "oil war". Crude oil will not stay in this new dollar price range for long. This was politically arranged to somewhat save US face. We (US) are now calling in every favor, expending the last political capital and inflating the dollar in an end run that will soon lead to nowhere. A grand hyper inflation of prices is now directly ahead on the trail. It should be ushered in with a large "crackup" in the currency derivatives market. Once this event is "in process" the paper gold markets will quickly rush to discount against physical gold. A discount that will break our gold market pricing and physical allocation system.

Understand that the largest gold rush will be from the paper gold arena into real gold. Any form of asset allocation that took the form of:

" "hey buddy, this security belongs in your portfolio as the gold portion" "

will be dumped and the remaining value placed in hot pursuit of the real thing. Just watch how it all unfolds, you will fell the pressure.

I for one hope someone can force paper gold lower while physical supplies still sell into it. Because once paper credibility is broken, our physical markets will seem like a speck of sand washed on an ocean shore.

We were at this same crossroads almost one year ago. The same stress brought about the "Washington Agreement" as it was pieced together during the summer of 99. I expect that this time, stronger medicine will be applied and fully expect it is "in process" now with gold under $280! The only difference today is that the Euro grows more mature and oil ever more independent.

Onward to camp

Here is a post I offered on our Forum. It's a good reflection of what was just said. Read it around the fire.

Trail Guide (03/25/00; 16:29:55MDT - Msg ID:27470)
comment

Journeyman (03/21/00; 06:32:00MDT - Msg ID:27201)

Paper/gold composite spot

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This country is diving head first into a grand hyper inflation and no amount of Fed maneuvers will stop it. People that learn this early on, before the physical comes into

short supply, will be miles ahead. Buying gold between $400 and $200 will be like knowing a member with Masters Tickets.

Enough for now, unpack and lights out. We need our rest because the trail will get rough from here on out.

Thanks for walking,,,,,,,FOA/ your Trail Guide

Gold Trail Update (04/03/00; 20:58:37MDT - Msg ID:28004)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (04/03/00; 20:58:36MT - usagold.com msg#15)

Looking ahead, around the next curve?

Last year the Washington Agreement (WA) spelled the end of the modern paper gold markets as we know it. Yet, few people truly believe anything substantial has happened because gold failed to "follow through" on it's post WA price spike. Most hold this conclusion as a result of watching the ball instead of the game.

The WA was a direct response to the "dollar faction's" use of contract gold in driving the value of the "real asset" down. Prior to the Euro birth, such an extreme paper manipulation below $280 would have been meet with a different kind of WA. More likely an outright "physical purchase" of gold on the world spot markets by the BIS. They would have allocated this newly purchased gold into the same official accounts where current BIS gold flows are now placed.

But today we operate in an established, new Euro environment. The very fact that the US and England acknowledged the WA is alone evidence of this new Euro political power. In essence, an ECB / BIS alliance has placed the world "in process" to changing the way gold is traded and valued. A process that will drain "real gold" liquidity from the present london market and leave many players wondering what happened.

Part of understanding "what is happening" requires us to keep our eyes "on the game", not on the ball. Physical gold advocates have but to follow the posts of TownCrier on the USAGOLD Forum. He has consistently pointed out how "Post Euro" Euroland arena gold sales are being "allocated" into BIS sanctioned placements.

Even though the WA allowed for 2,000 tonnes to be sold over 5 years, no provisions were made to officially channel that new gold into the world contract market. The upcoming Swiss sales and the more recent Austria sales make the point. Especially when one understands that the BIS does not buy gold to sell outside the CB community or it's special accounts held for certain nations.

More importantly about the WA, the total existing contracts held at signing time were allowed to continue without any draw down criteria (gold to cover) over the 5 yr. term. Over time, this will squeeze the dollar physical market in an effort to fill

existing paper commitments. In effect, the BIS now has it's hand on the gold valve and is controlling the contract filling flow at will.

But most analysis misinterpret the strategy of this. It is not an attempt to drive the contract gold prices upward. Quite the contrary, it's effects are just the opposite. In our current dollar gold market, the less gold is supplied, the more it pressures the price down! Players must create and sell not just more contracts to cover expiring ones, but also sell enough paper to force the price down further. In a market that's becoming shorter of physical gold, this is the only way they can add equity to cover rollover positions. In this political game, the dollar supporting paper gold arena is being forced to kill itself. It's also the reason I proclaim that we will see rare physical gold in the thousands once the deed is done.

Looking down the trail we can see the end of our paper gold markets. This same market place that evolved from 1971 into a "contract gold currency" is now being politically forced into hyperinflation in much the same way fiat currencies are. Just as the dollar has been inflated to unimaginable extremes to protect the US banking system, so to will this gold currency be inflated until suddenly it's credibility is shaken. I think a large gold default is directly ahead and it will be forced by the BIS / ECB. Right up until that default, contract gold currency will be printed as never before. Indeed, they are printing now for all they are worth! Literally!

If contract gold prices stop around here, be assured that the US dollar supporting faction has truly hit the end of that printing "worth"! If the prices start to rise now, a canceling of the BOE gold sales will confirm a large default in the pipeline. There would be no reason to sell into their LBMA if the marketplace is lost.

Further, watch for a sudden rush of OI on comex (double ot triple of total OI). This is the same item we watched for as confirmation around this time last year. The rush to buy contracts will be nothing more than an attempt at bookkeeping hedging by big traders. Truly no gold will come into play.

Excitement is building while the game is "in process"!

FOA/ your Trail Guide

Trail Guide (4/14/2000; 6:23:45MDT - Msg ID:28593)
(No Subject)
Hello again Cavan Man!

I haven't been too far away, just waiting for and digesting some further discussion with friends. Things are really looking up for the gold markets now. Truly a great day for physical advocates. I'll be here (this forum) and on the trail over the next few days. Will include your --- Cavan Man (4/14/2000; 6:05:29MDT - Msg ID:28592)-- observations also (along with others).

Nice to see so many good writers here!

Thanks Trail Guide

Trail Guide (4/14/2000; 6:33:52MDT - Msg ID:28594)
(No Subject)
Also,

Aristotle, nice points and items to bring up! We must talk about this (smile), it's good stuff!

ALL, we'll be covering a lot of ground soon.

TG

Gold Trail Update (4/15/2000; 14:31:22MDT - Msg ID:28713)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (4/15/2000; 14:31:21MT - usagold.com msg#16)

The trail is getting rough!

Here is a map to review as we walk.

I have read numerous times over the last year where analysts are finally subscribing to the fact that gold is a political tool. At first (1996 - 1997) only a handful even discussed this as a possibility, citing their perceptions that it couldn't be manipulated on such a grand scale. Now almost everyone knows it as a fact. Still, very, very few of them can today make the connection that the political tool of managing gold is not by selling on the physical side. In reality it's actually the "contract gold marketplace" itself where paper selling manages the gold marketplace.

We read media report after report where the CBs are dumping gold and forcing it's price down. But just as I pointed out on our last hike, in the BIS world of CB gold trading a very small percentage of gold has physically left their system during the 90s. The only thing falling has been both the "contract gold price" and that of investor perceptions of "total gold stocks" held officially. If investor thoughts have been manipulated at all they have been impacted most by "watching the ball and not following the game".

Onward

Clearly the world has broken itself into "only two" currency system support blocks. The US and the European! We have to observe these factions as a group if we are to understand their actions. Further, it's important to place nations that are outside these two groups. Are they "supporters" or destroyers of a faction. Which one is most strategic to their cause.

Japan and much of the Asian block are clearly "supporters" of the dollar faction because their entire trading structure was built on selling into a "US dollar trade deficit". Any buying of gold or Euros with dollar reserves would wreck their economy further by driving the Yen straight up. If they do elect to do this it will be in response to a much larger American economic crisis and occur further along in the dollar inflation timeline. Talk of the Yen being the third part of a "tripolar" currency world will be proven completely off the mark. Japan and any other of their close economic allies will sacrifice their money's viability for some time to stay with the dollar. In the process suffering the same full blown dollar hyperinflation effects that are coming to the US. Other Asian nations sold gold during their recent crisis not in support of the dollar so much as they were forced by the IMF to do so. In a story I have told before,

their physical buying was hurting the manipulation game. Breaking them was all in an effort by the BIS to maintain a Pre Euro low gold agreement. Today, the lesser nations of the Asian block have returned to buying gold. Something that is in their culture, rather than a desire to destroy the dollar. Only this time we will not witness a political effort to stop this buying. To there credit and good fortune many (asians) will retain this wealth asset as our dollar is eaten from price inflation.

China is a wild card that uses the US for short term gain while not politically "supporting" the dollar system. Their historic trading ties face West to Europe, retracing the old Orient Express. Further, their attachment to gold is a natural draw that pulls them into the Euro faction. When the time is right and Euro trade deep enough, they like the oil producers will adopt the Euro as a reserve. That time may be very, very close!

Canada is seen selling it's gold stock in support of the US. This is an easy one to understand because everything they do is US related. Like Japan, if the US sinks Canada will ride the ship down. Their small gold holdings were nothing compared to standing in the American shadow. Selling it helped keep liquid our contract market. Still, I think most of their sales ended up in BIS and CB accounts anyway. Indeed, North American gold that will eventually support the Euro. The irony of it all!

South America has been in an extended financial crisis for what seems like forever. For the moment they also have tied their economic fortunes to the dollar and sold much of their gold in it's support. Yet, tragically this whole continent continues to operate as an economic "play thing" that is used by whatever world "currency block" that's in power. They will be dropped off by the dollar train and picked up by the Euro train at the next "crisis station". But because of the gold ties that Euroland will employ, South America as a whole will eventually prosper as they are forced to painfully break from the dollar induced inflation cycles of the past 20+ years. In time the Euro will be good for them.

England was not only part of the dollar faction, it was the dollar faction and is clearly becoming a "run a way" nation. They are moving towards the Euro and leaving our dollar world. But, unlike many other first tier Euroland nations that joined and quietly sold gold into private accounts, Britain is selling it's gold in an obvious "retreating action" from the dollar. Truly, their government has a long history with the "who's who" in LBMA and I suspect owes more than a few favors. Their little gold sales are specifically designed to allow some "backing out" room before the dollar based contract gold markets fail. Once in the Euro, England will enjoy the shelter of a free gold market that supports the Euro system. Still, after saying this, I would not be surprised to find that a good portion of those bullion bars ended up filling contracts owed to BIS accounts.

Editor's note: It's amazing to recall just how few knowledgeable people even had even heard of the LBMA prior to 1996, let alone know how it impacted the gold markets for years prior. I remember reading how many "big time" internet gold writers were asking "what's the LBMA" when it first made public it's trading volumes. These same "political gold analysis" today know "all about it". It's all part of the learning process we "physical gold advocates" are gaining by as their cheap physical gold is sold for the wrong reasons (smile).

A view of the Mountain

The game we should be watching (instead of the ball), has been changing from the spring of 1999. The early joint manipulations of contract gold has broken apart and left only the US standing alone in the wind. As I said further back on the trail, the US dollar faction is now hyper inflating contract gold in a last ditch effort to block a dollar destroying rise in "physical prices". Many people (Cavan Man, USAGOLD poster?) do not understand why the Euro/BIS group just stands there and allow this to happen. The fact is that they (Euroland) have the gold in the BIS system (never really sold it outside) and do not care what happens to the prices of contract gold expressed by the US or LBMA marketplace. Those contracts (as the gold currency they represent) (SDRs?) will eventually fail.

This is a simple concept that so confounds and hurts investors and traders in the "gold industry" today. They are mostly on the "failing" side of the war as their purpose remains to bet too large an amount of their hard portfolio on the price movement of contract gold, not own physical gold itself! I would say that the opinions expressed on most of the internet come from traders trying to time a paper trade in a failing marketplace. Even those buying gold mines can be compared to my "Paper deeds for Roman Gold" analogy. Betting on a rise in the price of real estate then selling it for Roman gold coins before the city (gold marketplace) falls.

"Truly, the ECB / BIS have made sure that there will not be enough Roman Gold to cover the property sales before the city falls"! Physical gold will not follow the same ratio to mine equity it did in the 70s. If a mine goes from $10 to $300, bullion will have gone from $300 to $15,000++.

The contract marketplace for gold has for years given the illusion to Western investors that enough gold exists to maintain the old ratios. So they continue to follow this mistaken precedent and follow their chart points. Points that can only represent the trading realities of paper. All the while planing their move that will make them some retirement money. Sadly however, once the paper gold system is broken, we will all experience an evolution in the true value of physical gold as it is expressed against mine equity, currencies, all real things and most certainly paper gold equity. Something this dollar world of investors have never seen before.

Just as Koan (a USAGOLD poster) long ago expressed bewilderment at how gold moved as fast or faster than silver and most gold stocks after the WA, the coming true break in the system will make that even percentage comparison to paper look like nothing at all. Investors that do not believe this should rejoice for the experience, it will be a chance to see something few ever get to see (smile).

Honestly, during most of our investing "timeline", we as Westerners have never understood that owning gold itself "IS" the profit one makes when a reserve currency system fails! The price of physical gold in said failing currency is "meaningless" because that price can no longer express any long term value!

Back to the main trail (extending from my first paragraph)

They (paper gold bugs) "now" rightly warn everyone that this "political control" of gold is coming to a dangerous end and council investors to "be in" the gold markets for this ride. But most "gold bug traders" stick to "the paper facts" and maintain strict "paper trading" discipline. I submit they will completely miss the "real profit" of owning gold at an advantageous currency price. Their trading with factual information about this "paper marketplace" will eventually net them only more paper

gold or currency in a cash settlement. Both of which values will fall completely behind a soaring physical market.

By sticking to the "facts" dictated to them from trading in a hyper inflated paper contract market, they cannot see the "reality" of a coming "politically induced" shortage of deliverable gold. Just because a contract is governed by the Crown's laws, doesn't mean it will retain the value of physical settlement. As the dollar holders prior to 1971 thought they held a receipt for warehouse gold, the dollar's gold market today will leave traders completely out of the greatest gold bull ever to occur! This my friends is understanding the politics of gold in it's fullest context.

The great dollar hyper inflation is only just beginning. Convulsions in all paper markets will be the norm from here on out.

Next item today: a response to the points of Aristotle and TownCrier (USAGOLD posters)

Thank you for reading and hiking

FOA/ your Trail Guide

Gold Trail Update (4/15/2000; 18:07:00MDT - Msg ID:28722)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (4/15/2000; 18:06:59MT - usagold.com msg#17)
A Fireside Chat

Hello Aristotle,

Your message #ID:28580 was very interesting.

Aristotle (04/13/00; 21:31:56MDT - Msg ID:28580)
Question for Trail Guide
Do you what means of price discovery is employed for the Gold transactions conducted through the BIS? I know the BIS as part of their regular fuctions faciltates transfers of Gold on behalf of their account holders, and I would assume that the conditions of the various transfers might (might not?) make them different from what we saw with the latest mobilization by the Ductch CB through the BIS. If the Dutch, and now Austrian, (and likely Swiss) Gold mobilizations are a unique form of operation, is there an element of price discovery for each independent Gold mobilization? I'm also currious about the transparency of the "going price" for real metal through these official channels.

As I reflect on the Dutch operation, I recall that the ECB's weekly balance sheet simply revealed the value of the mobilized Gold as the product of the current official ECB Gold book value (marked to market each quarter, as we all know) and the tonnage placed through the BIS. In the event that this Dutch Gold was involved in what could be deemed a true "sale," the reason I question the validity of assuming the officail ECB price to be the sale price is related to what the IMF has done recently. For the benefit of those following along, but not familiar with the recent IMF

Gold "sales," after selling IMF Gold at prevailing market value to member nations and then accepting it back in settlement of their debts, the IMF continues to carry the Gold on their own books at their official value of 35 Special Drawing Rights, while the "excess currency value" gets funnelled into an investment account--reportedly held by the BIS. I'm simply wondering if there is "excess value" generated in these Dutch/BIS style operations that aren't reflected in the existing level of transparency--that being the valuations only revealed through the fixed ECB statements.

Ultimately, I guess I'm not overly concerned with the mechanics themselves. What I find myself to be most intrigued by is the possibility/potential of additional transparency in these BIS-facilitated operations that might reveal a pricing disconnect with the London and New York markets. Or would that constitute an unacceptible rocking of the boat, in which case they (BIS faction) will bide their time behind the veil of the ECB official price until the LBMA and New York will have crashed themselves through the discredit of non-delivery?

Have really enjoyed your commentary. Sorry I haven't had more time to engage you in discussion.

Getting back to the IMF before I sign off for the moment, it looks like they are at least structurally postioned to function in accord with my proposed "perfect monetary system" regarding the role of Gold as a non-lendable/non-inflatable asset. From their recently updated website--though admittedly there is nothing NEW here:

"According to Article V, Section 12 (b) of the IMF's Articles of Agreement, any transactions in gold by the IMF require an 85 percent majority of the total voting power in the IMF. The IMF may sell gold outright on the basis of prevailing market prices; it may accept gold in the discharge of a member's obligations to the IMF at an agreed price on the basis of prices in the market at the time of acceptance. The IMF does not have the authority to engage in any other gold transactions, e.g., loans, leases, swaps, or use of gold as collateral, and the IMF does not have the authority to buy gold."

Gold. It's not just for barbarians anymore. ---Aristotle

It seems that some have walked this trail before me as my "Guiding" is following the echo of USAGOLD posters (smile). The fresh air must be doing everyone some good!

This day in time is a unique period in real money history. Seldom, if ever, has the world found itself in the grips of a possible, complete fiat reserve breakdown! Especially one that impacts the way 70% (???) of the worlds current assets are valued. What a wonderful mess for a well connected financial sleuth to be born into, right? (big smile)!

We will all look back on this and see that most of our trusted measuring sticks were useless to decipher the situation. If we truly do not know what a "dollar credit" (DC) is, how can we know what it is worth in purchasing power? We do not even know approximately how many DCs are out there, let alone their demand to satisfy debt service. What is really starting to spook the big world players is that no one now knows what kind of currency intervention is in the pipeline at any moment in time. This is having the effect of making one's real debt in international dollars an "unknown". The same thing goes for dollar assets?

You could owe one million in value today, then find that an evolving political agenda has changed that amount to 5 million in real value tomorrow. All of this was glossed over for many years by employing derivatives to hedge. Now that arena has grown so large that there is a real threat that the derivatives need hedging too! I laugh about it but it's a real event, happening in real time. It's scaring the hell out of a bunch of people and they are not taking if as being funny.

The camp fire is burning now and everyone is here:

Did you ever see the movie "Havana" with Robert Redford? It was a great tale about a card gambler that often went to the casinos in Cuba. It takes place just before the revolution when Havana was a real swinging place. I don't remember the exact lines in the show but he often made reference the the laws of probability. Saying "anything is possible, just not always probable". To that end he explained to his girlfriend why there was a lump in the skin in his forearm. It seems he had a diamond sewed under the skin, "just in case"!

It was an excellent example of human interaction with the laws of probability. It seems that inside all of us lies a fear that what the world is telling us (the marketplace) may not be real. Just like ORO said what if "there is no spoon" and our financial process is the trading of illusions! We all expect life itself to be chancy, and fully expect to lose some in the effort. But no one wants to be "busted out" because of a freak, once in a generation "revolution in the way wealth is counted".

In reality,,,, in the real world,,,, big players never tell their whole tale,,,, not like the persona of our little trader/gamblers talking their book on the Internet. In the big arena that really counts,,,,,, real players all keep most of the wealth "off the table" and "under the skin". So what does this have to do with the BIS?

Remembering back:

Something that Big Trader or Another said a long time ago about trading gold off market in the thousands. Trust me, it's there somewhere way back in the pre USAGOLD days. It seems that gold was then and is today traded between countries, CBs, special accounts,,,,,,, at not only contract prices but in the "perceived prices" that would exist in a non dollar world. Hard to believe? Don't be so quick to laugh. We are talking about gold traded in large amounts on the "possibility" of a no dollar reserve world,,,,,, gold moved from "under the skin" to "under the skin" so to speak.

In some cases more than a few people have "done the math" and come up with some startling probabilities and possibilities. In some perceptions, it's a political certainty!

Imagine, if you will that gold,,,,, tomorrow,,,,,, was "marked to the market" and slated for 30 day physical settlement. Most Western thinkers and investors would say that there is plenty of gold out there to cover all that paper. At worst it's price would go to,,,,, say,,,,, $700 in the squeeze. Well, that is assuming this event happens in a world like today where the dollar and our US economy is still running.

But these Western investors don't understand the real human world. Gold being marked to market would be the result of an economic revolution of sorts. A currency transition, if you will.

Most of the big talkers you here in the bar,,,,,, saying they would sell at $1,000 and buy some land,,,,,,, would be the very last scared kittens to cut that diamond from under their skin! Believe it!

Under the circumstances,,,,,,, miners would do their best to "stop mining",,,,,,, dealers would mostly be making a market on the buy side only,,,,,,, and our bar room paper gold trading friend,,, with all his bravado would be telling everyone,,,,,, "Gee, I sold too early and wish I hadn't"!! All the while wearing a long sleeve shirt on a 90 degree night in Phoenix,,,,, just to cover the lump that's under his skin!

The night is getting very still:

Today, gold is worth far more than it's traded contract price,,,, and has been for some years. That's the reason some players have owned it while giving up any interest and stock gains they could have enjoyed.

Listen to this and listen closely: "the real value of gold today is based squarely on the probability of weather the US dollar can survive as a reserve currency"! No problem, you say? Well, you may think a little different in a few weeks or years.

Considering the trade deficit of the US, CB dollar reserves and the interest they earn,,,, are worth between $.50 and $0 in real good buying power.

Now, would you sell your gold into the BIS system for dollars,,,,,, at the market price today to have it returned in Euro gold credits reserves at the real price much later? Just as TownCrier says in his daily commentary:

the IMF gold leaves at one price and returns at "Another" ,,,,,,,, it travels far but never moves,,,,, while the BIS holds the value for a later use in time.

It seems a neet "gray concept" to have just popped out of nowhere, no? Was that plan already "in process" somewhere ,,,,,, someplace,,,,,,,, think about it?

Then think about the dollar price of gold today? In fact, "think long and hard about it"?

Fires out

Thanks for hiking. (be on the forum later or tomorrow)

FOA/ your Trail Guide

Trail Guide (4/16/2000; 20:59:31MDT - Msg ID:28787)

(No Subject)

Elwood,

Hello again. As you might guess there is a lot of private discussion in process now. I just stopped in to say I can't talk much right now. I think Alan just walked away

from it all. In effect saying "let it go"! Ah Yes, anyone of size could own the paper gold world now and I think it will be too tempting for some operator not to try. Yet, he will only own a large paper bet for a few days.

I had offered a point earlier that our guys (US) were running out of "worth" to control gold. I think they are truly out of this "political worth" now. This could become a firestorm in a short time?

Elwood, I still have an old posted question from you about the Euro being not big enough yet to settle world oil (and other questions). It's just about there. I'll get back to that.

Also, Cavan Man offered the Goldensextant's latest views. It better puts into perspective how the BIS shuffles gold around. In a deeper thought, they actually control a lot more gold than we think.

Ok, I'm off to the bunker (smile). Watch your "top knot out there"!

Trail Guide

Trail Guide (4/17/2000; 20:28:52MDT - Msg ID:28891)
Reply
reply to da2g

After a long day and night of market thinking (for me anyway), just thought I would toss this quick one in here. Cavan Man's post gave me the thought (smile)

If today I can purchase about $1.00 with my one CHEESEBURGER, and use this currency to purchase about 1/280 OUNCE OF GOLD, then after CHEESEBURGERS run (from price
inflation), and my CHEESEBURGER now purchases $75.00, how many OUNCES OF GOLD will I now be able to purchase?

ANSWER: About 75/15,000 of an ounce! (big smile)

My real point:

From around 1929 to date, Americans have never known a real, full blown, all out "price hyper inflation". We have only history books and movies to give us the true mental and
physical picture of what it would be like. Yet, even these cannot begin to portray the real human interaction "up front and personal" the way it happens in real life.

To date most of us still think of things in dollar values. After a real inflation begins this all changes. But in the same way a traveler adjusts his currency values when shopping in a foreign land, so too will you quickly learn to think of things in real terms instead of dollar terms. A hundred dollar cheeseburger will be a normal as a 50,000 peso "whatever" in Inflation Land. The same attitude
will prevail in gold.

Thanks ALL for reading, but much more thanks for thinking for yourselves

Trail Guide

Trail Guide (4/18/2000; 7:00:01MDT - Msg ID:28918)
PGA

Trader Gold

We are seeing more and more disappointment from the "Trader Gold" crowd. Their motives and reasoning is commented on widely by the media and spread over the internet. Often studied as the way a "Gold Bug " thinks, recently the Western investor world sees these examples as a reason to
stay away from gold not buy into it. For years this group was mixed in with all the other "gold bugs" and was considered "one - in - the - same". They are not and only now is the difference becoming more clear.

The distinction between gold stocks, contract gold and physical gold investments is widening as the relative "soundness" of these asset classes is further exposed daily. In the past, as long as all gold vehicle valuations held within a tradable ratio of each other "Trader Gold Bugs" could hide within the "Gold Bug" community and proclaim all the fine attributes of a "physical gold advocate". But
this current protracted political involvement in the gold "paper marketplace" is dividing "Gold Bugs" into their two clear different groups and showing their two clearly different reasons to be in gold.

Over the last three years, Trader Gold Bugs (TGBs) have fallen further and further behind "Physical Gold Advocates" (PGAs) as their leveraged investments are more percentage impacted by a falling contract gold system. No longer able to keep quiet, the pain that their leverage brought them is
forcing an ever more vocal (and irrational) response to the movements in gold prices.

Every $2 drop is seen as a total failure of gold and every $2 rise as pathetic and proving how gold is done in for the count. Truly, these are the perceptions of investors trading either a "Paper Gold Market Place" or a leveraged "Gold Industry". Not the feelings of a Physical Gold Advocate holding a sound world class financial asset! One that's holding it's own strongly in the face of massive
official manipulation.

The TGB crowd is hopping that more of their same kind will soon exit the stock markets and put money in "their kind" of paper assets. All the while ignoring the logic this dictates as it invites the same "hot Money" trading using the same "leverage" that is now failing Trader Bugs. If indeed
contract gold rises $10, $30 or $80 and pulls in some of the stock crowd, that same "fast mentality" will surely run away at the first sign of more official paper gold creation. Further damaging the publics view of Real Gold".

Indeed, the TBG experience is today sinking from it's own exposure to public view. A strategy that takes a 1970s gold precedent and continues to extrapolate it into our future. Yet it is failing from an evolving gold arena. Our gold success for tomorrow will rest on a new and different dynamic not the aging leveraged games of years past.

The precedent for the future of gold is found much further in the past than the 70s. It is a return to natural human economic reasoning of what wealth always has been and is now. This thinking is being helped on by a changing official recognition of what gold should do and be as an asset class
in official and public hands. Taken from a time when Freegold ruled the wealth world, physical gold will tomorrow be the investment of our future from today.

The old TGB experience will go the way of past fads of the investing world as a modern, smart, new investor steps from the fog of all paper leverage failures. Not just leverage gold failures! To their credit new generations do understand when an old investment strategy is little more than the
"old baggage" of their fathers. The event that marks the end of carrying this dollar luggage is an ending currency timeline that is directly ahead. Clean, non leveraged new money is getting ready for it today with physical gold.

Looking ever forward we are today joining a new dynamic force in the world. Physical Gold Advocates are now using sound, responsible reasoning while building a rock solid alliance with the economic builders of tomorrow. The future holds that Physical Gold will not be savings. Nor will not be a hedge. It will not even be an investment.

For those with the courage to follow in the "Footsteps of Giants", gold will be the opportunity of a lifetime!

Thank you

Trail Guide

Trail Guide (4/18/2000; 7:09:39MDT - Msg ID:28919)
comment
ss of nep,

We (US) need the flow of oil more than anyone else out there! If someone drops the dollar or the IMF we will protect our oil flow even if it means supporting the Euro to do it.

Just a thought my friend. be back later

Trail Guide

Trail Guide (4/18/2000; 18:34:54MDT - Msg ID:28968)
Comment
ss of nep (4/18/2000; 7:26:20MDT - Msg ID:28921)
comment
I may have to learn to ride a camel
smile.

Ha! Ha! Hello ss of nep,

I hope you have some success because those damn things are hard to ride. For this

American anyway! (smile)

You are right, we do seem to be more free with our military these days. It just feels like we are slipping into the same old "pre inflation" society values that are responsible for "war attitudes" in the past. Our Economic engine pulls all of us into it's high speed printing press whirl and we end up demanding the head of any peoples (or nation) that slows it down. I see moral values at the very edge of the same old "I demand mine now" and "to hell with the outcome" thinking. It more profitable to trade it than own it! Didn't Robert Precter detail some of this in his last book?

Anyway, good luck when your first ride comes!(smile)

Trail Guide

Trail Guide (4/18/2000; 18:36:44MDT - Msg ID:28970)

Reply

Cavan Man (4/18/2000; 7:44:54MDT - Msg ID:28923)
Hello Trail Guide
Is Trail Guide/FOA more than one person?

Hello Cavan Man,

No, I'm the two of them. Because FOA interprets, transcribes and publicly represents the thoughts of another poster, I found myself unable to express (and defend) my own position when attacked or challenged. It's a cultural gulf that's different from what we know in a lot of Western social
interaction. Here I post as Trail Guide so as to still tie my personal feelings to those presented on the Gold Trail, but write as I see fit.

Another seldom writes "outright". Most of his Thoughts (I'd say more than 3/4) are transcribed. He's a long term thinker / planer / leader and has every intent on seeing this "new gold market" through to the end. Many people think his whole presentation is winding down because he has withdrawn for a while. I can assure you the last few years were only an "outcry" of what is to come. When events lead the way, FOA will fade to the background as Another's Thoughts again
take the stage. At least this time, I'll be able to continue posting here as Trail Guide (smile).

Thanks Trail Guide

Trail Guide (4/18/2000; 18:38:32MDT - Msg ID:28971)

Comment

da2g (4/18/2000; 9:13:22MDT - Msg ID:28928)
in the future (75/15,000), perhaps I am better off keeping some of my wealth in cheeseburgers
(very large smile).

da2g,
Ha! Ha! I wondered if anyone would catch that? At that evolving ratio burgers would be sold for oil, I'm sure! (smile)

thanks Trail Guide

Trail Guide (4/18/2000; 19:11:02MDT - Msg ID:28974)
Comment
PH in LA (4/18/2000; 10:58:39MDT - Msg ID:28932)
Evolution! Coming to a gold market near you!

Hello again PH!

Thank you for your clarity! But more so for showing that yourself and others are seeing through the fog. I can present only "so much" because my human inability to describe this evolution is so limited. Truly, the more that others can see these changes and write their perceptions the more we all can gain perspective.

Thanks again

Trail Guide

Trail Guide (4/18/2000; 21:11:19MDT - Msg ID:28990)
Comment
Mr Gresham (4/18/2000; 16:38:17MDT - Msg ID:28958)
TG/FOA message

The satisfaction of drawing together a school of independent THINKERS is also sublime beyond most human accomplishments.

Hello Mr. Gresham,

Thanks for your consideration and the same to everyone else who has voiced the same. It's taken a while for me to read all the posts. I know there are more than a few that hold OldGold's position. But, their position and strategy speaks for itself. It will succeed or fail them in the long run. I think if Another were here today he would say "time will prove all things" and leave with that simple, all consuming thought.

Yet, I can't help but think that your comment about "drawing together thinkers" is indeed part of the plan we see in process here today. While GATA leads with a nuts and bolts attract, Another draws the human spirit and imparts his question in the hearts of real wealth patriots.

I have read that education through experience builds the mind. Once shown what to look for, events become the real experience that creates lasting knowledge and demands the search for more. More often than not wars are won by an army lead from the last in line. Yet only armed with a truth they have found on their own.

"we watch this new gold market together, yes"

Thanks Trail Guide

Trail Guide (4/18/2000; 21:13:25MDT - Msg ID:28991)
Comment

aunuggets (4/18/2000; 18:29:06MDT - Msg ID:28966)
Suppose for a moment you were a Central Bank.....
....Would you "sell" your hard assets (gold) for another commodity that you could easily create out of thin air (U.S. Dollars) ? This has probably been mentioned by others, but where is all of this gold being "sold" by the Central Banks ? Is it entering the (private) markets as physical, or is it simply more of the illusion, actually consisting of nothing more than bookkeeping entries from one CB to another ? The "numbers" don't seem to add up for some strange reason.

Hello aunuggets,
That's a real good trail to follow! (smile) I'm with you on that one!

Trail Guide

Trail Guide (4/18/2000; 21:15:48MDT - Msg ID:28992)
(No Subject)
Econoclast (4/18/2000; 16:21:46MDT - Msg ID:28954)
Rise above the negativity
http://www.gold-eagle.com/editorials_98/osborne061898.html

Cavan Man (4/18/2000; 16:36:30MDT - Msg ID:28957)
Econoclast 28954

Ok, we will all have a look. I'll comment later (or tomorrow)

Trail Guide

Trail Guide (4/19/2000; 18:17:48MDT - Msg ID:29053)
Comment
Hello ORO,

My wife will not let me put your post on the main wall! Can You imagine that? I had an unused frame from the local custom picture shop,,,,, nice, big real wood frame. Was thinking of mounting your post in that frame. Then put it on the entry wall of our home where all our guest would have to read it and no doubt comment on it. Now I guess it will just have to stay in my office.

Besides that I didn't really see anything in it that qualified for the HOF? (bet you think I made this up) (grin)

Thanks to you and to everyone for reaching beyond themselves in the search for and sharing of understanding.

Excelent! ----- ORO (4/19/2000; 0:05:39MDT - Msg ID:29003) ---------

Trail Guide

ORO (4/19/2000; 0:05:39MDT - Msg ID:29003)
Oldgold stirring the pot
Oldgold, thanks for stirring our little pot of soup. Some stuff has gottent stuck at the

bottom.

Rather that try to put Trail Guide's point across for him, which he does very well himself, I will just point out this:

1. There has been a gold standard in effect through the 80s.
The US overdrew its gold and the system collapsed.

2. There has been a dual physical gold and paper gold standard since 1989 or so.
The US and UK overdrew this by 1997.

3. The Asian collapse, though it would have happened eventually anyway, was a planned event that saved our sorry @$$es for three years.

4. The bulk of the dollar support mechanism (remember that we did not have a current account surplus in three decades) was a series of debt traps for various emerging nations that were indebted by tricks and by force. These debtors needed dollars to pay off interest on dollar loans so that they could buy life's basics on the global markets.

5. The idea of a debt derived money offering stability in economic function and in prices is an absurdity on the scale of defying gravity, absolving the world from Newton's law. Without an anchor in a commodity money, all debt money spirals out of control and into worthlessness. No conceivable system can make it otherwise. Gold is to finance and money as the speed of light is to Einstein's law of relativity. Gold answers the question "relative to what?".

In short: for a monetary system to work, someone, somewhere, must be able to exchange the currency for gold AT A FIXED RATE. We call this parity.

6. The global dollar debt system is collapsing. Soon, only the US and a few "friends" will be left owing dollars and owning the "bag" - our debt.

7. The system could not work if it was well known even among the top bankers, because their attempts to get into gold for defense against this would have killed the system. Even now, when it is apparent, bankers refuse to believe that their product is as toxic as RJR's and Columbia's main export combined (and they work in remarkably simillar ways).

Finally, say thanks for the low gold and silver prices you are getting and pray that it can continue. Next thanksgiving tell your familly to give thanks to the Germans, Japanese, Koreans, Chinese, Indians, Italians and others who feed and clothe us half the time (actually 56% in 1998, 60% in 1999).

Some details and discussion follow:

We have fought a war and have lost it. The war that was fought was for financial hegemony through the issue of the reserve currency for the world. In essence making the US serve the role of banker to the world. The war was lost in 1968 and defeat conceded in 1971 and again in 1973. With much support from a world scared of a complete freeze-up of commerce, the dollar was resuscitated just in the nick of time and a new gold convertibility standard was put together by the same bankers that pushed for and got the Fed and then Bretton Woods. JP Morgan said "gold is the

only money". He said so well into the Fed's life when gold was no longer circulating in great volumes.

Fiat debt money is incapable of maintaining value without a fix to a real item - notably the precious metals, and the most prominent of them, gold. The dollar is two different things at the same time. Within the US is only a product of debt, the IOUs of all us credit card using and mortgage and car loan paying people that the bank sells to the producers of the houses, goods, autos we buy with "credit". Outside the US, the dollar is much the same, until it meets the BIS for transnational settlements of imbalances. There, the central banks trade gold for dollars at an unknown exchange rate much greater than that in the markets. (This is a premium that is payed for the right to buy gold rather than the gold itself - this way it is kept off the books). The private markets provide the non-US private bankers an opportunity to hedge their dollar assets and those of their clients. The US banks and their UK allies produce the paper gold needed for settlements of dollars into gold debt.

The fact that someone - somewhere - can settle over $100 billion dollars in unbalance "imbalance of payments" every year with gold, is what makes the dollar's value relatively stable.

The US and UK bankers had completely overstepped their bounds in the process and issued way more paper gold than there could ever be redeemed (the BIS and OCC statistics just deal with derivative contracts, these are just mirrors of a much larger gold banking system which underlies trade and at which gold settles the dollar through the SDR). So long as the gold credits were believed to be redeemable, the system was credible.

When it lost credibility, in 1996 - 1997, the imperative became the classic wildcat bank strategy of moving the gold in the back door when the inspector comes to look at your reserves, and transfering it to the next bank just as the inspector is on his way there. The whole dynamic is now the satisfaction of gold demand by whatever means necessary so as to maintain credibility of the paper and thus prevent a "bank run". The Washington Agreement was the statement by the EU that they will not put in jeopardy any more of their gold, that their part in the dollar support system is over. Since that date, the US has been exporting some 800 tons of gold (annual rate) officially, and an unknown ammount "below custom's radar".

In the meantime, the bankers in the EU and the UK have been redeeming their gold liabilities to their clients with American gold liabilities. When actual gold ran out and gold yet to be mined (or found or explored for) was used for settlement, some time in the late 80s, this part of the dollar support system was born. The part US banks played was (at first) small, US market share in gold banking was some 20% in 1995. By 1997, it passed 35%, by mid 99- over 42%, now it probably passed the 50% mark according to OCC numbers (BIS numbers for the end of 99 will only come out in June).

This process reflects the change of responsibility for managing the dollar from the losers of WWII to the "winner". The Fed is responsible for the viability of the liabilities of US banks. These liabilities are what we call dollars if banks can't supply dollars they owe, the Fed supplies them through the treasury and directly. The gold liabilities of US banks are quickly growing so that they will soon hold all of the dollar side of the global dollar-gold settlement system. When the transfer of gold liability from the UK to the US is complete, there will no longer be any reason for Europe and

the Oil nations, nor China to assist in controling the gold ecxhange rate. At that point, the gold obligations will be terminated and gold contracts and accounts drawn on US banks will be settled in dollars only.
The time for that is not here yet. I would venture a guess at the time frame of the end of this year. At current rates, the transfer should be finished by then.

The terms for the end of the game were set, in part, in the early 80s. Since then, there had been a tremendous effort by the US government to stop use of American resources by American and foreign consumers. Major finds of gas, and particularly, oil were capped and not allowed to go into production. Forest lands were set aside from loggers. Gold mines were induced not to explore nor produce gold within the US. Why? So that when the end does come, the US will have cash traded commodities to sell - so that when the US can't buy on dollar credit anymore, it will have something to trade while the country is reindustrialized.

The US tried to play the technology card by assisting US tech companies in gaining investments, that was done by making them appear more attractive to investors through SEC and IRS accounting rules regarding ESOPs and merger accounting that lower the cash costs of top talent and make losses seem like earnings. But the "social adjustment" oriented school system produces mostly good salespeople and hamburger flippers. India has more programmers than Silicon Valley, and Taiwan and Singapore produce more chips. The best computer and software design is done in Ireland and the Norse countries, and wireless technology is mostly a Finnish, British and German industry. The only way to eliminate the disadvatage in education is to import as many tech pros as we can before they stop wanting to come here. If 10 million 30-35 year old techies can be imported over the next 5-10 years, the US may have a chance to survive as the major economy.

The bank debt reports published by the BIS and the IMF tell the story in all of its gorey statistical details. The dollar debt outside the US is collapsing as it is turned from emerging market and transnational corporate debt into American debt. The US imports produce a flood of dollars that pay off the liabilities of Emerging nation's corporations, governments and banks. It is the need by these to repay dollar loans that has produced demand for dollars abroad. Now that they no longer borrow in quantity and have been reducing their debt, these countries are slowly reducing the international value of the dollar and adding themselves to the long list of dollar creditors. The only dollar debtors left are the UK, some HIPCs, and the greatest debtor ever, the US.

The story is simple. The debt trap set for the emerging markets by 3% dollar interest rates in the early nineties, was sprung in 1997 by a joint effort of the Fed, the IMF and the BIS. The IMF demanded self destructive policies from the countries it was supposed to help, the BIS raised their bank's reserve requirements (actually it was their net asset ratios - a.k.a. ccapital adequacy - but few understand what that is and reserves are a close enough descriptor), and the Fed raised interest rates by all of 1/4% and the whole Asian economic system collapsed.

This generated the requisite dollar demand, stopped Asian gold demand, produced an Asian gold supply, and allowed EU and US banks to buy out many Asian corporation's assets that they were barred from owning before. Hyena and Vulture LP had their day. We were spared disaster for another three years.

Gold Trail Update (4/22/2000; 20:49:00MDT - Msg ID:29191)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (4/22/2000; 20:48:58MT - usagold.com msg#18)

Good Morning everyone!

Because the group has had a good night's sleep and a fresh cup of coffee, I wanted to say a few things to fresh minds before we get started.

People hike the gold trail for the understanding they gain along the way. For some it's to make a profit using the reasoning gained. Others find reinforcement about the historical asset insurance gold provides against other wealth. Still others do it to further an ideological standpoint that gold wealth is more a direct reflection of true reality in life. Whatever the reason, for many people gold holds and maintains a real image of stability even beyond it's currency price. A rare concept in this modern world full of financial fakery.

Whatever your purpose in joining us may be, understand that neither I or us make the trail. We simply follow it as it winds it's way through our evolving lives. Gold, an entity of mother earth's making has a fluid value that's an ever changing perception of what wealth represents in the minds of men and women. Over time the wants and dreams of humanity along with their need to retain them are the forces that shape this path. The actions of ourselves and the governments that represent us create this trail as we grasp just how much in life is real and how much is not.

To date, we see a large segment of Western society that has accepted most of our modern paper as their wealth and reasoned that the value of gold itself is little more than an illusion today. In time most of these "new reality" believers will join us here and contrast their life's experiences with other hikers. In these recounts, many will profess that they lost "what they never really owned"!

Observations

A few days ago I offered this post: Trail Guide (4/18/2000; 7:00:01MDT - Msg ID:28918). It can be found on your laptops in the USAGOLD archives.

I presented a perception of the changing image of Gold Bugs as they appear to other would be gold investors. Many of whom see the strategy of the old TGBs (trader gold bugs) as something to avoid as it produces nothing but loses. A wealth destruction that seems unending as the evolution of the gold market itself continues. This evolution of over twenty years has proven to many that our market place was never as free as many played it for. Indeed, the growing perception today is that the gold industry and this paper market place have become little more than a leveraged game inside a manipulated concept. Rather than a contract market that represents the sum total of knowledge and therefore value of our physical gold supply. In the beginning this concept once held gold trading to be the same as free physical trading. It never was then and is not today.

New, "would be" physical gold investors are not looking at the gains made from

shorting or going long paper gold as profits made from operating in the same arena that dealers use to sell physical from. Rather profits and loses from trading all paper representations of gold are seen only as they apply to our current paper market. While profits and loses from owning physical gold are found only in the physical market. To date the profit and loss difference between these mediums is striking. In the face of massive distortion of facts, figures and contract supply, physical gold has suffered a very reasonable discount when compared to investments in it's leveraged paper side.

Seeing this, the question is presented: why trade a gold industry security or gold derivative paper when I can make and lose just as much playing the established fiat stock markets? Truly, if contract paper gold is being inflated with supply in order to mask bullish fundamentals on the physical side, why bet on a rise in physical gold using a leveraged derivative? If the world stock markets are in trouble and I need to hedge my wealth, why hedge using an arena that will tend to be manipulated down even more so as equity markets fail?

Further, if this official paper gold market is not the free place we thought it was why not buy the product that's in short supply and the subject of said paper manipulation? In this regard, Physical Gold Advocates are gaining the upper ground of "sound reasoning" as we speak! New investors see through the fog and don't want any part of an investment that's already killing many investor assets. From my post:

"The distinction between gold stocks, contract gold and physical gold investments is widening as the relative "soundness" of these asset classes is further exposed daily. In the past, as long as all gold vehicle valuations held within a tradable ratio of each other "Trader Gold Bugs" could hide within the "Gold Bug" community and proclaim all the fine attributes of a "physical gold advocate". But this current protracted political involvement in the gold "paper marketplace" is dividing "Gold Bugs" into their two clear different groups and showing their two clearly different reasons to be in gold.

Over the last three years, Trader Gold Bugs (TGBs) have fallen further and further behind "Physical Gold Advocates" (PGAs) as their leveraged investments are more percentage impacted by a falling contract gold system. No longer able to keep quiet, the pain that their leverage brought them is forcing an ever more vocal (and irrational) response to the movements in gold prices.

Every $2 drop is seen as a total failure of gold and every $2 rise as pathetic and proving how gold is done in for the count. Truly, these are the perceptions of investors trading either a "Paper Gold Market Place" or a leveraged "Gold Industry". Not the feelings of a Physical Gold Advocate holding a sound world class financial asset! One that's holding it's own strongly in the face of massive official manipulation." " "

This full post was aimed squarely at the failed paper gold investor of the past. Whether buying into the gold industry or the contract gold arena, the flaw in this strategy is that leverage gold today is and has been for some time opposed to official

policy. An investor can "wait out" this policy time frame or buy directly into the part of the gold market that cannot be controlled. Physical gold!

The real leverage today is found in the understanding of just how this current "wind down" of official policy will impact the two markets for gold.

Whether doing the bidding of "official policy" or just trading paper gold short, the major makers of short contracts cannot and will not "just walk way". If they have created so much supply that it is "uncoverable", they have no option in stopping their writing. In a last ditch effort they may make every trader aware that they will create a bottomless pit of supply if necessary to stop any rise in contract prices. Regardless of the physical price! Especially if a rise in contract prices is the only accepted agent they must mark their margin to! In the end, no speculator, commercial trader or gambler in the world will buy into a contract that must end outside physical settlement. The end of out current gold markets may end this way:

""""""""""" If physical gold spikes and is trading in the dealer market for $3,000 an ounce,,,,,, and a major trader stands ready to sell contracts in any number,,,,, to all comers,,,,, for $200,,,,, no one will buy if the obvious settlement will be for the full equity of the paper gold marketplace!!!! Truly an amount that may only bring $400 or less (an ounce) in negotiated cash to cover the "end time" hyper inflated contracts issued. """""""

This my friends is the full picture seen by not just old money in gold but new gold money also! It's also the reason so much "Physical Gold" is leaving the US today. Please see Mr.TownCrier (4/19/2000; 17:59:41MDT - Msg ID:29050).

Western gold investors have lost the real "Gold Spirit" rooted deeply in their past as they chase profits instead of reality. Mr. Farfel made this comment (Msg ID:28931) that so aptly describes this modern Western phenomenon:

" " You seem to have the mentality of a trader, with no rooted beliefs in anything other than that which makes you profit." "

Onward The Trail:

The gold industry today is in a position to take advantage of and profit from this changing view of gold. To do this they must sell their product to the public, not their shares. Microsoft did not get where it is today by selling it's stock as an alternative to owning Windows. It sold it's main product first to a public that wanted and needed it. It's stock value followed.

Two thirds of the modern gold market creators have walked away from further manipulating the current pricing system. The ECB / BIS position has evolved into letting the remaining market inflate itself into oblivion. If the gold industry is to survive this coming reckoning of a crashing system, they must move now to break their product away from filling paper commitments. Only a small handful will have this choice. The move by some players in creating "goldavenue.com" is a major first step. But it's not enough.

The companies that will survive must make their product into registered form. Then sell only to users that will certify and prove that gold's end use as jewelry, coin or private bar. Registered bar sales, must be stored in bonded warehouses that can

identify a mine's product bar. If the paper industry or fabrication process is to use this gold they must remelt it, absorb the cost and pay a fee to the mine of that numbered the bar.

Very few mines will make this shift. But it's the only way they will profit enough to overcome the taxes and regulation that's coming.

The gold industry must make every effort to educate investors that their mine shares are not a substitute for owning gold. Demonstrate why persons should own and utilize their software (gold) for personal financial safety first. Only later (as profit potential prescribes) encourage persons to invest in microsoft stock (gold shares).

The few companies that can follow this lead today will be amazed at the outcome tomorrow!

Further:

The paper markets give the illusion of a fat gold supply that says, "there's plenty to go around". Yet, once our paper markets finally price in their own destructive tendency, the illusion of supply will vanish along with the available product. The price change in physical gold will be fast and brutal, to say the least. Leaving virtually no chance to convert any paper profits into real gold on a one to one basis.

To this end, "PGAs" (Physical Gold Advocates) today enjoy the very best of all worlds.

The "wind down" of our official paper marketplace has begun with the Washington Agreement. An accord that began with the first private acknowledgment that IMF gold would have to be revalued through either sale or official revaluation. We are on the road to very high priced gold, but will not arrive "publicly" at these values until the paper markets destroy themselves.

London is clearly in the wind down process as their volume slows. The dollar faction is alone in representing itself as the defender of low paper gold prices. I give the odds of contract gold spiking and holding it's gains at one in ten. If the paper gold market can end it's days in a rapid rise to bankruptcy, it will take a major portion of the banking system with it. The same banks that the mines must work through today.

In the eyes of new Gold Bugs, all risk today is in paper held in lieu of gold. The choice is clear. Buy into a bear market in paper or ride on a new concept for our changing modern world.

The future belongs to the PGA. Physical Gold Advocate!

Thanks for walking

FOA/ your Trail Guide

Trail Guide (4/23/2000; 19:08:21MT - usagold.com msg#: 29241)

Reply

HI - HAT (4/23/2000; 6:05:13MT - usagold.com msg#: 29203)

Trail Guide EURO

Hello. I am looking at analysus that focuses on possibility that Euro's downtrend portends value crises of this currency. It seems that all the prognostications of the dollars future are what is exactly happened to the Euro. Since its inception it has steadily lost value, and now appears at the crossroads to go down more.

This it semms is the only major currency arena where the price of gold is in a bullish uptrend. In a world already saturated with debt financed stuff, it seems any fundamental competative advantage of lower Euro, will still net out very negatively against increased costs for oil,electricity,etc., in Euroland.

Hello Hi - Hat!

Good question. I'll offer in my words what was presented to me from some other people.

Every time the Euro comes up in conversation someone points out the ever so obvious fact that it has fallen against the dollar. Ok, so what does this do to impact us as world players?

First: my new Euro accounts are static in Euroland and are spent there for investments if and when need be. As a international player I don't trade my dollar accounts (local US held) against these or other holding in foreign domains. To date, my real cost of acquisition in Euroland has little or no effect from the Euro / Dollar exchange rate. A myriad of other factors come into play when determining a particular investment's (Euroland) viability. Unless the industry is exposed as an importer from dollar nations the short term exchange rate means nothing. If our selected sector is export related and sells into a dollar sector, then all the better for them. Our long term success rests on the sector's ability to make an adequate return in Euros. The whole purpose is to build an asset infrastructure that will remain in the Euro realm. Not convert it back to dollars (or whatever currency) in a year or so.

Second: the costs in Europe have not gone up in any way comparable to the amount Euro / Dollar has fallen. Neither I nor anyone else (I know) are concerned with this short term condition. In fact, the lower rate is making my decision to cover dollar debt and refinance in Euro debt for me.
Especially so for anyone that is overweight in long dollar assets (working assets as opposed to investment assets) and wanting more Euroland exposure with less cost. Borrowing Euros to invest in high return financial assets (Euro carry trade) is only a trade against exchange rates and in every
way has the smaller impact on Euro value over a long run. The booming demand for Euros is swamping the ability of US to supply liquidity fast enough to cover the liquidation of dollar debt. In spite of this much examined and overweighted carry trade.

Third: ECB is right, US dollar is up because a funding crisis is drying up dollar assets faster than Fed can supply. From the looks of everyone financing here, Euro is right about where it should be in value. It's the dollar that is spiking from a crisis.

Editor note: In a broad view just look at Japan. The Yen is being driven up from a

long term crisis in their economy. The same thing is only now happening in our US. The difference is that we have "the" reserve currency and our eventual response to a "Japan like" economic condition will be to super inflate the dollar. That is something our fed is doing right now to keep the dollar from going even higher.

In another view, the ECB has the Euro doing what Japan has been fighting like mad to do for many years now. That is get a major world currency down against the dollar by having the dollar driven up from "debt transition demand". No different than as my friend uses his dollar reserves to cancel out his local (US) debt to reestablish in Euros. This effect expands the Euro in a good way but eliminates dollar liquidity in a bad way. The dollar rises from a liquidity "dry up" and this forces the fed to pump. But this kind of pumping floods our shores with dollars that can only function as "hot money" (stock market trading). Not used to finance real industry infrastructure.

If the Euro is causing any pain it is doing so to traders that made long derivative bets on that currency (not invest in it). They bet on the Euro being strong and the dollar being weak. None of then grasped that the Euro would be strong as a crisis of transition made the dollar even more in demand for liquidation.

Confirmation of this is found in the US fed and Treasury using every trick in the book to pump liquidity into dollar based assets. Alan is no fool, he isn't killing the stock market because he can't right now! If the dollar was strong from all the demand media says is out there, why must we pump money during a time our trade deficit is flooding the world with dollars. If the Euro is so week, why is everyone financing in Euros at a rate that's still building?

Thanks

Trail Guide

Trail Guide (04/24/00; 20:36:19MT - usagold.com msg#: 29285)
(No Subject)
Hello aunuggets,

Why stop there? What would keep the Gov. from taking all your cash? Ha! Ha! That's right, they could just call in all your money!

How about them taking the diamonds, china, 1/2 your food and
spare tires? Hell, they could even demand we turn in 2/3 of our stock certificates (gold shares included)! If they are half as stupid as we think, they may even want all the derivative contracts also (smile).

It doesn't take too much brain space to understand how one tries to structure his wealth to dodge as much "incoming" as possible! Pre-33 may or may not work, but it's a good bet it will.

Also: in the thick of things art work still holds it's premium. So do coins. When France fell, art, coins, china and anything rare was taken before all the rest. Even in Nam rare things held a higher price on the last days. I know some boys who were there.

As for "profit"? I have lived a long time and can't remember not paying a profit

premium for anything or any service. In fact, the better the advice the cheaper the profit became. Yet, I have seen many, many people spout off that they pay almost no profit for something. In the end they got what they paid for.

But you knew this already. Just thought I would put in words for everyone, what you knew but forgot to say.

Just something to think about..... (big smile)

Trail Guide

Trail Guide (04/25/00; 06:47:56MT - usagold.com msg#: 29301)

Euro

http://pacific.commerce.ubc.ca/xr/plot.html

ThaiGold (04/24/00; 21:07:43MT - usagold.com msg#: 29287)
EURO being Abandoned.? Attn: FOA/Trail Guide

http://www.telegraph.co.uk:80/et?ac=000124036011016&rtmo=V6gJg6VK&atmo=99999999&pg=/et/00/4/25/weur25.html

But if you go-there, and read-it, it appears to me (and the Telegraph Reporters) as if the Euro is being abandoned before they even print the first one.
What do you make of this twist of events.?.
Is their report incorrect.?. If not, why do you (FOA)
continue to tout the Euro so highly.?.
Cordially
ThaiGold

Hello ThaiGold,

Here is part of your article:

City: Economic week: Interest rate fears dominate

TONY BLAIR was urged to rethink his commitment to the euro last night as the ailing currency suffered a fresh blow to its credibility.

Leading German financial experts issued a warning that it would fall further in value unless there was urgent economic reform. This was a clear sign that opinion formers at the heart of the eurozone are turning against the 16-month-old single currency. A week after it hit a record low against the dollar, there are now fears on the Continent that it is facing a full-scale crisis of confidence.

The most damaging attack was made by Prof Jürgen Donges, who heads a committee of five independent "wise men" which advises the German government on economic issues. He said that Germans had been told that the euro would be as strong as the mark, Europe's most successful post-war currency. But they had been bitterly disappointed.

Thai,

Go to my above link and plug in German Marks to US Dollars.

You will notice that the Mark once brought .60 cents +/- in 1980 then plunged to buying .30 cents by 1985! What's that, a 50% loss against the dollar?

Then notice how it was at .72 cents in 1995, then plunged to .55 cents by 1997. What's that, another 30% loss?

The Mark was also spectacularly strong against the dollar at times. My point is that using the Euro as an excuse for European currencies to have fallen is all wet and these guys know it! The German people (and most of Europe) have known money fluctuations from their birth. The above "wise men" are not going to sell them on dumping the Euro on the grounds of it's recent exchange rate.

It's all politics, pure and simple. The anti Euro crowd in England is trying to sway Tony away from his well founded convictions. Still, Britain will join the EU as soon as possible because it represents a new future for them. I have well positioned advise that the dollar is going to begin it's decent this year. As soon as it does these political outcries by "fat cat special interest" will silence.
Believe it!

Read my last (recent?) post here about the Euro value. It's a convoluted story, but our modern 80 trillion derivative driven currency world make traditional money flows (and values) hard to fathom.

Besides, who's fooling who about the Euro? Quoting from today's WSJ currency page:

"Even after the expected increase (talking about ECB Euro rates), the Central Bank's main refinancing rate would remain well below those in other western countries - at 3.5%, compared with 6% in the US and the United Kingdom".

The Euro is weak? Give me a break? Some posters here only look at the exchange rate to see a currencies strength. That's good for the "trader crowd", but it doesn't begin to address the fundamental forces that truly impact a currencies real redeeming qualities. We are talking about real world "use" and the cost to implement that "use" in business. At these rates the Euro is smoking the dollar, hands down. Can you imagine what the exchange rate would be if Euro rates were raised somewhat close to Western rates?

The most exciting dynamic here is that these low Euro rates are building an economic infrastructure in a major world trading block. And doing it during an expansion in it's beginning timeline. And retaining a solid currency in the process.

I agree with the ECB: the Euro is fundamentally strong to the extreme, while the dollar is looking more like a Yen. So what if the dollar rises? It's strength is a sign of failure because our rates must be so high to maintain it. This same "high dollar rate"

momentum, that traders love is just killing the international US debt quality from the trade deficit flood.

So do we want to have our assets in Japan instead of Euroland? Japan has a strong currency with 0% rates. Good, yes? Ha! That arena is in a crashing crisis and embarking on it's own hyper - inflation policy to try and control it. The Yen is strong because they are drying out! Our Dollar will
do the same, only we will gun rates higher in a "wind down" of reserve currency status. Just the opposite from Japan. Eventually, price inflation will eat the dollar on the exchange rate market, no matter what our interest rate is!

Further

Most TGBs attack the Euro story because it validates the current gold market dynamic "Another" laid out long ago. It ruins their passion for Gold stocks and gold derivatives as it proclaims that physical gold will at least match (or far exceed) any possible run in these paper products. He
influenced this political process privately in the early 90s and publicly in the late 90s. To date the whole dynamic is proceeding and many other analysis are now moving in this direction. Truly, it's a transition on an epic scale.

thanks

Trail Guide

Trail Guide (04/25/00; 17:57:08MT - usagold.com msg#: 29340)
Comment
Hello Mr. Gresham!

Mr Gresham (04/25/00; 09:47:57MT - usagold.com msg#: 29313)
Trail Guide #29301

think we could re-finance the house in Euros? Before the rush begins?

TG:
Oh, lord no! Not if you live in the US (smile). I think one could just buy some well located (in a safe area) homes financed in dollars (or cash (smile)) and hold them for the great run. I have done just that and am adding.
If one can buy (a home) in Euroland, plan on using it, not selling for dollar profits. I fully well expect big time exchange controls as this blows up. This is the same reason many investors save in Euros (and other currencies) in addition to local dollars. They don't bet on it (Euros) because it's a long term hedge as is.

Of course we'd have to hedge the future Euro/dollar rise, since we earn in dollars. That would be a call on Euros, or maybe a put on Tbonds (call on TYX). Just throw us on that $80 trillion derivative heap. Of course, we'd be first in line for collecting. Not!

Then we could broker our neighbors getting in on Euro re-fi's. Get our own Euro carry trade going.(Just think of the fees!) Oh, but the unwinding (big grimace!) ahead!

TG:
Yes, I have the same expression thinking about it. Some real serious international money is going to be in court for years trying to unravel it all.

Thanks
Trail Guide

Trail Guide (04/25/00; 17:58:32MT - usagold.com msg#: 29341)
Comment
Cavan Man (04/25/00; 08:12:34MT - usagold.com msg#: 29302)
Trail Guide.....Still with you....CM

Thank you Cavan Man!
The game is getting real hot now. The dollar and Yen are being gunned up to the point that their economies must become printing presses and no longer sell anything outside their borders. Right now there is almost nothing the Japanese can sell into Euroland at a profit! Japan needs desperately to sell more now and do so at a profit. The US is almost becoming a dollar exporting machine as the exchange markets begin to kill even their high tech exports.

It's going to continue until the Fed is forced from a crisis to cut rates to the bone (just like Japan). Then,,,,,,, exchange rates and price inflation will do their dirty work. Once that break happens, prices will suddenly jump ahead of the yield curve and the race will be on for the fed to follow it. It will evolve into the greatest inflation ever to impact a world currency.

Physical gold will be the easiest holding to sit through all this with.

Thanks Trail Guide

Trail Guide (04/25/00; 17:59:35MT - usagold.com msg#: 29342)
Comment
USAGOLD (04/25/00; 10:06:34MT - usagold.com msg#: 29316)

Michael,
Thank you so much for having that item. More than a few of us need to refresh our minds about that. Good stuff my friend!

Trail Guide

Trail Guide (04/25/00; 18:01:14MT - usagold.com msg#: 29343)
Comment
WAC (Wide Awake Club) (04/25/00; 08:31:17MT - usagold.com msg#: 29304)
Sterling

WAC (Wide Awake Club) (04/25/00; 08:15:20MT - usagold.com msg#: 29303)

Hello WAC!

I read your Buiter article and it was good. Concerning the British "higher ups" thinking they have engineered the economy and this has put a premium on the

Pound: he puts the MPC in their place by saying "It's just twaddle"

Ha! Ha! WAC, I'm glad you found that item!

And he is so right in his perception. Just as you quoted: "It is just some big and largely irrational confidence discount on the euro and the ECB. And that will pass."

It seems like the entire dollar thinking world is on some new level of perception. Yet, their treasuries (and CBs) are just bankrupting everything that's left of the system and doing it in double time now.

Thank you for your realistic views in (usagold.com msg#: 29304).

I think the key word here is FUNDAMENTALS. The UK economy is been completed decimated. ---------

We will later see the effects of all this as it is played out in what MK calls "the currency wars". War is truly a much better name for it. While Western investors are preparing for a little $100 or $200 rise in paper gold (and worrying about how their paper gold substitutes will hold up until we get there), the whole damn dollar arena is on fire.
Everyone asks the same question you do about dollar arena currencies: "So, why does sterling continue to rise relentlessly?" Yet, in this day and time strength in these major currencies comes during a crisis. It's going to shock a lot of investors at how fast price inflation runs once the wars really get started. After the gold markets implode,
physical will rush as never before seen in history. Exciting times my friend!

Trail Guide

Gold Trail Update (4/26/2000; 7:45:42MDT - Msg ID:29364)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (4/26/2000; 7:45:41MT - usagold.com msg#19)
The Euro is part of this trail!
Hello ALL:

This is a pre - weekend office review before our hike.

Here is some context from today's WSJ that reinforces what we have been talking about. I'll put it in my words but read it yourself in their paper.

In the World Watch section, under ECB Rate Rise:

----Inflation in the Euro zone may have peaked in march and now declining. ------ The CPI in all 11 countries rose 2.1% in march, year over year. ------- But analysts expect euro zone CPI to fall back to 1.8% this month and to 1.3% by end of year. ------ Three German states reported that prices were unchanged or fell in April / March.

------ Two other states reported similar data last week. -------- Italian cities reported inflation in April had declined from month before. -------

OK,

Does this sound like the major price inflation that was suppose to impact Euroland as their currency has fell for over a year? That's right, it's not! This is because the Euro Zone economy is "benefiting" from a sound currency structure. It's the Dollar that's is being driven ever higher into over valuation as it's reserve status is transitioned. The ECB / BIS are doing the same thing to the dollar that they are doing in gold right now. Allowing the Western Dollar faction to inflate and export (if able) the paper version of both items until they burst from supply.

In this process US interest rates must retain a large premium over Euro rates to support and over value the dollar as it's supply is pumped. This in turn drives performing financial structures (real world goods creation) into Euro assets because a sounder currency allows lower operating costs with the same or lower current price inflation. By this measurment, short term exchange rates are not the "use" deciding factor. If this continues, Euroland has the potential to take the lion share of world finance, and goods settlement. We are on that road today as a forced high dollar exchange rate is fueling our trade deficit! Yet, all of this is hiding under cover as the media only reports on the loses that traders take in the Forex markets.

Further from what I read in the WSJ under Foreign Exchange:

------ From an economist in New York ------ The European economy is strengthening. ---- European rates are rising. ------ And Europe is at an earlier stage in the business and restructuring cycle than the US, which suggest greater potential for price gains in the intermediate term. ------

Again,,,,,

Breaking the dollar's hold on world reserve status means forcing it into a major price inflation at the end of it's timeline. This is done by tying the hands of policy makers so they can only create (pump) more dollar assets into the world system. That "tying of hands" is done by creating for the first time an alternative currency structure that does not fail from continued dollar "crisis strength" or "crisis weakness". The world economy will run to just such a system as their current system (the dollar) fails.

The US is now trapped because they cannot lower rates to bring down dollar exchange rates without gunning their stock market and economy into an obvious hyper inflation. Yet, they cannot raise rates any further without causing a complete landslide of investors into using the lower cost Euro system.

Hence the little 1/4 point rate rises Alan is doing. He and the dollar are now trapped from all the outstanding dollar debt in the world. The whole mountain is now slowly sliding down the slope as we watch. Is it no wonder that gold leaves our shores in record amounts.

In the past, no one would rock the boat in such an obvious way as the ECB / BIS is doing because everyone would lose as the dollar eventually was discarded. But today, the Euro Zone system has taken a second step to backup their Euro banking

reserve structure when the fall comes.

In an ever so obvious event they told the world that the Dollar based world paper gold markets are "on the road" to being phased out. That event was the Washington Agreement. If you have read my earlier "trail walks", you know how this action is slowly drying up supportive gold supply that gives credibility to the paper gold markets. The eventual outcome of this is to allow the current contract markets to be supported by the US and it's backers alone. To date, without world support there is not enough gold supply to keep these contracts at par with spot bullion prices.

In a desperate attempt to keep dollar gold prices from spiking, the dollar faction must inflate it's contract market to the same extent that the dollar itself is being created. Without this paper supply, the paper gold markets would show a discount to physical just as world dollar debt would discount dollar price inflation without more created dollars to buy existing debt supply.

The stage is now set for a fall in the dollar and a corresponding leap in the "dollar reserve replacement value" of gold held in the BIS system. The point is clear for all to see,,,,,,,, when a crashing dollar exchange rate comes from dollar price hyper inflation,,,,,, and drains world liquidity and value from dollar holdings,,,,,,,,,,, gold and Euros will fill that void. The Euro system is completely braced to accept a US self induced transition of world reserve status from the dollar into Euros. It's no accident that the breaking of the world gold market structure and dollar price inflation will come about just as the Euro comes to center stage. Euro depth grows every day and brings in ever more players seeking opperations value.

Now you know what "Another" has know for some time. Now you know why gold is and must rise far, far higher than anyone expects or predicts. Now you know why our paper gold contract market is about to fail as a "freegold" physical market takes over. Gold in the many, many thousands is in our future as the transition to Euro reserve status is set to begin.

Another:

"We watch this new gold market together, yes?"

Thanks for hiking

FOA/ your Trail Guide

Trail Guide (05/03/00; 05:42:59MT - usagold.com msg#: 29826)

Comment

ALL:

I've been working up several new posts and have had no time to place them yet. I talk in depth to a number of people and it can be quite a task. So, am behind reading too. Also wanted to wait until I could post some long overdue replies and comments on the main forum. ORO, your good thoughts always require some commentary from me. Will do so this weekend.

Excellent writing by everyone! Elwood, great charts! Stranger, your'er NEM is going up too fast!
Only allowed 10% a week (smile).

Looks like our long term plan is still working in the right direction! Good news for gold advocates!

thanks
Trail Guide

Gold Trail Update (05/06/00; 16:45:22MDT - Msg ID:30056)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (05/06/00; 16:45:21MT - usagold.com msg#20)
For Your Eyes Only!
Hello Again!

Thanks for stopping by my home before our hike. I have a large outdoor fireplace in back and plenty of chairs. Here we can first eat, talk some and then get on the trail.

I want to start by making my personal opinion more clear. Some of you that know what talk is coming are smiling already. But, this is for some of the newer ones.

First point:

It's shocking to me when I hear that so many are still trying to figure out "gold's place in the world". Some people even question whether gold is any kind of wealth worth owning, let alone be a substantial portion of their savings! With this mindset is it no wonder that this current slice of "Western Investors" can be so easily bilked out of their "hard money" savings. Instead of saving gold for coming currency devaluation's, these same try to only profit from gold's current small price movements. It's an old strategy built to fight yesterday's gold wars and it's costing them plenty. Here- in, we see there is a huge difference from our position and what they are trying to accomplish. In the quest for profits they have taken the Fiat bait, "hook, line and sinker" and brought into fiat gold substitutes in every form.

But, I guess it must be this way. The financial convulsions that lie just ahead cannot possibly occur with everyone holding physical gold. At least not at any kind of currency prices we see today. Perhaps this is just one more signal of the end of this financial era as we know it. Somewhere in the "good book" I read where in the end many would throw their metal in the streets. By buying gold substitutes we may be seeing a whole segment of our world savers literally tossing the metal before the fact.

Let me expand:

We, physical gold advocates, have largely built our views from the actions of several smart players. Players we perceive are out there in significantly large numbers. Here we find a kind of thinking that's completely opposite from the dollar asset world most (Americans) live in.

When all of us hear of someone buying gold with no intention of ever selling it for dollars, we laugh! What good or profit could they ever derive from it? Well, a lot of paper gold bugs are going to understand this real soon. In a way that's kind of "up

front and personal"! Our fellow "Trader Gold Bugs" all firmly agree that it's much better to hold a trading position on some form of gold derivatives. In their view, mining shares, stock and gold futures options offer a much better play and much better profit potential than physical gold. At least in dollar profits, that is.

All of this is fine and probably very true in their world of perception. But we have to remember that these TGBs all present their case for a higher value of gold as "the reason" to play the paper derivatives game. Whether gold's value rises from an industrial use physical shortage or induced from a currency devaluation (price inflation) physical shortage, they see the currencies as bad and gold as good. But the deep flaw in this thinking is found in this: "Playing paper gold substitutes is only a game that tries to make you more of the same currency that's failing from price inflation"! It's a currency game that's apart from owning physical gold. In other words their position is: "if fiat prices are rising 10% or 20% I want to make at least that much more of those currency units so as to keep me ahead". Even if they get delivery in gold against paper contracts or receive some gold as a dividend from a mine, they need and intend to sell it for cash to profit.

Whether their gold stocks are surging or their stock dividends are rising or the leverage of futures options are gunning ahead,,,,, the gain "in the mind" and "in the hand" still comes in the same fiat you are losing against. You play the game because the money is somewhat failing, but keep making more of the same failing money to stay ahead! Get my picture? That's ok when the currency was just inflating a little and world governments were trying to save said currency. But the currency war ahead will paint an entirely different picture in these markets. The next price inflation will build well past "plain inflation" and explode into Hyper-inflation.

It all comes down to you playing with a paper gold supply that's supposed to represent gold you could conceivably get, if needed. But the closer we get to the "real act" in this play, the more the paper game is inflated with supply that cannot be covered outside a cash settlement. That is a simple position to understand and work from but just look around? The "Western Mind" is stumbling all over itself in an attempt to explain it with a different outcome. In other words: There must be a way this can all work out so as to preserve our dollar and the leverage we own in these paper gold substitutes. You see, it's the perceived leverage in paper games that keep them coming back, but official policy has changed these markets in order to conduct a now ongoing currency war! Paper gold leverage is only an illusion built on the desires of dollar players trying to prosper in a dollar position. Well, I can tell you that the further we travel this trail, the higher the eventual cash settlement of all gold paper will be and the less that settlement will be allowed to match any "free physical" price.

This, my friends is the reason so many Physical Gold Advocates have no intention of selling their physical gold for dollars any time soon. "They don't expect the dollar to retain enough real value to warrant trading it for gold. At any price! When the "real act" begins to play out, international gold will be settled outside the dollar world and done so far above the coming forced contract cash settlement prices. Whether traded "outright" or for a "better" currency, gold and the current dollar derivative world will part ways.

By holding physical gold you are owning a super leveraged "derivative" that will be exchangeable against the value of real things at a par level lost to the minds of most investors. Today, physical gold purchased in dollar values is discounting it's worth by

perhaps 100 times. For us PGAs, that is a leverage worth "playing the physical game for"! (smile)

Second Point

(that smoked salmon is good, no? go ahead, there's more here)

I have made it clear that I follow in the footsteps of giants and by extension remain in Another's shadow. We have been buying gold all through the 90s as a portion of out savings. It's held just like any other currency and represents a major portion of the (my) pie. I also own some gold stocks (smile). But own them in a portion and for a reason that any leading gold mine executive can only crave:

"they are held not for trading and in small enough portion that they will never be sold".

In effect, we own their product first and foremost for the real world, long term leverage it represents. We own a share in their business with a far away view across the "coming currency war valley". In the middle of that valley, amiss the war, we expect some of these businesses to survive by changing into the Euro world. But, most all of them will experience a crushing collapse in equity values during the war. My view to the other ridge sees a gold price, so high, that it will eventually overcome taxation, government production controls and even the failing dollar based contract gold market. Even though these shares will plunge "in the valley", my holdings are such a percentage that I will own them "through it all". This is why I own only a few of the very best and one in particular.

For all of you here today, contrast this position against the trader of the last few years? During the worst plunge in paper gold assets seen in a quarter century, these same have lost most of it through their leverage. In and out, in and out, and all the while saying they are only "a little down"! Then, at the slightest little rise in their paper positions, it's given that this proves they are right. Right in that paper leverage beats physical any day. I submit that the way traders work, they will be lucky to be even as gold runs past $1,000.

Again, Yen, Euros, dollars and Marks are in my savings position, but physical gold is held as the derivative that will best outvalue them all! I do not trade these positions, I build and save them. The coming political transition from dollar reserve use will break the paper gold markets into cash settlement pieces. In that process, induced by this Euro / Dollar war, physical gold will outperform any any all failing paper gold. The value is there to own today and anyone can have it! Events will prove that the footsteps we follow have placed on "the real gold trail".

Now, onward the hike.
See you there in an hour or so.

FOA/ your Trail Guide

Gold Trail Update (05/06/00; 21:50:38MDT - Msg ID:30072)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (05/06/00; 21:50:37MT - usagold.com msg#21)
I see Gold!

Onward

Anyone following these walks knows I am not the best at putting the trail into words. We must therefore rely on events (and other writers) to demonstrate the real world around us. Recently the completion of the Swiss gold sale is a case in point. Here you have a country known for it's pragmatic hard money trends, yet it's selling gold. Something they would never do unless the process could in some way return the lost value back to them.

Trading Swiss gold into the BIS system gives further support to the Euro "free gold" cause. Giving the ECB / BIS more control over how physical gold is allocated only further starves the dollar paper gold world. Having once backed a low dollar price of gold for oil, the Swiss helped build and sustain the same contract gold infrastructure that would eventually be the undoing of the dollar. Today, they further align themselves with the Euro world just as a "deflationary" phase is set to impact the dollar dominated gold banking world. In the end, gold values will be much better with the Euro pricing a Free Gold marketplace. This in turn will mark to market the remaining Swiss stocks of gold at a higher level than could be currently achieved. Add to this a strong Euro system and the benefits will be enormous.

Gold banking paper deflation will lead to Gold banking paper inflation

Just as deflation in a currency block is caused from the defaulting of currency loans, we are on the same road in the gold banking business. Such deflation is cured the same way in both instances, paper printing! Be it gold paper or currencies.

In the end, a currency deflation is halted by supplying the currency units until rising prices become an obvious default of the fiat money. For you and I the prices of everything race ahead. For business caught on the wrong side of this, it's hell! In other words, the dollar prices of real physical things rise higher than many business contracts can deliver against. Hyper - inflation bankrupts businesses that agreed to supply a physical item at a price they can no longer buy it for. Whether tires, tools, batteries or gold bullion, anyone writing supply contracts that last into a major price inflation will end up settling those contract in cash. That is up to the limits of their capital. Then, only if the treasury deems them important enough does the government prop them up with more public cash to bail them out. This endless circle goes on until all currency contracts fail from the loss of credibility.

Our current world dollar gold contract business is arriving at this same juncture with different results. Paper gold markets expanded to meet investor demands. The only difference between now and in the past is that "Western investors" today want to invest in the price movements of gold, not use gold as a money holding. The demand for gold today became the demand for leveraged gold paper. Instead of selling real gold to meet demand, governments, bankers and brokers created more contract gold. In the same way that people borrow cash created out of thin air, would be gold owners and traders brought a lot of gold credits based on nothing but thin air. The paper market expanded until a political change now threatens it with default deflation.

Just like a fiat currency, modern gold currency is only credible until prices start rising

against it. It will start out with a settling of contracts with only a percentage of physical and the rest in cash. Then, in the same way as prices rise against a currency during an inflation, physical gold prices begin to rise against paper gold. Slowly but surely, less and less gold is supplied against contracts until we end up with total cash settlement. All along, the physical "free gold" market trades at a higher and higher currency price. This, my friends is what dollar hyper - inflation may look like in our modern paper gold markets. The selling of paper gold "into the dirt" even as all prices run away.It may last for an hour, a week, six months or several years, but it will unfold this way. As long as investors believe in paper gold, their wealth will be slowly absorbed by physical gold buyers until trading breaks down. Eventually we have the super failure that locks up the entire paper gold arena and ends it for good as everyon's holdings are marked to the real market.

Further

On another note, please read ORO #29003 and especially #29498 on the USAGOLD Forum. His Euro Crush and Dollar spike describe many of the items that impact our currency world. These same forces are also shaping the transition of the gold markets.

I noted this past week how the dollar rose against the Euro. Many rushed to proclaim the Euro weak and failing. I have to ask: "without a dollar to compare exchange rates to, how would anyone measure the Euro's weakness"?

If you lived in the Euro Zone countries, with a bank account full of Euro credits, what impact on your lifestyle would lead you to see how the Euro is weak? Against what? For myself, I can find none! In fact, most all prices of goods are rising slower than in the US. I can borrow money at lower rates than in the US. The Swiss unit is falling and costs there are out of site! The Pound carries interest so high I would certainly not give up my Euro system to operate there. Here in Euroland I sell more abroad than I bring in.

Perhaps the world is not what it seems!

The view:

The dollar faction is having a hard time keeping paper gold under $280. Now that the world has seen how the WA is placing Swiss Euro Gold, the paper markets should start to discount physical. I think weeks are all the time the dollar faction has left before things begin to change!

Thanks for hiking with me
See you at the USAGOLD Forum

FOA/ your trail guide

Trail Guide (05/06/00; 22:35:54MT - usagold.com msg#: 30079)

comment

THC (5/5/2000; 5:31:38MT - usagold.com msg#: 29970)

Hello THC,

I'll add my 2 cents to your discussion.

You say:
---- I believe that FOA has spoken from time to time of "paper being sold into the ground" while "physical gold sells at much higher prices away from the futures markets." I would content that as long as futures markets are connected to physical markets through the physical delivery rules, this would seem to be highly implausible. -----

The obvious weak part here is in your
" " through the physical delivery rules" " !

These rules are open to change. If enough traders or commercials default, no one is going to supply physical for them. The "rules" convert to "trade for liquidation only". That is usually a trade of "paper to paper". In other words "cash settlement". If you were short you lost a bunch. If you were long, you get cash and go try to buy your own metal.

The problem is that in this atmosphere any amount of metal trading will be spiking straight up with each bulk cash settlement.

The reason this perspective is important is that the "paper makers" know just how this will impact the paper markets. In reality, no one that has real capital will buy into a paper marketplace headed for any form of liquidation. So it becomes even easier for them to send prices lower. Even a hint of settlement is enough. If anything at all, during this process the arbitrage is just the opposite from
normal. Traders help the discounting process along by dumping contracts that are even in obvious discount to physical and running to buy "dealer physical" supply at higher prices.

Contracts are contracts my friend. Nothing more until settled. In a real crisis, cool arbitrage players get run down by the train as they find their own physical that was set to trade becomes "suddenly not there"! As the gold markets grind to default, the paper selling by people with nothing more than good credit will greatly intensify.

Trail Guide

Trail Guide (05/06/00; 22:58:26MT - usagold.com msg#: 30081)
Comment
Cavan Man (05/06/00; 20:07:56MT - usagold.com msg#: 30063)
Hello Trail Guide
Two questions please:
1.) Will you tell us of your favorite gold stocks?

I once said one and will hold back from mentioning it (or others) again. The Western view says that if I have $100,000 to put into hard assets, I'll buy ten ounces and place the rest in gold stocks. I doubt most people could hold that ratio through what is most likely coming.

It's the same as using the grocery money to buy Coca Cola stock as a substitute for a bottle of coke. All the same arguments apply: the company could pay me dividends in coke,,,,, there reserves of coke in storage are huge,,,,,,,, more leverage than the real thing,,,,,,etc.,,,,, etc.,,,,!
Then the stock goes down in a general crisis even as the price of a cold coke goes up

from inflation and everyone can't figure it out?? In the end you open the frig door and don't see what you really need..... that cold bottle of coke (smile).

2.) Have you been in the very general vicinity of Aiken, SC recently. I'm trying to confirm a sighting:).

Have you been celebrating that mexican holiday??? (smile)

Trail Guide

Trail Guide (5/7/2000; 0:09:23MT - usagold.com msg#: 30082)

Note

TownCrier (5/5/2000; 21:00:38MT - usagold.com msg#: 30028)

If they are giving up their own ability to print money, why all the trouble to form a new currency unit instead of just joining the dollar and the currency union of 50 states plus assorted banana republics that use the dollar? The reasonable answer is that the intended objective is a
fundamentally new monetary architecture not available through the current dollar system.------

Hello TownCrier,

You hit the nail right on the head! The whole purpose behind all of this was to get away from the dollar, not imitate it. All the hard money people that pounded the table about the dirty float (80s decade) in dollar exchange rates now want the ECB to intervene. No sooner do we have a currency system that let's the market rule it and everyone says "Oh no! We need to do something".

I can tell you why they want something done and it's not the saving of the Euro they are interested in. They (the dollar faction) want the Euro up because it is gutting the dollar infrastructure at these rates. Just let it set around .90 for the rest of the year and the dollar will be toast. The ECB won't spend it's dollar reserves buying Euros because the Euros they would take in won't be the international float like our dollars (eurodollars?? damn confusing to use that term now a days) overseas. It would be the domestic zone supply. We forget that they are running a trade surplus
that is building local assets denominated in Euros not dollars. Not adding to the mountain of dollar liabilities like the US trade deficit is. If the carry trade wants to create Euros against their own equity just to buy dollar assets, let them. It's not hurting the international Euro float because all of it is being sucked back into their (Euro) economy. The carry group thinks this is the same act as Japan, but it's not. The Yen is being destroyed as they compress and rates are held at 0%. Yen demand for business is dead. Contrast this against Euro demand and economic growth and we can see a massive trap for Euro shorts in the making.

I think this is all coming to a head now and gold is going to be in the middle of it. Before this is over, the ECB is going to begin unloading dollars for gold through the BIS offices. This may be happening now as gold moves from our shores. Then they use gold to buy excess Euros from the
ECMBs. That same gold could be used to lend Euros again because it's marked free value reserve asset. No different than the IMF play. Beautiful!

Trail Guide

Trail Guide (5/7/2000; 18:42:15MT - usagold.com msg#: 30096)

Good! our fourum is back up

ORO (5/7/2000; 3:25:29MT - usagold.com msg#: 30083)

Hello ORO,

A few comments about your work.

-------Particularly surprising was how right Davidson and Reese Mogg were about the dollar debt squeeze.----------

ORO, It has to unwind through a reserve transition. Default will only come through inflation after the fact. That is the only way a modern reserve currency can revert back to a regular currency without a complete washout of the global financial structure. Call it what we want, inflation, deflation, default or devaluation, the loss of the ability to expand a reserve fiat further becomes an end time banking crisis that requires the next system to take over. If no replacement is available we all go down.

The problem of when is a currency no longer "reserve quality" is based more on it's expansion qualities than it's comparable exchange strengths. The failing point is reached when the local economic system can no longer supply products or new productive capabilities in sufficient quantity to expand the internal debt base for real use reasons. The money then just expands because it's "Legal Tender" and anyone can get some. This shuts off the real money making engine and forces currency creation only for the sake of it's ability to buy and finance things. Not it's ability to hold a steady value. In other words, more dollars are loaned into existence just because they still have some value left in them to trade for things and that value is based on debt pay back strength. Not because their creation is matched by a productive increase somewhere in the society.

Obviously the US has been on this path for some time. Today, the only reason the dollar still has value is because of this pay back crisis. Dollar denominated debt is so far out of line with it's perceived real economic base, the rush is on to move real world infrastructure debt out of dollars
and leave the rest of these dollar claime sloshing around as trading vehicles. And boy that's a lot of slosh to move around.(smile)

They (ECB / BIS) planed for the day when this could begin and it's here, now! The Euro, warts and all is allowing this transition. In time everyone will realize that dollar demand and strength is gravitating towards nothing more than international currency contract settlement. It has no reflection of US economic conditions or the value of our real assets. For large cross country players and
governments there is no escape from this. They cannot just dump dollars to get their equity back out of it because there isn't enough free "REAL" equity in the whole world to run to at today's prices. The only way is to hold an offset position and let the dollar self destruct through inflation. Is it no wonder the foreign CBs have supported the dollar system by holding and taking in more dollars? How could everyone possibly run out of the dollar? They couldn't and won't for the most part, but will sell what they can.

Gold value today and tomorrow will have nothing to do with economic supply and demand or the cost to mine it. It will be forced to rise in value to help represent trading wealth currently held and trapped in dollars. The Euro could never do it alone. Of course, dollar hyper-inflation will gun the
process, but physical gold in real goods terms is heading way up! That's why I laugh when people talk about $700 or $800 gold being about right. That's not even close.

Again, dollar strength today is a sign of a bad situation and will only get worse. It will gut the productive infrastructure of this country even as the fed super inflates the system to fight that strength.

Your words:
----------The reason a bank debt currency carries a value at all, and does not go directly to 0 is that each unit was borrowed into existence and has a demand by the borrower to return the currency created by his loan. ----------

Yes! This hits right at the heart of why I call our dollars only an illusion of wealth. Truly it's just a contract
that can and is created between two entities with banks as the broker. The person that sees dollar value based on this demand and then holds those dollar assets as his wealth,,,,, is buying into an illusion based on that contract relationship. It's ok to own fiat money based on this concept because the human world has built a lot of value through the ongoing building of currency debt based on real productive efforts. But our money denominations and supply today are nowhere close to that comparison. Unless a free market value for gold can be established where one can gauge the quality of all outstanding contract relationships (money supply), we cannot know where we stand. Allowing a real gold price to always rise (or contract) with no limits turns it into something better than circulating government money. It becomes a circulating asset that represents
real wealth values at all times to all people. We are on that road today.

Further you make the point that:

---------The BIG GAPING HOLE in this system is that there is no such thing as cash--
------

I agree and doubt there will ever be again. This is where gold traded as an asset instead of competing with money would fill that hole.

Thanks Trail Guide

Trail Guide (05/08/00; 18:58:00MT - usagold.com msg#: 30138)
Reply
Hello Topaz,
Thanks for reading and considering my offerings. Actually I don't expect or ask anyone to act or believe any of this. It's placed here to offer a view from another place and a future time. A way to see how some others interact with the ongoing money changes in our world today.

In your post:

---------Topaz (5/8/2000; 4:48:11MT - usagold.com msg#: 30108) On this Trail: "I'll tak the High Road and Ye'll tak the low road" and we'll both get to "Scotland"

(eventually). {;>)----------

Topaz,

To comprehend Another's Thoughts is to understand that you and he are not on the same road! Indeed, most if not the majority of Western gold investors will find themselves in Scotland to only then know they lost a great deal by ending up there. Watching the current gold markets, accepting their pricing mechanisms and using today's paper vehicles to play this arena will land most traders in Scotland but unable to buy gold. The physical price will have ran far, far past whatever leveraged gains they made.

It's easy to see the leveraged traders by reading their verbal trails. They are completely fixated on "wanting" our current arena to work for them. All of their understanding and drive is centered on using the various forms of paper gold. Yet, this entire infrastructure and most of the mine equity that's built upon it has from the beginning been just another currency the dollar governments uses to take "Western minds" away from buying real gold. You see my friend, physical gold is where the real leverage is and the dollar faction have know this all along.

The entire marketplace we call the gold market is all based on a working dollar world. Everything that's paper and called gold has it's roots deeply leveraged not in gold but the dollar return on gold. There is not a paper gold investment in the world today that has seen a gold spike like the one that is coming. Likewise no investor has ever held or seen how these paper markets can cope with just such a move. None!

I submit to you and everyone that will consider that profits from paper in this move will pale in comparison to holding physical.

You write:
--------It is apparent you perceive the current pricing mechanism (spot- futures) will implode and the POG reduced accordingly until the "penny drops" ie: Paper and Physical will go their separate ways--- Ok so far?

------You came to this conclusion several months ago after "enlightenment" from ANOTHER source. (we all remember the fracas that erupted resulting in Sir Stranger's sin-binning) Since then, the possibility of an upside explosion in POG has been totally discounted.----------

Topaz,
Nothing about this has been discounted in our paper or physical gold price. We stand where we did almost a year ago when we (both of us) delivered this message. I expected then and even more so now that a default is near. The WA was the concrete fact that placed us "on the road" to super gold! It is indeed coming and will arrive in our time.

The price move (spike) last Sept. was certainly not anything close to the lock up move ahead. When the season is right and motivations strong enough: oil will begin it's move for the Euro, the dollar will begin it's crisis and our paper gold markets will completely fail from lack of bullion.

Your words:

------For the benefit of those who still cling to the hope of a steady rise in the price, can you offer your thoughts on what is now a contrary alternative to your scenario? Just for the record I would like to cite the reason I consider the Status-quo will be maintained throughout this transition:- Accepting that Au is the centre of the Fiscal Universe and as such, (has/is/) will be manipulated by
opposing interests, is it not to the ultimate benefit of both sides to effect a controlled burn to the upside thus not jeopardizing the perception of Fiat currencies as a whole? (Similar to a nuclear standoff- where no-one wins if all the cards are played) I mean to say- If all holders of paper Au find themselves getting shafted, it may well have the effect that these large players/ countries etc will
even turn away from all forms of Fiat settlement and go straight to Metal which is in no-ones interests -No? Whereas, a steadily rising price (in fits and starts) can be (once again) perceived as the inflation indicator it is. The outcome would be the same in the end--Yes? I hope this sufficiently explains my thinking and look forward to your comments.----------

Topaz,

There is no contrary alternative! The game at play has been "in play" for some time and processed through several age groups. The American dollar has reached the end of it's ability to function as a world reserve currency. It's debt load has aged it past it's useful timeline. From where I consider the world, this is obvious and has been for a number of years.

Because gold has been "the world tool" that all used to kept our dollar alive for these last days, it will be the first item to fall away from being a dollar support. This paper gold tool will fail as the dollar transition proceeds. It will fail because it's illusion will be seen through physical default. Today, it's only a matter of time. This default will break the paper gold support tool and shut down
virtually all dollar gold markets.

Once this breaks, there will be no "Western Investors" with a mindset to any longer buy paper gold. Having been badly burned and watching physical gold soar, it will be a long, long time before anyone is ever again "sold" on the idea of "gold substitute holdings". Not even gold in the ground
will bring them back. New taxes will make gold mining nothing more than what it always was, a business.

The Euro / BIS have positioned their official policy and reserve holdings to benefit strongly from a surge in value of "free gold". Contrary to your thoughts, they will welcome this change, promote it and utilize it's wealth building perception for public gain. Just as we have talked here so often: for better or worse, digital Euros and super "free gold" will set the pace in Euroland and the world.

The manipulations of gold you speak of are "old stuff" and are today a "dying process" at the hands of the BIS. I think many OLD GOLD bugs will find themselves "broken down" on the side of the road as events surge past their backward looking understanding. The road where they stall will be the one that leads to your Scotland.

The future my friend is before us and those that can see it will be on a different trail. They will be "on the road with Free Gold"! The Gold Trail we walk today starts far in our past and has become a direction to a new future. Walk it with me and see the world in a new light.

Thank you

Trail Guide

Trail Guide (5/9/2000; 5:40:58MT - usagold.com msg#: 30157)

Comment

Elwood (05/08/00; 20:22:08MT - usagold.com msg#: 30140)
Trail Guide (05/08/00; 18:58:00MT - usagold.com msg#: 30138)
Elwood (05/08/00; 21:58:37MT - usagold.com msg#: 30145)
SteveH (05/08/00; 21:02:33MT - usagold.com msg#: 30141)
SteveH (05/08/00; 21:02:33MT - usagold.com msg#: 30141)

Elwood, SteveH,

Hello, both of you.

This placement of Swiss gold was the first "real obvious" indication to the markets of what the WA is all about. Because these sales are the bulk of physical entering the markets during the next 5 years, something has to give as it is diverted into BIS accounts. Remember, I touched on this point on the Trail (when?): the WA did not address any means of covering existing contracts while still endorsing and maintaining their gross level outstanding! Most everyone completely missed the fact that this places "physical coverage" squarely on the back of the US if the paper markets are to be maintained. No one saw this as an issue because they assumed the Swiss gold was for coverage.
It's not!

I know The Golden Sextant is following that line of Swiss gold filling Euro loans. The problem is that it's not. They feel comfortable letting the dollar faction figure it out themselves. Euro Zone banks know that the entire Gold arena will shut down once this US supply line is cut off. They are
not so dumb as to fill their paper with physical when the rest of the world is force settling in cash. They will not " blanket" cover all loans. Just the important ones vital to oil supply. This is the real leverage that will bring on Oil for Euros! Get the picture!

Elwood, I agree that everyone is still trying to milk whatever gold out of the system they can get. This was a driving factor for allowing the US to "save some face" by forcing oil prices down some. Onec the gold flow stops (and it may be right now) oil ril rise fast and furious!

SteveH's repost of my "weeks" timeline is on track. Untapped official gold is running out and unless someone rolls over a huge paper commitment the game begins "real soon". We watch!

Trail Guide

Gold Trail Update (05/14/00; 20:39:27MDT - Msg ID:30528)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (05/14/00; 20:39:25MT - usagold.com msg#22)
Mothers: the only real gold of this earth!
Hello to everyone!

No hiking today. Let's just ramble on about some recent discussion and do it in a relaxed format. This is an especially good time to do this because most all investors are softened in spirit from mothers day. Yes, we all came from somewhere and even thought us guys try to take credit, it's the mothers that worked the magic! I am of an age where my mother is long sense pasted, but still celebrate the occasion with those of the new generation.

After a good dinner, a few glasses of fine wine and exceptionally good company, I'm now writing this piece. Thought you should know this (smile). Having read lightly through the USAGOLD forum I / we want to touch on a few things.

Yes Leigh,
"it's a beautiful day for a hike". Thank you for considering (smile)!

Peter Asher,
indeed the American public and private debt still grows. Yet, we as clear minded, broad thinking conservative citizens are expected to believe this debt has no end. This debt growth process alone is enough to make one seek financial cover. All of the economic facts , figures, projections and sentiment don't make a hill of beans compared to the corrosive powers of the total US dollar based debt. This alone completely overwhelms any near term bullish considerations. No economy in the history of mankind has survived long enough to make good on this magnitude of IOUs. None! This country will be forced, in our time, to hyper inflate us out from under a debt than cannot be covered. This is a proven fact from the beginning of all history, especially that of paper money.

From Another:

Mr.YGM,
you are a miner, I see. Good fortune for you any your family. I encourage your support for GATA and all who fight against the suppression of "FreeGold". Soon, a foreign political tide will turn strongly against the American dollar and drown it's policy of maintaining this paper gold
marketplace. When the great tide changes, the current will be like wind in a miner's sails. But my friend, it will be an exceptionally strong breeze. One seldom felt on desert nights. Only the strongest boats will race before our storm. My only fear on this day is that your people voice no clear
understanding of how this change will affect the trading of physical gold. They still long for the past and a return to an honest, supportive paper gold marketplace. They base their financial plans on $600+/- gold in context of a concurrent futures / paper market. I submit to you it will never happen. Paper gold will live with falling prices or die a horrible death. No middle path will modern miners walk. May your best dreams be as a fortune in hand's grasp.

Thank You, Another

FOA,

Hello TownCrier! My best to your Mother (smile).
Your item on the German 20 mark was an fabulous piece. It tells a true story that few can believe today. Those coins are both a part of history and the future. I read some of Holtsman's article and have to add something.

Many people today picture gold as an evolving asset that's only just now showing it's real potential. Perhaps this is seen in a context that gold value never did represent people, rather it represented our created wealth on this planet. Yes, actual physical gold, in ounces, has increased dramatically over the human time span. But, never before in history has human physical creation been as it is today. The real wealth assets of our modern world have increased thousands of times over the mined gold supply! Had mankind not intervened over these last 50+ years and created gold substitutes, there is no telling what gold would be worth.

As the only real wealth money this earth has ever had, it's unthinkable what value physical gold would have had to attain to denominate our created holdings. This is where so many "gold advocates" completely sell themselves short in projecting gold's future price. They try to somehow reconcile gold's value with it's cost of production. In fact, once man's drive to attach his official currency / fiat money to gold is broken (as it is about to be), all the gold "IN" the earth today could not represent human created things at 10 times it's current price! Throw in the fact that the earth will not give up all it's gold any time soon, present world gold holdings in reserve currency today must rise in value at least 100 times to match what assets now exist. On top of that add in the fact that dollar gold will go sky high just to equal past dollar creation (as the dollar fails) and one can see where physical gold is "the play" in modern times. Forget stocks, business valuations, land or currencies: physical gold is the wealth for the next generation. The generation that in "our time" came from today's "Mothers" (smile).

But TownCrier,,,, you already know this. Perhaps I am expanding on your thoughts? ,,,,, if so, then it's good for you, me and everyone here!

Hi - Hat,
The people at the Hi-Hat ranch have a pigeon shoot (target practice) using real birds, no? A friend of mine said it caused a controversy there recently. It's a practice commonly used in other parts of the world. It's the same with our gold perception, just depends on where one has been and who we have known.

Oil begun rising in dollar terms again, even though many thought some deal was cut! Well, cheap oil is hard to maintain now that the Euro is breaking our paper gold market. It seems that only real gold flow will slow the oil rise. Today, derivitive gold is on the way out! Let me tell you, this revelation is sinking in on American policy. Without cheap oil, this Western economic illusion is going to fade quickly. And with it will also go the Western illusion of value in paper gold.

Like those in the rest of the world, a Sovereign Individual will be the one with real gold.

Henri,

You say

-----I hereby nominate the overextended timelime of the US dollar on life support for one of the great wonders of the modern world. Certainly on a par with the Colossus of Rhodes.-----

Ha! Ha! Never in the history of human endeavor has such a debt been built! I dare say it is greater than the seven wonders. When I listen to how players plan their next investment based on TA, I fully understand their narrow view. Truly, they are trading paper deeds as Rome burns!

Rhody,

You say,

-----The only gold mining company that I know has the capacity to fabricate both gold jewelry products and bullion wafers is Harmony Gold Mines. It would appear to me, that this gold equity (paper gold investment vehicle) would have the potential to shift its product sales into EUROs should the buying power of USDs implode. Do you know of any other such companies?-------

Quite a few miners are talking (very privately) about how they could sell their product "outright". The problem is that they have built their whole financial plan on selling gold to the "middlemen" first. So, now that paper gold has priced their product to a bare bones margin level, they have no resources to just "cut and run". When the "real" "next" physical gold bull breaks open, it will be lightning fast and lock the very market mines must sell into. Truly, it will be pandemonium at it's best!

The calls for "derivative cancellation" and "physical delivery" will wreck every possible banking network in the food chain. Both good and bad, solvent and bankrupt. There will be no market for gold in the banking world and these same BBs will be demanding all mine loans be settled from any miner that starts selling his product publicly before it's all settled out. Technically, many mines will be placed in default and their shares sold because their product is frozen.

There will be some huge profits to be made by holding certain mine stocks. But, almost all of them will go close to zero first. I doubt many investors could hold their current percentage through this price action. Physical gold will find a new market and soar in that medium of trade. In the face of this, few if any stockholders will hold their falling mining shares while watching gold soar. Yes, some will (like me) hold through thick and thin because they have a right percentage of (the best) mine shares to bullion. But, many, many others will pressure the market as they attempt to adjust to (our)level of holdings.

Companies that are "unhedged" and somewhat profitable at around $280 may attempt to restructure their bullion sales "near term". The problem comes in where so many "western share holders" do not believe that our paper markets are "maintained" much less about to destruct. So they vote for a status quo while waiting for some "legal" or "political" action to return us to "normal" paper prices. For these companies and their share holders, this backward view is the wet concrete that will set up and freeze their wealth as gold later soars.

As an aside, I hope the US will enter the paper arena and allow a controlled burn as paper prices rise. This would be the most "saving grace" for all long derivative (and

stock) players. But the leverage creation has been so immense these last few years that I am afraid Another is completely right. All paper will burn! Completely!

Thanks on this Mother's day

FOA/ your Trail Guide

Trail Guide (05/15/00; 18:41:08MT - usagold.com msg#: 30576)

Reply

Cavan Man (5/15/2000; 6:34:50MT - usagold.com msg#: 30547)
-------If the paper POG goes to $0 separating from the physical price, how will physical gold be valued? Is it conceivable that an individual's gold holdings might appear to be worth less for a period of time and if so, how long do you think? Also, could you comment on Euro denominated
equities? I've been looking at the EAFE index as well. ----------

-------I'm still not clear on what mechanism will provide price discovery for gold in this new market we watch together. -----

Cavan Man,

Gold will be valued at the currency price physical dealers trade it for. On the spot! Done deal on the barrel head! I use my right hand to grab the cash in your left hand while you grab the gold in my left hand,,,,, Viking style! (smile)

A real life, true supply and demand market! You and I will know it's price the same way you know the price (value) of a loaf of bread. It's the price where one can walk into a store, hand over your currency and walk out with the goods.

Let your mind drift over all the things you can buy today, on the spot. Truly, real life isn't about buying an option that settles in one futures contract for August delivery of "underware". Then taking delivery of that contract and later settling that for a warehouse receipt of Jockey Briefs (smile).

But that is exactly what the paper gold boys have sold the American public on doing. It's become so far removed from reality that many (perhaps yourself) have a seriously hard time grasping how anything can be priced without some huge contract market setting the value.

I expect a period of confusion to rein as this all blows up. This is "exactly" why having physical gold will so greatly benefit the average person. When all the markets are closed for a while, paper holders will have absolutely no value in their hands. Yet, somewhere in the world physical gold will
be trading and it's value will be known. I and many others are betting on 2,000+ years of human history that this will be fact.

I mentioned before that Euro accounts are more for someone that can live there (part time?) and spend and invest their currency there. Even though I can see one day when Euros are held and used here in the US (like dollars in Mexico), I cannot see the average US investor (working family person) having Euros now. Physical gold would do just as well on a functioning basis and outstanding on a return basis. Please understand, our Euro discussion is more to explain the "why"
of the evolution of paper gold and gold's eventual real price. The Euro is not the

focus for investment even though myself and others see it as the next major currency.

Hope this helps?

Trail Guide

Trail Guide (5/22/2000; 6:25:29MT - usagold.com msg#: 31000)

Comment

Elwood (5/21/2000; 22:49:13MT - usagold.com msg#: 30990)
Rugen (5/21/2000; 7:46:00MT - usagold.com msg#: 30940)
Gold Leasing Jigsaw Puzzle Part 2.

Hello Elwood and ALL!

Elwood, your post was on target. I'll be giving a full comment on it in a day or two. Also will discuss the paper derivatives buildup at banks. How they are preparing to profit from a shutdown and crash in the whole dollar / gold / trading system. Indeed, here the largest financial players in the world are selling paper gold into the dirt while "paper gold bugs" are counseling investors to buy more gold substitutes! Guess which side understands Another's Thoughts the best (smile). Guess what form Another has his wealth in as all this plays out?

Also:

MK, there are few places on the internet (if any) that advocate physical metal investment as your company does. The investing universe is choked with brokers and such pushing 95% paper gold and 5% (or less) physical. By not offering any insight as to how that position could backfire on the
vast majority of people, they create a one sided illusion of the future. Your site and company does a tremendous service for the public. People are not just buying gold from your operation, they are buying a "physical understanding" about metal doing it from a team of professionals that won't run
away when the going gets tough! With that comes the strength for one to hold strong.

Anyone dealing with CPM will profit far more in the future from their purchase, than you will profit from the sale today. If your promotion places more gold in the hands of people, then miners, savers and the entire gold industry benefit from it.

Don't mind us, there is plenty to follow and talk about and lots of room here to do it in. We will fit our discussion above, below and on both sides of your offerings.

Thank you for all your efforts

Trail Guide

Trail Guide (5/24/2000; 7:33:47MT - usagold.com msg#: 31148)

Comment

Hello ALL:

I'll have some replies / comments soom. Just not yet.

I've been closely following (involved) the progress of the new iX pan European market. What a convoluted thing this is turning into. It still looks good and will ultimately transform the world stock trading arenas. Especially in that it will further along London's move into the Euro Zone sphere. We follow this very closely because once this Britain Euro link passes the (mental / political) half way
mark of no return, it will also start a frenzied rush away from dollar based gold trading. Actually it will only make clear to many what has been in progress for some time. Stranding anyone, including governments, power brokers and the like into holding depreciating gold paper. This is all part of an extremely broad based transition from a dollar world. So, this is where my energy has been focused these many weeks.

BTD, I was wanting someone to present a position such as yours so everyone could follow it. In fact, I'll place your position way up on a "pedestal" "for all to see" (SMILE).
Here's what I did:

I'm not too different from that fella Armstrong. You know, the one in trouble for being a big gold bear while he in fact had a lot of bullion himself! I think he kept in a hall way closet. Well, I'm not a bear on Physical gold, but am very bearish on paper gold. Who knows, maybe he was just acting out the very same premise myself and a few fellow banks are also doing? In fact now, today, is going to prove a very good time frame for this little exercise.

So, after reading BTD's post I decided "not" to think for myself, but just follow his lead (smile)! I got up, went down my hall way and opened up the closet. Oh lord, I forgot how many Krugerrands were piled up behind that door! After opening it, they all slid out and just covered me up so as to almost crush me (huge smile). Three hours later, after digging out from under it all, I counted out 300 K rands, just as BTD did.

Then I went down and sold them for $270 each (a rough fair, average price in today's market). Then I placed $81,000 in T-bills and placed these in a margin account. Then brought 3 - 100 ounce comex futures contracts. Boy this is fun after all! I purchased the Dec 2000s at $383.30. So, come Dec. I can pay #383.30 in full and have 300 ounces of gold. All the while earning some interest.

Now, I don't know how long some of you have been around this market, but it seems we all learn a little something every now and again. But, any of you trading futures know just how hard it is to beat the "priced in interest" of a forward paper position. Much less beat out a full paid up physical
holding ounce for ounce. Ha! Ha! I remember when there was no gold futures and how exciting the prospect was to have one. Some old dude, huh?

Anyway, my brand new BTD trade is up and running and I'm counting on him to update and guide me (us) on his success. Oh, rest assured, I'll keep my trade "on the table" until this all play's out! In fact, it's going to be posted on a "trail marker" on the gold trail. Just in case some lose their way.

Also:

BTDs post #31098 said:

------ I enjoy this forum and all the theories posited here, but I thought a variant opinion might be useful.-------

BTD, your position (opinion) is not in any way "variant" from typical Western thought. I bet 99% of the gold bugs employ your strategy, mostly in a much more leveraged form. What is "variant" here is our "new" future view of gold in the political world.

You say:

---------and many will probably assure me that the world is coming to an end (per FOA/Trail Guide) and that paper gold will be driven into the ground while physical gold skyrockets. -----

My friend, it would only be the end of the world for paper gold traders. Indeed, if comex stays intact, I bet my physical will match your contracts ounce for ounce (smile). Something that cannot be said for a reverse situation I see coming. You see, our position is leveraged for a worse case,
while yours can only keep up with mine in your good case!

Of course, you could employ major leverage in the futures and gold shares and take the same major percentage paper hit such a position has had over the last few years. But then, we would never hear of it, would we. It seems the whole internet is full of gold stock owners (and future traders) that never lost money over the last 10 years, but suddenly brought their position "at the stock lows" recently (frown). My record is very clear and "unchanging" I might add. I have been buying physical gold all the way down from $360 through $280 and continue to do so. Indeed, a very large bulk of that was taken last year (around the spring) at $283+/-. I made several posts then as to why a combination of good supply (for large traders) and the $280 price for delivered
physical made it an opportune time. Nothing has changed that position. Also, please check the rest of my posts to see that gold is not my only holding.

You say:

------Trail Guide is a very articulate and thoughtful commentator, but his ideas are just theories like everyone else's.----------

Well, my friend, I know you trade on facts alone. Your riches prove that, right (smile). For myself, I agree, theories are like "mouths", everyone's got one! Problem is, I never got anywhere investing in what others said. My position comes from following what a few people are "doing". The question is "do they know what they are doing?" Oh, they better! Because your wealth and lifestyle depend on it! Whether you know what you're doing or not!

"In the Footsteps Of Giants"

Trail Guide

Gold Trail Update (5/25/2000; 2:54:41MDT - Msg ID:31222)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (5/25/2000; 2:54:39MT - usagold.com msg#23)
Trail Marker #1

Hello everyone.

I'm placing a marker on the trail today so everyone can see our path more clearly. Please read my post on USAGOLD: Trail Guide (5/24/2000; 7:33:47MT - usagold.com msg#: 31148). I'm calling it the BTD Marker.

No, I'm not becoming a futures trader. Rather it's done as a real life response to a post (#31098) made by BTD where he presented his case that holding 300 ounces as futures was just as good as holding 300 physical ounces. Far to many newcomers arrive at the decision to own physical gold only to be taken in with the paper song of futures brokers. Usually it is given in the context that:

"Your physical is just laying there doing nothing, so why not trade it. Better yet you can even earn interest to boot!"

More often than not, fresh gold investors end up losing a ton of their wealth before getting an "education" that leveraged paper gold is not real gold. Therefore, I will hold and even roll over several times my 3 - 100 ounce futures in an effort to compare it's return to holding physical gold. Anyone that is tempted to "unload" their real gold to follow the leveraged game can watch my money first. I sold 300 K-rands at $270, netted out $81,000 and brought (6 month) T-bills. Placed them in a margin account and brought 3 Dec futures at $283.30 (I mis typed this as 383 in my post, but most of you would have known this).

After a period of time (even a few rollovers) we will see if we can buy back those same 300 K-rands for even money. I'm now betting that the season is close enough that the two positions will part ways. For all of you that have been walking this gold trail, you already understand how paper gold is the tool being employed today to destroy the dollar gold market. It is very possible we will see the effects of this during our exercise as the value of futures is discounted well below the physical gold price. I'll be sure to update my new holdings for anyone that does not chart this trade themselves.

In all fairness I wanted (asked) BTD to track his "Publicly stated position" so as to articulate his gains or losses for new followers. He declined for personal reasons in #31154.

Onward

The perception gained by following a losing position in paper gold comes in seeing the different mentality inherent in the gold market today. As I presented many times before, their game is to play the "price" of gold in a paper leveraged way. It's an old failing tool that is compounding loses as the years go by. In no way can they understand the massive leverage in holding gold itself against the coming discounting of the paper industry. From my post:

------"My friend, it would only be the end of the world for paper gold traders. Indeed, if comex stays intact, I bet my physical will match your contracts ounce for ounce (smile). Something that cannot be said for a reverse situation I see coming. You see, our position is leveraged for a worse case, while yours can only keep up with mine in your good case!"------

Immediately after I presented my "trade", futures brokers jumped in to council and precondition my comparison. As if to outline how it had to be done. Well, I have brought and sold paper from every position you can guess. Up, down, sideways and in reverse! Most of you have also. Having to listen to them backtrack and explain to me how futures are meant to be traded and are a short term investment and how it should be done,,,,,,,, it's like having our just grown up children return for a visit and listen as they "educate us" on politics, human interaction and sex! I can only quietly think "you're kidding", "I didn't know that" "wow, didn't know things worked that way" (smile).

My friends, they are a fine example of this new generation of "Western Thinking" when it comes to gold. Read all of the 05/24/00 USAGOLD for some background. No matter how many thousands of words are written to identify the different impact that Physical gold and paper gold have on the market place they promote a paper investment as the saving factor that will drive the price higher.

The very forces that Chris Powell and Bill Murphy of GATA are fighting against are using these "mindsets" as the tool to control gold. The vast majority of traders "buy into" the concept that paper gold is real gold, all the while placing real investment money against the opposite side of a cash trade. In the process freeing rare physical to satisfy the established contracts of a loan / leasing game.

Further we walk

The Washington agreement formed the ground work that will eventually destroy all of our dollar based paper gold contracts. Yes, PH in LA we are still "on the road" to high priced gold. Today, selling paper gold is almost free money to the banking industry! No one opposes the complete unbridled selling of gold contracts because so few want delivery. More and more, real gold is being channeled outside the contract arena. It has become so obviously clear it should appear as a blinding light to anyone that looks. Trading on established paper exchanges will dry until they fail.

On the US side, we continue to write gold derivatives to keep the "followed" price down for the dollar's sake.

On the Euro side, they write gold derivatives because it further dilutes, discredits and eventually destroys the dollar's gold market.

From the BIS perspective, "noone" cares what the paper price of gold goes to now because the acceptance of paper gold has been replaced with "real gold flow" as the regulator of dollar oil prices. With a "full on" cash settlement of outstanding paper contracts on the horizon, Euro paper will best out dollar paper, but no one is stupid enough to be covering paper with real gold. Well, perhaps a few are.

The view

This is the landscape from where GATA is trying to pressure a return to "fair trading"

of paper gold. My friends, it's not going to change back for the better and the industry doesn't expect it to. In the words of Goldfinger in a 007 film: "I expect you to die Mr. Bond!"

This failing system is also one of the same investing vehicle so many futures brokers push! Brokers present all these leveraged items as a good way to "play" the price of gold. At the same time my friends are selling, creating, writing and unloading all the paper derivatives the world can handle. Indeed, they will keep doing it as long as the market has money to give away by not discounting these derivatives against physical gold. It's free money from paper gold investors!

We rest

No, we gold bugs are not all on the same side! Many think I don't like paper gold just because it's not physical. They say there is no precedent for a large scale devaluation of all paper gold. One has only to see the perception just prior to 1971 when the dollar was discounted against gold. That discount, unlawful as it was will in every way compare to the coming discredit of all paper gold. One day you will have a gold contract, the next it will be a currency contract. Marked to the market, the currency price to settle this crisis will not even compare to the coming "free gold" trading price.

Perhaps we will see the beginnings of this while I hold my 3 futures. I expect our resident paper pushers to jockey and squabble all the while this unfolds.

Back to the city.
Thank you for Hiking

FOA/ Your Trail Guide

Trail Guide (5/25/2000; 12:51:58MT - usagold.com msg#: 31250)

Comment

goldhunter (5/25/2000; 5:05:29MT - usagold.com msg#: 31225)
Trail Guide Mkr #1
Sir Guide...Apples to apples I do repeat...
You can say you sold your Krands for $270.00 (a fair value?)
for the day...Is that ALL you could get?...I read your post yest. in response to BTD, but to be
FAIR, the "local price" from the vault was "$282.00 per coin" as I checked with CPM Inc. right
after the store started for the day...
Here in lies the Small problem...You could only "get" $270 but a comparison "purchase" costs $282...
Is it not more truthful to have "bought both" yesterday AM.and see how the dust settles in the
future on a total equity worth basis? I offered Dec1 as a practical window of time...
Once again, The "buy" price of our physical contrasted with the "buy" price of our futures will give a fair and honest comparison of the two (in my opinion, related)"investments.
You try and stack the deck in your favor by using the "sell price" of $270...and then using this as your "basis"...That isn't right for this comparison...

Hello Goldhunter

I read you the first time. Understand, I'm not doing this for your benefit nor do I follow your rules. This is a real life demonstration done in a simple "rounded out fashion" "by me" and for the benefit of the average investor watching. Most of these people (thousands I believe) read my talks while they are using a good helping of their common sense. They know how to read between the lines and figure things for themselves. As an example I believe all of them knew that Dec futures didn't close at $383 as I mis typed yesterday. They can also read my extremely poor English usage (smile).

BTD didn't offer any physical sell price or future buy price in his post. That's why I wanted to mark my trade close to the market for all to see. Your quibbling about my price to sell these K-rands is small change to me and even smaller to these readers who are looking for a big picture. I know
they will not accept if someone nickel and dimes a trade to prove a point. Truly, if my exercise doesn't completely overwhelm your difference, I'll present it as a paper win.

Also:

This whole exchange was never an effort to pick on BTD or fault his physical position change into futures. As I said, using leverage is how most Westerners play the game. The problem is the concept always falls out of context because everyone touts a trade but never fully follows up with a
general outline of their position. Or when they leave it. Everyone here has some perception of my capacity to own gold and general entry points. By simple extension the average thinker knows I'm huge, big time, "world class down" in dollar terms. Yet, I am comfortable because I understand it's future and proclaim where we are all going with it. Gold is a "percentage of my wealth" savings to me, not a trade. I will see out distance every other investment in time.

Yourself Goldhunter is a good example. You declare to hold Eagles and trade futures. You also commented in your above post to me about being truthful, fair and honest. How about giving these people a position that lasts longer than a few months? If you make a living as a futures broker and trading is where it's at, take us on a hike (smile)?

thanks

Trail Guide

Trail Guide (5/25/2000; 13:08:59MT - usagold.com msg#: 31252)
Comment
Leigh (5/25/2000; 12:49:39MT - usagold.com msg#: 31249)
aircrew

Hello Leigh and welcome also "aircrew"!

Thanks Leigh, for pointing out those past discussions. Yes, a rounded coin holding is very good for most people, myself included. The old world coins may do very well if they are frozen out of the trading marketplace because of their art appeal and non-Legal Tender status. I even thought of
comparing Stranger's NEM against the performance of the 20 Marks, MK offered. But

I am unsure of my personal outcome. You see, if the 20 Marks beat out NEM, Stranger will come after me with an "AX". But, if NEM wins, he will try to hug me! I'll be in a bad position either way (big smile)!

PH and ORO, just a minute.

thanks

Trail Guide

Trail Guide (5/25/2000; 14:21:55MT - usagold.com msg#: 31262)

Comment

Hello again ORO
Great post! A few comments:

ORO (5/25/2000; 6:21:15MT - usagold.com msg#: 31228)
BTD, TC, TG, Solomon - gold and paper The paper markets provide an investor with a means to play the price of gold. They do not reflect directly the availability of gold, just the availability of paper obligations denominated in gold.

Your part above brought me back to a subject I only touched on before. When all the gold loans were a big rage a year ot two ago, no one really bothered to confirm if the loan money the mines got really came from "sold gold". The media and Bullion houses said it was, but was it? The price said it was, but did the price fall from physical selling or was it just some physical and mostly paper derivatives?

You know, the original typical unconvoluted mine loan. The BB borrows gold, sells it and they and the mine control the account where the money from the sale is placed. Some people think the BB just gives the mine the money for it's own use, but then the mine would owe the BB both cash and gold bars. No, the mine owes the BB only gold bars. They usually jointly invest the cash from the gold loan sale until it's used to buy the newly mined gold that's returned to the lender.

Correct me if I'm wrong, but the mines don't hold any confirming documents that absolutely state that a real physical gold sale produced the cash collateral. Could you imagine a miner demanding such a document as a condition for a gold loan (smile). I think someone should check into this!
No?

You see, this cash could come from someone's account, a loan, official entity or official government source? I bet some of this money wanted to actually receive gold for the cash (oil?). But most of it just wanted to stimulate (expand) the paper gold supply. From this view the gold
loan isn't the rainman, is it? The profit for the banks comes from selling the derivatives to create a channel for new mined gold. As the price falls, the derivatives grow fat.

The gold loan cash doesn't have to be generated by real gold moved from a vault and sold. Even though a CB is involved as backup. Once this cash is introduced into the deal as collateral, the BB is obligated to cover his position if the mined gold is not wanted. Not by going long gold derivatives, rather by selling gold short. All in an

effort to create an avenue to send the gold down if the gold loan ever starts paying down instead of rolling over.

During this time, the more funds available from investors or fractional reserve banking, the more gold paper is sold, the lower the lease rate, the more paper gold is expanded. Why, almost anyone could borrow gold cash in this fashion. For someone wanting paper gold to fall, it was like "money
in the bank". I don't think there is much lending against the lease rate now as rates reflect a diminished market. But who needs it? Everyone has learned to just sell the derivatives outright. This won't last much longer.

I bet if someone went to a willing mine, they could find gold. Not in the shaft, on the books!

Just thinking out loud.

more on your full post

Trail Guide

Trail Guide (5/25/2000; 16:15:16MT - usagold.com msg#: 31272)

Comment

Again, back to: ORO (5/25/2000; 6:21:15MT - usagold.com msg#: 31228)

ORO,
You could have not presented this any better than your full post has done. I wanted to note your item:

-----The price of gold in these markets is the value of a fiduciary gold. The only mechanism for the connection of the gold price to its supply and demand fundamentals is arbitrage. ---------

Yes, and if that process is blocked by an ever falling price? Or better asked, who delivers bullion against a short contract if the contract can be sold at a profit? Arbitrage doesn't happen in these one way paper markets. The contract is covered in a cash close and the bullion is sold on the open spot. Further driving the price. As a percentage of the whole traded paper gold market place, very little is delivered against contracts. If you sell a tonn to a dealer, sure he hedges, but he mostly covers those contracts in cash. Right?

My point, that coattails your post, is that the existing gold market as we know it is already mostly in "cash settlement". In a gold crisis, physical could easily be withdrawn from what little arbitrage exists. The lost profit potential from suspect payment in a delivery against contracts becomes the "premium" on "barrel head gold". Or reversed, the contracts trade at a discount.

We are so close to lighting the fuse on this, I can almost feel it.

World gold derivatives positions are exploding as authorities turn away. There is truly nothing left to
protect. Without arbitrage it's a full on cash game.

The Euro is incredibly strong considering the interest rate difference with little or no

price inflation comparison. The ECB has just held tough. I've said it before and will say again; can you imagine what the Euro would do if they raised rates close to ours? Just look at the ongoing London / Euro
iX plans. How long do you think Europe would take to reestablish a gold market in Euros once England makes the dive? Certainly, LBMA is going to lose a few big members as this winds down.

Your "fiduciary gold" risk is building daily as the "risk" to paper is truly in cash settlement and currency transition. Not to mention the "walking dead" from the WA bomb.

Then there is oil! OH boy! Everyone talks like this political price range will save us. But, the jockeying for position in an alternative Euro must surely be complete. Once the gold flow slows, the oil price will surge. That will break the dollar and the ECB will be cutting rates to stop the Euro from also surging. Next step, a jump to basket or full Euro oil pricing!

Yes, the leverage against the explosion and demise of derivatives is only in physical gold. What an incredible event this is going to be!

Thanks

Trail Guide

Trail Guide (5/26/2000; 13:21:36MT - usagold.com msg#: 31367)
comment
Hello Goldhunter

In your corrected post #: 31355 you say:

---------- 18,500 100oz lots...1,850,518 total ozs.. of the REAL STUFF too...--------

I ask, so what? You see, we all have been talking about comex gold for a year or so. The present fact that 1,850,518 ounces is laying in their vault, but owned by others doesn't do comex any good if someone wants to call for delivery. Right? You know, I know , we all know that this "Real Stuff"
has no play to make credible my (3) or others outstanding "longs" unless the owners of that "real stuff", who are not "the comex operation", wish to sell it. TownCrier has written on and followed this for several months. This is old refuted news, my friend.

You say:

-------The largest commercial producers and consumers of commodities use these exchanges for price discovery, price protection (hedging long & short), and speculation for profits...----------

Yes, this is good, but just because one of these "players" have placed some cash down and taken the other side of my (3) or others contracts in no way secures any gold to honor delivery. Right?

In fact the entire total comex outstanding contracts mostly represents "margin" money on both sides of the contracts. Look at me? I'm new long and have only T-bills as 100% margin. 99% of the short players do not trade like me. They place

appx. $2,000 +/- a thousand and go short! Do they have "uncommitted gold" to deliver? Usually not! The bulk of commercials only hold the paper version as a hedge against wholesale and retail operations. If they suddenly were called to deliver, they would have to buy outright most of the gold. That's because their customers would demand them to cover their deals too. Tell me have you done much international / commercial gold trading? I mostly just watch (smile).

Is this what you call "gold on the ready" to be delivered from comex? NO? I'm glad you agree, because no one here accepts that perception anyway.

Also: Comex is but a tiny fraction of paper gold traded around the world. But you knew that too. (smile)

"paper gold, it's just for fun"

"physical gold, it ain't for trading any more"

When are you going to take us for a futures hike?

thanks

Trail Guide

Trail Guide (5/26/2000; 13:27:42MT - usagold.com msg#: 31368)
Comment
PH in LA (5/26/2000; 11:15:27MT - usagold.com msg#: 31353)
New essay at Golden Sextant

Hello PH!

Boy, Howe is talking to real people now! I think he is getting into the thick of it.

(big smile) Trail Giude

Trail Guide (5/28/2000; 9:32:47MT - usagold.com msg#: 31442)
Comment
USAGOLD (5/28/2000; 8:54:26MT - usagold.com msg#: 31438)

--------Would such a mining company restrict the amount of gold it placed on the market as mine.com seems to infer? ----------

A Great Hello to you USAGOLD!

You have to admit it would be an interesting development for the bullion markets if a large sector even "Thought" about redirecting supply. Almost like channeling gold away from the contract markets? (smile)

You know, that Golffields might be a good one to hold through "thick and thin" no matter what it's share price goes to? Oh, but if only investors would learn to reverse the "accepted" rules and place 90% of their hard money wealth in real gold and 10% in "the best gold companies". Then one could lean back and watch it all "play out"

these next few months. No matter what happens.

I'll be back later. Hope you (and every American) is having a fine Memorial day.

Trail Guide

Trail Guide (05/28/00; 19:20:44MT - usagold.com msg#: 31469)
Reply
Hello again Michael,

--------USAGOLD (5/28/2000; 10:50:58MT - usagold.com msg#: 31446)
Greetings, Trail Guide. . .Let me Ramble a bit....as we slowly hike the crosscut-------
-

Yes,
I enjoy it when you "ramble on a bit" as in #31446 today. That post covered a lot of ground! While we are on that crosscut:

I think that between Reg Howe and ORO, the ghostly fog is being removed from our gold markets. If they keep going this way, eventually, the whole world will see what kind black hole it is. These are the same asset-less securities they are buying into by trading (investing) in paper gold. This entire gold derivatives book has been one of the most "unseen", "least understood" paradigm to come along in some time. Most people little more grasp what our current gold arena is than they grasp what that dollar is in their pocket!

I sit down the other day and spent a lot of time writing a very long post to take the next step. But, it became too blunt and outright. After some thought and discussion I withdrew with a firm conviction that this venue is still the right track. No matter how slow, events are unwinding as
others are understanding the gold evolution. Yes, and doing it on their own. Here is the first beginnings of that hike, presented as a backdrop to your post today:

At camp:
Our gold market is in "evolution" not just suffering from the same bear effects old gold bugs promote and have documented from the past? If you agree that it's only a bear market and that it will reverse soon, you're in for a big surprise. The paper gold market you know, trade and love is
about to end.

Onward
Central Banks have leased / lent some gold for a number of years and for no more than a tiny return. Even Alan Greenspan pointed out their willingness to do so. But the majority of that "real" gold never made it onto the "melt down" market as the media portrays. Early on (years ago) most of it was transferred to other Euro friendly CBs while setting a lending precedent for the Bullion Banks. We have made this point over and over and the ongoing CB figures prove it out. Further, what portion of this additional gold supply that went outside the BIS system of CBs, mostly ended
up in real accounts under other names. Yes, these bullion bars are still alive and well. Representing the real wealth of someone, somewhere!

Many try to build a position that this CB gold is gone, melted and will never return to

their vaults. Well, it wasn't lend it out for next to nothing so they could count on it's return at today's values! Again, most of it is still in the BIS system waiting for revaluation once our current dollar market fails. The fact that virtually no one can name the physical buyers of all these deals calls into question the often stated premise that CB gold has been melted down for industry use. It wasn't!

Michael,
Truly, the whole purpose for starting the Western paper gold markets with initial lent gold was so they (BIS / ECB) could eventually destroy our dollar gold market. But the dollar faction (USA) played this game because they never believed the Euro Bomb could be set off. It's that simple. This
joint play was made on the "Western" weakness to own paper gold substitutes. American dollar backers thought this was just fine. Yes, the more these paper markets could be diluted with supply the lower the paper price would go as the dollar looked ever better. That in turn convinced ever more "old" "long term" bullion holders to give up their metal and hold leveraged positions that required less cash. Using gold stock options, gold stocks, futures options and futures themselves, investors began a long term trend of off loading bullion onto the market. Even sophisticated
investors used "unallocated" bullion accounts that contained only a delivery commitment and no gold itself.

This new "mind set" was, years ago, read perfectly by the political system! Nothing else could identify this trend better than right after the WA announcement. You noted how:

----" " This is when management clamped down in some of the bullion banks, people fired, changes made. Of course that's when the word went out that an investor could sell calls but they would have to be taken in "at market" -- which of course left holders at the mercy of the players. --------

But what happened next? The whole market returned to trading the questioned paper! In the old days it would have been over with. No, they set the hook deeply and have the modern day gold bugs doing their political bidding for them. With every drop in the paper game, players double up to catch up. All the while leaving the real leveraged instrument, physical gold to be ever more acquired by those who understand the dollars current position. Truly, I am not expanding the perception too far when I say, "they don't plan on ever selling again for dollars".

Our recent "TOCOM style default" is absolutely nothing to what is before us!

Nuts! MK, I have to quickly go. Will pick this up in early AM and finish.

Thanks

Trail Guide

Trail Guide (5/29/2000; 8:28:27MT - usagold.com msg#: 31482)
To continue on from my #31469

Our recent "TOCOM style default" is absolutely nothing to what is before us! One has but to read through the internet and see what is only a small fraction of dedicated Western gold bugs playing this paper game. To the last man (and woman), they all perceive the paper tools they work with
has gold on the other side of it. If not that, they firmly believe the human and his wealth on the other side of that trade can be forced to eventually settle in gold. Further, if not gold, then settle in a fashion that deliveries the same "close out" value as the then "currently trading dealer physical".

In reality, all these players (uptick included) are only working within a limited pool of cash margin account wealth. Deposited worldwide, this small pool is the limited wealth that creates the gold perception behind paper contracts. As long as the ebb and flow of gold trading does not leave the
limits of this pool's wealth boundaries, a small fraction of physical can be delivered against it. Giving the entire paper arena credibility. Under these conditions, traders can settle 90%+ in cash, confident that the 10% (or less) of visible physical delivery is available to them if desired.

Once gold values move quickly beyond this margin zone, all is lost. The comming gold moves, we know are coming will dwarf anything seen in the past. Indeed, most think it's impossible for gold to move this much in a genneration.

Without knowing it, the banks and gold brokering industry have built a paper system that has grown in line with American political motivations. Using only a fraction of the money necessary to margin paper gold 100% (mark to the market), our current arena grew into a huge derivative gold
game that dwarfs the real physical gold world. No matter how it's compared; be it to total gold held in the world or the possible real gold supply offered at any particular dollar price, physical gold would need be priced in the many thousands to equal even a portion of our current paper
market holdings. Truly, we could lose two thirds the paper contracts and $5,000 gold would not cover the rest. It's that far out of line!

Obviously, once this system passed certain limits, years ago there was no turning back. Today, world gold could never honor the paper that's out there. At any dollar price! Not even close! Once understood, as it is being understood now, a person blind in one eye could see that this required political backing to build it. There was simply no way anything on an international scale this big could have developed without behind the curtains political support.

This decades long trend was developed as a way to placate "non Western" dollar system supporters. True to life, oil producers and Europeans wanted the dollar to work just as much as anyone. Michael, you have followed this evolution for a long time and know that none of us wanted the American reserve system to fail. I think the big philosophical difference between most of the world and Europe / Oil was that non Americans only wanted cheap gold to legitimize continued dollar use. Americans didn't because the dollar was our internal currency. Our gold value was in the exporting of dollars for real goods, plain and simple. Few US citizens grasp that this business of getting real goods internationally, on this scale, for only an IOU is a new "untested" concept. It's only been around from the late 60s. It's scale only came close to these levels in the 90s.

Today, this dollar IOU system has grown to a size that is completely not measurable. It is to this end that one has to credit these physical gold advocate countries for seeing the future. Right on schedule, the Western dollar supporters built a debt load that could never be covered in real production. In balance with this debt, they also built a gold debt that is uncoverable. It is at this point that the dollar begins the death march so many expected years ago. The end of our ability to create dollar debt was / is not the end sign. The true end sign is found today. It will be in the failure of our ability to sell paper gold debt on par with physical. This will kill it.

Truly, the Washington Agreement was not about the end of making of all paper gold. I mentioned earlier how it made no provisions to cover or reduce Western held dollar derivatives, but did controll physical flows by using the BIS. The WA is about decoupling the joint political drive to support low dollar gold prices with Euro Zone CB gold trades. With dollar based derivatives all being seen as eventually thrown in the same default pot, no one is worried about supplying gold to cover them. If the dollar is going to hyper inflate, and it's gold paper is going to default worldwide then writing (shorting) dollar gold paper is free money to anyone that want's it! Euro Zone based derivatives will be supported through limited gold delivery or with Euro cash. Both will be seen as a mountain of credibility in the storm that is coming. Let's face it, if you held a Euro gold contract for 100 ounces and only ten ounces plus Euro cash are delivered, that settlement will be worth a fortune in today's terms compared to a hyper dollar world.

What is amazing is how so much of this gold debt is held in lieu of bullion by Western investors, both large and small. These last few years, Americans have downloaded their bullion holdings worldwide. This trend is encouraged by industry players. Every paper gold broker that walks and talks has to believe in the credibility of his domain. His income depends on it! This same confidence travels through the community of brokers / investors until they all support the arena. In the end, once paper gold begins it's discount against physical open interest and trading will fall away. Then every dedicated gold analysts will claim to have understood it all and pointed to this long ago. Leaving the poor gold investor wondering what happened. Oh, there will be a huge spike right at the crisis time as OI surges from panic, but the shut down will happen equally fast and deny exit to almost everyone.

Michael, you commented:

--------Isn't it interesting, TG, that all these mega stock mutual funds (Janus, comes to mind), hedge funds (Quantum, Tiger, come to mind) and trading firms (John Henry) are having to close down or trim operations for essentially the same reason -- because they can no longer find anyone to peddle their positions to? Big enough to buy everything in site; but too big to find a buyer. These markets do eventually take care of themselves don't they? This is by far the most important development in the investment markets with huge social, economic and political repercussions and nobody is talking about it.

Now we will have a splintering over the coming months into smaller entities, competitions should be renewed. I think this is healthy for the investment business, but the current "paradigm" will likely suffer. The warning is very clear to those who

read the signs. In fact, the process has begun. As I say, the markets do eventually take care of themselves.----------

Boy, they sure do MK! All of this is a function of the larger picture, not just the gold markets. Our dollar world and it's markets are changing and we as "locked in citizens" of that world must adjust to what is coming. It's not the end of the world, as so many say our position represents. We only hear that from those that will lose a lifestyle built on everything remaining "as is". A large sector of American life will adjust to a more realistic level of existence. As in all things past and present, some will do better than others. The "better doers" will see and plan for this change.

More from you"

------A thought that occurred to me recently is that these gold derivative position might have been funneled to Morgan and Deutsch to make it politically possible for a bailout to occur (via the "Too Big To Fail" Docrine) -- that bailout would be on paper products of course, but that could gun the price as they buy back their positions. In the end though, they will be left as we all know with some huge gold loans to pay at inflated prices -- their worst nightmare will have come to life.----------

I agree MK and that would be the best outcome for paper gold traders. But it would "only gun" the paper price while the physical price would literally skyrocket! The outcome would still be a huge discount of contract value against physical (1% of physical price). Much more than in a total paper default where what could trade would be perhaps 20% of physical value. We shall soon see (smile).

Also, you say:

--------As for the GoldFields and FrancoNevada, I would like to know what they are thinking. (??) (One thing that comes to mind is that I have had some clever mining people tell me that the best gold is not what you are bringing up now, but what you will bring up in the future. Consider that one!) I do not think the two have enough metal to affect the price by keeping production out of the market. So I think that minesite.com might be overly optimistic there. Besides these are companies not countries. It would be a different story if South Africa were to cartellize and restrict production with Australia, or some such thing, but two companies representing less than 200 tons of production annually won't have anything but a short term effect. How much of that 200 would they be willing to take off the market? They do have bills to pay.

I think they have something else in mind -- like a company with enough capitalization to attract big time mutual fund money. I don't know. Just guessing. I'll be watching with interest along with everyone else.----------

MK, I think they are trying to position themselves to start a trend others will follow. After reading all of the above we can understand that in the coming situation, it won't take much supply removal to control the physical markets. In the context of our reasoning, certifying that gold is not used to cover contracts would break the bank, literally! Forcing industrial buyers to use gold and not trade it does more than we think in today's super leveraged arena. Only a few will be able to do this (smile).

Finally, about your last words:

-------Gold itself is less ambiguous. Any gold investor entering the gold stock arena should understand that stocks are not really a proxy for gold itself, and resist the temptation to load up because you think gold is going to explode and these stocks are going to rise ten times faster than gold, etc --especially the so-called juniors. We have seen where that type of thinking can land you. Thereseems to be always something unforeseen. My advice would be to take a measured approach'stick with the blue chips, and don't take a position that's going to keep you up at night worrying. -----

Absolutely! When looking back several years at Another's Thoughts and his council to own physical, I see where so much paper value was destroyed right in the hands of modern gold bugs. Most paper gold vehicles are a small amount, if not a fraction of their value then. Even though the
political game evolved differently from his perception then and the great paper burn hasn't happened yet, placing 90% of one's hard assets in paper gold and 10% in physical yielded a disaster. All of the great gold bugs touted their followers right into a failure, then retreated to a stance that said "oh, but you were to have traded it, not hold it"! Their direction was flawed then and will be again for anyone that listens now. For this evolving market, and to counter the dollar failure to come, a position of 90% physical and 10% paper is for both Giants and Dwarfs. I'll hold that for the duration and come out well ahead following their footsteps.

And you close:

--------Enough of my rambling, trusted Guide. Speaking of unforeseen, have you seen any bears on this mountainside lately? What are your thoughts this fine Sunday morning?-----

Michael, this whole unfolding event is going to be an experience to behold and discuss. In convoluted form, our gold markets will begin to lose credibility and disintegrate. All the while as our American economic engine breaks down. Truly, the end of an era as the "American Experience wanes".

As for bears, it time we pause so I may put on my running shoes. You didn't bring yours? Them, my good man, I hope you can out run that bear behind us, because I am certainly going to outrun you (huge smile)!

Thank you for doing your clients and the public a service by allowing our discussion on this privately funded site. A free gift of knowledge from the CPM Group.

Trail Guide.

Trail Guide (05/29/00; 18:38:21MT - usagold.com msg#: 31510)

Aragorn III, it's my turn now! (smile)

Hello Goldhunter,

I'm glad you read and commented on my post to you. It opened more ground for discussion.

You say:

--------goldhunter (05/29/00; 13:07:27MT - usagold.com msg#: 31494) For FOA's Friday post #31367, He can get physical gold from his contracts (our example we're visiting about) he simply needs to remain "long" into delivery period (the short determines the exact date) and FOA's broker will notify him when his account has "stopped" 3 100 oz. contracts of gold...he'll pay a couple very minor charges and instruct BRINKS where to deliver his physical gold to him...It happens just like this all the time for those that want delivery.-------

This is very good Mr. Hunter and sounds just like their printed literature. It describes the mechanics of a small trade such as in our BTD example, but by extension your reply about the delivery process is out of context. It does nothing to address how this market could fulfill a delivery demand "in mass" and the risk that entails.

In my post to you #3167 I pointed out:

-------we all know that this "Real Stuff" (gold in approved warehouses) has no play to make credible my (3) or others outstanding "longs" unless the owners of that "real stuff", who are not "the comex operation", wish to sell it.--------

-------just because one of these "players" (The largest commercial producers and consumers of commodities) have placed some cash down and taken the other side of my (3) or others contracts in no way secures any gold to honor delivery. Right?-------

--------In fact the entire total comex outstanding contracts mostly represents "margin" money on both sides of the contracts. ------

-------Do they have "uncommitted gold" to deliver? Usually not! The bulk of commercials only hold the paper version as a hedge against wholesale and retail operations. If they suddenly were called to deliver, they would have to buy outright most of the gold. That's because their customers
would demand them to cover their deals too----------

In effect, a large demand delivery would be meat with the same official reaction that recently happened with "TOCOM" or further back with the Bunker Hunt scandal. There is no possible way paper futures today could retain credibility in the face of serious delivery demands. For a demand of three contracts such as mine or in amounts less than 10% of outstanding Open interest, the markets work. In a serious crisis, it does not.

Further you say:

----The reason there is not "more delivery" is that the leveraged traders (not FOA or BTD: They paid up in full) so out perform physical buyers (IN A RISING MARKET) that fewer traders pay in full and simply post $1000 or $2000 margin for a futures contract. ----------

Mr. Hunter, the reverse of this statement is more in line with today's realities. Let's try it my way:

" " the reason there is not "more delivery" is that the leveraged traders so "UNDER" perform physical buyers (IN A " " FALLING " " MARKET) that fewer traders pay in full

and simply post $1000 or $2000 margin for a futures contract." "

That truly does a much better job of presenting the feelings of modern paper gold traders, no? In fact, many on the net can relate to having started with enough cash to buy 100 ounces of physical at say $400/oz. But after dropping margin after margin over several years they lost the entire
$40,000! Compare that to the awful realities of someone that still has $27,000 in 100 coins today and retains the physical option of still being "IN THE GAME"! Even here I do not nickel and dime the thoughts of readers by using $360 as the entry point. (smile)

Further, your words:

----A futures trader may be content to "control" the gold and profit from a price rise, However, A "long futures" holder can receive physical if they choose...The gold is there (in Comex approved storage) exactly for this purpose.------

Tell me sir, if I placed $20,000 down and shorted (sold) ten 100 ounce contracts,,,,,, and had no gold of my own to back up my bet,,,,,, and I failed,,,,, Exactly how does Comex go about extracting 1,000 ounces from others accounts to make good on my bet? Do they buy it? Or do they just take it? Or do they keep a buffer of several thousand ounces to cover failed traders? It seems to me that in the event of a crisis, "noone" that owns all that gold in approved storage might want to sell it? I guess this begs the question, if all that gold is owned, what good does it do in making credible excess, outstanding contracts? Those above and beyond "eligible" holdings sold outright. You know, the ones that far and beyond represent gold, as you say! But only have margin cash behind them. (smile)

Also:

I really did sell those coins for $270 and it was not through CMP. Can't help if the price wasn't higher. In addition I brought the (3) contracts for $283.30.

Again my example is not designed to represent what a "broker" or I consider fair. It represents what happens in a "real life" context. The kind of experience an average person would encounter. I'm showing (among other things to be presented as this unfolds) why it will be a very bad trade to sell paid up coins to pursue a paper trail. Again, as I said before, ten or twenty bucks per ounce will not mean a thing, later.

Thank you for continuing this eye-opening discussion. It is my sincere hope that everyone will follow along.

Trail Guide

Trail Guide (05/29/00; 19:35:39MT - usagold.com msg#: 31517)

comment

Cavan Man, thanks for your comments and for all the others that note my posts.. Indeed, thanks to everyone else that gains and offers something to these pages. Truly, some fine minds gather here. No matter how we agree or disagree, all of us are on the "The Gold Trail"!

will return later

Trail Guide

Trail Guide (05/30/00; 05:37:20MT - usagold.com msg#: 31538)

Comment

Hello again Goldhunter!
If we are to discuss this issue, each of us must attempt to address all (or most) of our replies in a somewhat point / counter point fashion. I am trying to do this with your posts. Otherwise readers never can grasp our position in it's presented context.

You say in #31520:

---------FOA, In your example: 10 contracts on $20,000 margin (short)... If you are on the wrong side, price rising against you, you have two choices, post additional margin funds, or, your brokerage firm will liquidate (buy) your short position in a timely manner...you will be out of the
trade, lighter in cash, but no liability to deliver gold.----------

Mr. Hunter,

My example was not in the trading context. The thrust of the argument was that of a short investor being called at this point. If the price had been static (not moved enough to warrant much more margin money), as recently has been the case and my short position ran to the end. Assume I did
not make any motion until someone "stopped" my position with a delivery intent. I then stand firm with no more money or gold to apply.

My point and example goes to the inability of Comex to supply gold to cover my short position and attacks your use of their warehouse stocks as a "symbol of security" for investors.. They (Comex) must "buy new gold" to cover me in order to make the "stopping" long position whole (Note to all: that's the guy on the other side of my trade). Whether they buy gold from existing approved warehouse stocks or go into the open market, they do not have "standing supplied" to draw from without expending "their (comex) capital" to do so. In the event of a "fast market", many such short
failures leverage any gold price increases against comex capital.

My friend, please address this in your discussion. My argument has challenged you to defend your position. I present that approved comex warehouse gold is nothing more than "investor owned" metal and would require the expending of comex cash to deploy that stored metal, or any metal to
cover my default.

Further and extending this:

In a crisis, with enough demands on their resources, many positions such as my 1,000 ounce example would completely overwhelm and shut down their operation. Because they could not secure enough physical gold to buy and / or they do not have the resources to do so. (please address this by point so we may proceed). (smile)

Trail Guide

Trail Guide (5/30/2000; 13:16:32MT - usagold.com msg#: 31562)

Comment

Mr. Goldhunter.
Thanks for your many replies. No, you are certainly not the / a bad guy here. We are discussing and dissecting the concept, not each other (smile). I do feel sorry for the points of contention as they are being slowly dissected while still alive. Awful site to behold, rated X.

You say in #31542:

---You are right...Comex gold is "investor owned gold"--

Ok! For what it's worth, I agree. This is the heart of a paper perception that's always presented to modern gold bugs. Usually, the existence of gold in storage at some bank , warehouse or dealers vault is suppose to give the investor a feeling of security. As if to imply that that gold could be used to make their "unallocated" or "futures" paper account good if needed. Many average people walk away with the impression that that gold is in storage just for such crisis use. With this grasp of the mechanics, it's no wonder that quite a few investors think holding futures is of the same security as owning physical gold.

To all:
Yes, that vault gold can serve a security purpose but someone or some entity must still use "their" cash to pry (bid) said gold from it's current owner before it's used to cover your long contract. In the case where a "short" has no gold to cover and will not (or cannot) close his position the market place (comex acting through his broker) will attack his margin wealth and even his other wealth. But that can take some time and legal efforts. All of this works fine during normal trading like we have seen over the last decade.

Reading my last two (or more) posts one gets the flow of the real context of what future gold really represents. Almost entirely, it consists of the cash margin placed as security against existing contracts. Today, of the appx. 150,000+/- contracts open, 150,000 of those are shorts. Yes, some of those shorts may be using their owned, existing gold residing in Comex vaults. But, by far most are not. Again, yes, these other shorts may also have real gold to deliver. It may be newly mined, refined or held in a dealers vault. Very often this very gold is "in trade" and may have been
committed. In fast markets major commercials can be caught selling their hedged gold and not being fast enough to cover their paper futures hedges also. So, unless it is "delivered" against a contract, it isn't there! My position all along has been that in a crunch most of the real gold that could be delivered, will not be. The prime precedent for this position comes from the Bunker Hunt silver fiasco. Many of you have read the account so I will not repeat it.

Further:

Mr. Hunter, your post:

-----The short issues notice or intent to deliver... If you are short 10 or 1, you through your brokerage acknowledge your intent to deliver physical against your short contracts and advise of the intended delivery date (within delivery period)-------

-------Your question to me ...what if you have no intention to deliver gold against your short contracts? Your broker will insure that your position is liquidated by last trading day, or consequences for your broker and brokerage...brokers do not like consequences...----------

Yes, I know the short stops the waiting long. But, I always felt this nomenclature was used wrong. In real life who stops who? Who is demanding the asset? Not the gold short!

In usual trading, it's the unfortunate long that waited too long with a long position that gets delivered into (stopped). I say unfortunate because the vase majority of Western future traders don't want gold. Indeed, I suspect most of them do not have the assets to pay for the contracts they hold. You see the entire future system is based on trading the price of gold not gold itself. In this respect, the price of physical,,,,, derived from paper future trading,,,, is discovered from the trades of players that cannot fully buy! Therefore in my opinion, price discovery through this venue (and others like it) is fraudulent. Fraudulent from the standpoint that deposit money, placed as margin security does not constitute real demand dynamics. Further, it tends to discount whatever "asset usage" price is prevalent at that time because futures traders must sell to distance themselves from real supply. In other words, paper trading lowers discovery prices.

My point to your secure contention is that once real demand enters a futures system, this real, 100% money is the side doing the stopping (demanding delivery by holding fully and holding strong)! In this situation where crisis reigns supreme,,,,,,, where a known large long makes a stance
to take delivery,,,,,, here, it's the hapless shorts that are frozen and stop nothing. They cannot, in mass cover by buying an offsetting position as it guns the contract prices further against their already failing margin. Yet they cannot supply physical because they didn't have it anyway. It becomes the classic Bunker Hunt market where the exchange must protect "it's" capital by locking down trade. It's trading for liquidation only! Happened before, I was there. Been there and done that (smile).

So, will my BTD trade prove that selling out paid up coins and positioning myself futures make me more money. We shall see!

More on Goldhunter's post's later.

Trail Guide

Trail Guide (05/30/00; 18:48:46MT - usagold.com msg#: 31570)
Comment
Journeyman (05/30/00; 09:48:40MT - usagold.com msg#: 31549)
Skirts & bank runs @goldhunter

Perhaps I mis-understand this whole gold paper thing, but isn't the real issue here at some point _how fast_ physical gold can be delivered? If those seeking delivery can't get it on contract settlement date and word gets around, doesn't the confidence which must be there to make the paper-gold market work evaporate? The players don't care that they can get the gold they were expecting today a week from now. When that happens, won't that cause the equivalent of a bank
run?----------

Hello Journeyman,

In real life, this run or lock up we have been discussing will never happen! The exchanges have the right to make rule changes to protect the marketplace. Read that as "protect their best interests".

Goldhunter mentioned in #31554 that ------Since there has been not one cheated, confidence remains.------.

Well that is actually a play on words and how we as investors receive these words. During the Hunt silver bust, the major longs stood strong to receive silver. They had the cash to do it, too! But in order for the shorts to "stop" longs positions and deliver into them, these shorts had to go into the world markets and buy real silver. The actual exchanges did not have the "owned" material to do it. Same situation that exists today in gold (and silver?)

You see, this was the process that I extended my last post from. As long as the futures markets are traded using margin funds, most of the short players are not prepared to actually deliver real metal against "REAL" standing longs. Sure, some metal is traded and delivered every settlement period, but it's only a small percentage. Once a real bull market takes hold, the futures cannot and will not transition into a major physical trading arena. Mostly because there isn't enough extra metal around to fulfill the contracts in a real physical run. In a real physical run, all contracts are discounted against physical. Only, to date, the marketplace has been able to change the rules before that discounting begins in force! We watched this happen while involved in both silver and gold in the
late 70s.

When push came to shove, the rules were changed to demand "liquidation" trading only in silver (it never got to gold because so many silver longs got their cash wiped out before the gold fact). You could not stand long for metal delivery and you could not deliver against your short position. In other words you could only paper trade the positions to cancel them out. In addition position limits were imposed. If my memory is correct we went from total position limit of 10,000 contracts to 1,000 or something like that (anyone that remembers help me out here). We had to close out! In profits, yes, but no metal!

So," sure" no one was cheated because you had to play by the rules, and that is not cheating. Right! Only later, after all the rule changes, did the banks close down the Hunts by restricting their credit. Funny how everyone still thinks that the public's selling of silver at retail dealers did it in. Ha! The Hunts and quite a few other boys were still ready to buy a load of gold and a half billion ounces of silver. It was political. New supply had almost no impact until after the political deed was done.

This bit of hindsight provides a foundation of why the big boys will not be had again. They will let the paper exchanges hang themselves this time by not being involved.

Further, what do you think of a marketplace that sets the price for gold but the traders run from delivery? Look at Towncriers #31555 and see how the "rotation" is in effect a run from buying gold. This ritual is the same "bailout process" that allows traders with only "margin security
deposits" to help set the gold prices. They never take real gold off the market in any

proportion that's equal to the "price discovery" function their trading imparts. This same process is acted out on a worldwide basis on other paper exchanges. As I said in my #31562,

-----You see the entire future system is based on trading the price of gold not gold itself. In this respect, the price of physical,,,,, derived from paper future trading,,,, is discovered from the trades of players that cannot fully buy! Therefore in my opinion, price discovery through this venue (and others like it) is fraudulent. Fraudulent from the standpoint that deposit money, placed as margin security does not constitute real demand dynamics. Further, it tends to discount whatever "asset usage" price is prevalent at that time because futures traders must sell to distance themselves from real supply. In other words, paper trading lowers discovery prices.----------

The political machine has used this process to their advantage over the last decade or so. Now it's about to use that same power to kill the currency that's so dependent on the gold price value perception.

OK, enough of my going on. I'll read more of others good words along with waiting to read ORO when he posts again. (good stuff ORO)!

THanks
Trail Guide

Trail Guide (5/31/2000; 6:48:50MT - usagold.com msg#: 31587)

Comment

ORO (05/30/00; 22:58:11MT - usagold.com msg#: 31580)
Solomon - 100 fold
----A 10 fold drop in the value of the dollar has occurred in your lifetime.-----

----I grew up (in part) in a country that saw 1000 fold depreciation in the currency within the space of a few years in the 70s and the 80s, and finally reached a better than 10000 fold depreciation. -----

---The currency had some 0s knocked off and was renamed. Then the currency inflated again and again a couple of 0s were knocked off - and the currency renamed.----------

Hello ORO,

Your background life has helped build a real working perspective about currency inflation dynamics! I wish more Western Gold Bugs could have spent some time in these "real life" countries. Or at least study their currency history. Far too many of them dismiss these awesome figures as a function of said money being in the "third world".

Most people understandably draw a complete blank in trying to see the dollar doing the same. Truly, as the dollar "reserve" function is politically removed, this real inflation will begin. Just as you witnessed, we US citizens will continue to use our dollars no matter how many 0s are added. I use Mexico as a close relation to this event because so many Americans travel there or have close business ties to that country. It's very common to use pesos but dollars are the mainstay. In the next event in our currency experience we will eventually use Euros as the Mexicans use

dollars. Hard to accept but easy to prepare for.

This brings me to Journeyman:

Journeyman (05/30/00; 22:04:20MT - usagold.com msg#: 31579)
Re: Skirts & bank runs @ Trail Guide

Hello again Journeyman and thanks for considering.

I used the Comex as an example because, like my Mexican peso example above, it's a market most Americans look at. The key to understanding our gold markets is in placing paper gold
trading in a correct perspective. It's not gold trading, it's leveraged currency trading with a little physical delivery thrown in. What hurts the public most is when Gold Mine investors and supporters bash the manipulated paper dynamic but fight to keep it in place for the gold mining industry sake. Most of the front lines battles are aimed at retaining the same paper trading concept, but "cleaning it up". Then, in their mind gold can return to it's proper "futures determined price range" of around $400 - $600.

This amounts to returning to a gold standard after a financial crisis wipes everyone out. Then the governments can start the same decay all over again.

We want to avoid this in the gold trading arena of the future by forcing the concept of "free gold". This has been approached by the next reserve currency backers. By trading physical only as the price making medium, gold will act as a real currency outside the established fiats. It's value surge will make it deep enough to actually carry a good proportion of world financial trade. But do it as a "wealth money", not a borrowed, lend able, bankable, government fiat system. A true natural vehicle for holding ones wealth. Most likely the way gold was meant to be used in the beginning.

I fully accept the political motives for getting us to this point. They are using gold to destroy an aging, failing, over debted dollar reserve system and doing it to promote their next fiat arena. The only difference is that they are structuring their system to take advantage of a surging gold price, not be destroyed by it!

All of this points to a breakup of the old paper gold trading business as a physical crisis eventually crushes their derivatives based equity. This is why we point everyone to look in that direction. All paper trading contracts along with their "price discovery" function are going to fail as the dollar begins it's "great price inflation" destruction. The vast majority of Western gold bugs are all watching and waiting for this event but reject the political certainty it will bring about. That being the failure of most all paper gold substitutes to shelter an investors dollar depreciation. As such, the leverage in using these vehicles is lost while said leverage moves to physically held gold!

I'm going to place this post on the Gold Trail with reference to my discussion posts about futures trading. I hope it continues to give readers a new perspective as we hike this path.

Thanks

Trail Guide

Gold Trail Update (5/31/2000; 6:54:54MDT - Msg ID:31588)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (5/31/2000; 6:54:53MT - usagold.com msg#24)

Background!

For anyone that wishes to follow along, we have been having a long running discussion about gold futures on our USAGOLD forum.[Archives here] Right after I placed the BDT Marker #1 I was somewhat challenged on it's validity by the good words of Mr. Goldhunter and others. Here are some of my recent posts. Please review all the good writers that posted both before and after me. We will be hitting the trail for a good outing this weekend! (smile)

TrailGuide (5/25/2000; 12:51:58MT - usagold.com msg#: 31250)
TrailGuide (5/26/2000; 13:21:36MT - usagold.com msg#: 31367)
TrailGuide (05/29/00; 18:38:21MT - usagold.com msg#: 31510)
TrailGuide (05/30/00; 05:37:20MT - usagold.com msg#: 31538)
TrailGuide (5/30/2000; 13:16:32MT - usagold.com msg#: 31562)
TrailGuide (05/30/00; 18:48:46MT - usagold.com msg#: 31570)

Also: my discussion with Mr. Michael Kosares (USAGOLD)

USAGOLD (5/28/2000; 10:50:58MT - usagold.com msg#: 31446)
TrailGuide (05/28/00; 19:20:44MT - usagold.com msg#: 31469)
TrailGuide (5/29/2000; 8:28:27MT - usagold.com msg#: 31482)

All of the above created the train of thought that brought us here to today's post on the forum. I will spring from this trail head for our hike later.

THanks for reading

FOA / your Trail Giude

My post of today.

Trail Guide (5/31/2000; 6:48:50MT - usagold.com msg#: 31587)

Comment on:

ORO (05/30/00; 22:58:11MT - usagold.com msg#: 31580)
Solomon - 100 fold

----A 10 fold drop in the value of the dollar has occurred in your lifetime.-----

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within the space of a few years in the 70s and the 80s, and finally reached a better than 10000 fold depreciation. -----

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Thanks
Trail Guide

Trail Guide (6/2/2000; 9:31:57MT - usagold.com msg#: 31682)
Gold,,,, OIL,,,,, and EUROs,,,, All up!

(Big Smile!)

Trail Guide (06/03/00; 07:32:26MT - usagold.com msg#: 31736)
Comment

Chris Powell (6/2/2000; 22:33:26MT - usagold.com msg#: 31728)
GATA busts the shorts and gold rallies
http://www.egroups.com/message/gata/476?
-------What did YOU do for the gold cause today?---------

Hello Chris Powell,

To simply answer your question: Myself and others brought more Physical Gold"! If one can only understand the implications of the paper derivatives tonnage your figures present, then real gold is the "Cause" to reach for. It carries the same 100 to one leverage any form of paper play can produce. This is true because it must eventually represent the entire gold ownership position our present world paper gold market entails, once said paper defaults! Physical gold cannot default or be entangled in the coming "workout" of this mess.

Support yourself and the Gold cause, become a Physical Gold Advocate in action first. Then send some money to GATA! (smile)

Trail Guide

Be back later

Gold Trail Update (6/4/2000; 21:26:35MDT - Msg ID:31819)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (6/4/2000; 21:26:34MT - usagold.com msg#25)

The Trail is getting Hot!

Hello all,

That was some weekend hike, yes? Let's talk while we rest a while.

Is BILL Murphy not heard? No not really, not yet. While it's true that his ongoing presentation is still not on the center of "anyone important's" desk, one has but to spin 180' in their chair to find a neat stack of it on the "boss's" credenza. Very close by, so to speak. (smile)

I know, they get a lot of flack from the trader crowd and spend a lot of time defending the gold cause. It's important time and well spent because a broad base of people must understand GATA's position if they are to help with the PR. But that bunch will never be the ones that actually transition the market. What I'm saying is that whether "The" report drives their personal trading is meaningless. It's the broad political position that counts. Harsh statement? No real life and real politics.

The same holds true for the media. That venue is never telling anything the real players didn't know two years ago! So, if the media appears to be downplaying the GATA news, it's OK. Because the story has been out for a time now and it's truly moving in a wider circle! Remember, the most damaging knowledge is the stuff that moves quietly, behind the markets. Seemingly before the fact in the eyes of regular citizens.

We said a long time ago that Bill didn't need to really do legal action to blow this wide open. We also felt they were doing something for the marketplace that was above and beyond their "stated aim". Truly, they only had to keep talking until the game is almost over to have a devastating impact. What's so important about that?

Well, most of the "big gold" world knew about the derivatives and all, for some time. But no one really knew when it would reach it's political limit. In the very same view that no one knew where the end of the dollar's rein would be, either. In a very simple way of saying it: both of these paper currencies would expand until there was no one else left to fool!

Just as soon as paper dollars and paper gold become political liabilities, the perception of the game changes. Today we see that perception changing. For the first time ever, the US dollar faction is in a trap brought on by the Euro and it's backers. With the European world operating in a more closed circuit fashion than the US, their financial and economic engine can continue to run without the supporting American drive intact. This makes their Exchange rate values less important in maintaining real local economic growth. Even today, after a huge, economic supporting decline in their currency, price inflation is still less that in the US!

Confounding the currency trader bugs that present themselves as knowing just how a currency should act. Further to their discredit, a new Euro carry trade is creating massive new Euro liabilities that are based on the successful record of the Yen carry trade. A serious mistake, because that yen trade was done using a single nation currency that greatly depended on the US. A big difference!

The political agenda in both Japan and the US generally supported the outcome of borrowing Yen to invest in dollars. Mostly because the Yen must eventually be inflated in supply to keep the Yen in a competitively down stance to save market share. In a long view, both currencies will inflate together and balance that carry trade. Even if they both hyper inflate.

In contrast, the Euro does not need to inflate to remain competitive. We have said all along that the ECB is allowing the markets to do what the Japanese have struggled a decade to accomplish. That being having a weak (in exchange rate only) global currency with low inflation relative to the reserve dollar. This supports the internal economy of Europe without having to drive interest rates to zero (like Japan) to do it. Every day that this Euro / dollar currency mismatch continues, it expands the coming Euro Zone financial dynamics. The longer that dynamic is in place and growing, the less impact an eventual failing dollar will have on them. This is the fatal flaw for the dollar in this ongoing "currency war". When the dollar death signs are signaled by our Fed raising rates further, it also outlines the significant difference the Yen carry has with the Euro carry. Truly, the ECB will not have to inflate the Euro currency supply in an exchange lowering rate battle with the dollar in order to maintain "market share"! This will trap the Euro carry in a diminished currency supply situation that will literally decimate their (the carry trade) program. It will also gun the Euro!

The Fed cannot raise rates high enough or restrict reserve creation enough to slow the US economy without cascading our financial markets. This is a seldom seen typical function of a failing currency system off the gold system. Such a Fed action that would drive business into the Euro Zone sector at the exact same time that currency and it's economy is rising. And rising as local Euro rates stay the same. Today, the political perception of this risk is raising the dollar's political liability.

If the Fed does nothing, they remain on a full blown inflation track. Right where Europe want's them. A track that every important player in the world has "slightly" hedged by taking the long side of those billions in paper gold derivatives GATA has shown is out there! Yes, this is the very same super demand for gold that has been with us for most of the 90s. It's just that the physical demand is a little above supply while the rest of the demand has been channeled into a paper leveraged position. Even as many of these bullion holders elected to trade old physical holdings for leveraged paper accounts, they helped transfer the price making dynamics towards these dollar faction paper creators. With new (old) gold supply on the market joined with the unlimited supply of paper contracts, price discovery started on it's now well known down trend. A trend originally started in a joint effort between Europe and America. Our past discussions outlined their current split.

But something is very wrong with this picture today? If the political risk is now on the dollar side,,,, and your gold inflation hedge is discovery priced with contracts created with unlimited dollar supply,,,,, how will paper gold rise in a dollar hyper inflation? In addition, how will any gold supplier that must sell into these markets, profit during an inflation? We have hiked this path before, no?

As I said, GATA keeps putting two and two together in this derivitive game as players keep re-thinking their position. Eventually, everyone will begin to reach the same conclusion:

" " I have to dump the contract derivatives game and buy real gold,,,,,,,,, AGAIN!" "

In that process, the world gold markets, as they are 95% dollar paper today,,,,, will crash in the face of unbelievable physical gold demand. Derivative and contract values in all positions will be crushed in the race to transition out of them. Not exactly the end most investors had in mind!

We watch these developments.

So we see,,,,, it was never a war between the dollar and gold. The US won that game long ago by playing to Western gold bugs taste for paper! No, now you understand with all we have discussed why gold will run because of a fiat currency war. Not a gold currency war. Indeed, this war is waged between different views of what money should be. A currency war that will transition gold into a different world from our perceptions today.

Keep talking BILL, I said they started sweating over a year ago. Now even the shoe laces are wet! (smile)

Thanks

FOA/ your Trail Guide

Gold Trail Update (06/12/00; 19:48:26MDT - Msg ID:32231)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (06/12/00; 19:48:25MT - usagold.com msg#26)

Put your cards on the table!

The gold poker game as seen at Camp:

My bet for you card players: "Did any in our camp ever express that the Euro would be backed with gold using the current paper system?"

No.

The whole concept behind the Euro thrust was politically driven to specifically include only physical gold in a future "non currency" function. Not intertwining the present dollar paper gold system in some form of currency backing. This position was driven home by the lessons oil learned in the 70s and 80s. It was included in the Euro because a real threat to use gold as a currency for crude would have resulted if it wasn't. This explained the early warnings (years ago) from Another that "All Paper Would Burn" as gold soared in value.

With a future Euro backed by a "free trading" physical market in gold, gold's real value would be later seen! Upon hearing this, almost every analyst took the ball from us and immediately ran with it in the wrong direction.

The usual explanation built on the fact that the world paper gold markets would burn up in a paper short squeeze. There by delivering our projected "soaring gold value". Well, there is something to be said for that, but such a process would be short lived and certainly not be the real play that's coming.

The current paper gold world will die (burn) as it's value to users erodes, not increases! We have to remember that some 85% (or more) of the long side of our world paper markets will not (perhaps cannot) take delivery of physical gold. If the paper trading price is driven ever lower from new derivative supply, these longs simply "trade out" and take their cash hit. The major banks and players in this arena know this and therefore are not at risk from expanding their positions. Truly, they are only playing behind the real political game today.

Indeed, if the Euro function will ultimately burn the dollar and it's paper gold markets and replace it with a physical "free gold" market, then selling paper gold is free money! Right? This is but one segment of the coming currency transition and to date it's progressing right along!

Again, most everyone in the Western Gold bug game is running with the ball in the wrong direction. They are trying to understand just how the Euro zone players are going to get out of our current gold market liabilities when the Euro makes use of the dollar gold market! These same thinkers are looking for some kind of "work out" of our system so it's price discovery function will value gold where it should be! My observation from the "Euro Makers "is that one should "forget this notion"! "Noone" gives a hoot about holding "price discovery" paper contracts as the real thing. Except for those with the real power to trade something for full payment! OIL!

Today, paper gold derivatives are for selling because they will eventually be politically defaulted once their discount to physical drives their value next to nothing.

So who is in danger of being hurt as this unfolds?

That's right, the Western paper gold long! I'm not talking about just the US market! This is about the entire world gold market as we know it today. The real play will be for the ones that get out in front of the move by owning physical.

This stampede out of "paper physical" by the "big boys" will first discount that medium as all the selling comes to play. Then the real buying of physical will ensue. It seems every Gold bug sees only half the trade and has great faith that contract law will favor a short squeeze. Yet, none of them see where it's the long that will be dumping and forcing the discount!

Yes, the Washington Agreement gunned the paper price and was the political signal that gold was "on the road" to super high prices. But, when we said gold we were talking about the same "physical gold" we always point to. The process that agreement started was really marking the death of our current paper gold market place, not it's new use beginnings!

Whether the paper market was about to default and burn then (as we thought it

could / was)or next year, the point of all this is that it's destruction is politically written in stone!

Still, not one Western Gold bug in a thousand fully grasps the impact of this. Most of them frantically search for a ray of light that shows how our "price discovery" paper market will advance in value.

All the while major players unload on investors all the derivative gold we are willing to bid for. At the same time world traders are buying all the physical gold that comes their way.

Eventually, "Physical Gold Advocates" will own a real wealth asset that's fairly marked to market in a "free gold" Euro Zone marketplace. The same marketplace value that will back the new Euro economy by pricing "free gold" in the many thousands. A new world class currency backing a new
world class currency!

So how will these big derivative players make out on their paper gold loans and paper gold shorts?

I think they will make a fortune because they understood Another better than the Western Gold bugs could!

Thank you for camping.

FOA/ your Trail Guide

Trail Guide (06/13/00; 05:21:16MT - usagold.com msg#: 32258)

Gold Fields of SA.

Could be good news (big smile)!!!

A small percentage investment in paper is plenty of risk. 90% bullion and 10% paper works just fine.

------Gold Fields, the South African mining company, and Franco-Nevada of Canada will merge to create one of the world's biggest gold mining groups-------

---New name: Gold Fields International------

---structured as a $2bn takeover of Gold Fields by Franco-Nevada ------

---primary stock exchange listing in Toronto-----

Trail Guide (06/13/00; 15:14:10MT - usagold.com msg#: 32285)

Reply

Cavan Man (06/13/00; 06:30:12MT - usagold.com msg#: 32262)
Trail Guide; Your Latest
So the two large German banks are just fiddling and making money by selling (and buying?) gold derivatives eh? They're laughing all the way to the bank (no pun intended)?

Hello Cavan Man!

You know,,,,,, the entire world gold market is little more than a paper derivative today. It's nothing hidden from view and has been evolving in this direction for many years. So why do banks and politicians grasp it and Gold Bugs don't? We have all followed this unfolding drama from the
beginning. Only a few have known where it's going, but the signs are clear to all.

Building on the world's use of paper contracts instead of owning physical couldn't help but detract from gold demand. Channeling investment away from the real thing had to lower gold's value over time. In this light do we think the dollar faction was stupid in encouraging this? Especially if it kept oil priced cheaply in dollars. Any damn political fool could understand how this prolonged the dollar's timeline. Further: Any damn political fool outside the US could see how this would eventually end the dollars timeline!

Yes, we all played the same game. Europeans, Americans and Asians all brought into it and watched the system evolve. We played it because it allowed the dollar to give us it's last thrust for our benefit. Is it now so hard to see that this was all just a temporary thing until a better format was
designed?

Has the Western world become so completely caught up in the debt game that they have lost all concept of what is "lasting value"? Better asked: Can the dollar continue to denominate our wealth at a fair value, or is our current wealth not what the dollar says it is?

Truly, what is there left to gain by supporting the dollar system or it's paper gold network? Physical gold will be a strong man standing when all this passes. At least this is what the world's largest players are trying to tell you as they destroy it's paper substitute with endless supply. So why not sell the dollar gold markets for all they are worth? Especially if the paper and physical values are about to part ways. All the reasoning that I and Another have presented is being confirmed by the largest financial players selling paper gold into the dirt! Their very actions are telling of what is to come! Does anyone reading this actually think any government today is trying to "save" the dollar gold markets? After the Euro, there is no longer any reason for these paper markets to live. Truly, one has but only to look at the dollar oil prices to see that the producers no longer accept dollar gold contracts.

We never asked anyone in the Gold Bug community to accept our Thoughts as fact. We presented what we know is in progress and tried to explain evolving events in a light that helped others see it too. "Noone" knows who we are, so you can only evaluate out speech by educating yourself as
facts unfold. It is free thought for all that will consider it. We are not Gold Bugs nor are we in any investment business (certainly not gold traders / brokers). Oil is the asset, my friend!

Further:

Sure, some of these BBs and governments will get burned! Especially the US based ones. So what else is new in the "World Game"? Gold contracts? They are just a game, you know. Just about the time it all crashes watch everyone (brother, sister and friends included) try to rush the

paper markets to try and "hedge out" their paper exposure before it all shuts down. You'll see open interest and volume as never before! This almost happened a year ago, but it seems the US still had gold to ship. The next time, the whole game will fail and lock up trillions of trader's winnings.

If anything has changed (in the last year) in all of this it's been the proactive stance of the BIS. Where once they only stood by and waited for the system to slowly starve for physical, they now play the game to accelerate the grind. I think human nature got the better of some big players as
they couldn't stand not to make a few as the currency transition nears.

People ask where / who will begin the physical market? That's a no brainer. "Free Gold" will almost immediately begin changing hands in cash only dealings. The demand will quickly build a dealer exchange, worldwide. Yes, I bet USAGOLD will be right in the middle of it. This is where
the Euro Zone will move quickly to establish a "no contract" arena of it's own as gold's new found value explodes to the benefit of our ECB system. The world's ECB system, that is.

Will it last? Ha! Ha! I am always struck by that question being put to me from an stock / futures day trader type. People who plan their investments on a one to two day / year time frame but downplay the Euro because they don't see it's gold policy supporting it for more than ten years! (frown)
But then, we can't all hold physical at the turn, can we? (smile)

Well, I'll be going for a while. It'll be a week or so before I leave. I hear there are some big gold
talks about to happen somewhere in the world. I hope it's close to Paris (smile). I'll be traveling sometime. If my electronic connections survive, I hope to tune in from time to time. By the time I return, the Gold Trail should be "RED HOT" from use. We shall see.

thanks

Trail Guide

Trail Guide (06/13/00; 15:54:13MT - usagold.com msg#: 32288)
One last note!
Henri (06/13/00; 10:45:09MT - usagold.com msg#: 32277)
Trail Guide/ Latest trail update

------How is such a free gold market to be maintained once it is clear that gold IS something more than just a commodity?-----

Hello Henri,

As I look around the world, I marvel at how many concepts exist on little more than human desire. Add to that a good portion of "political need" and things just stay on track.

You and everyone have read all the fine arguments (for and against) presented here about "free gold". If I had to pick out one thing that will force this direction it would

be the fact that "free gold" will not compete with fiat. That's right. For better or worse, right or wrong, in today's world: Free Gold would no more compete with currencies than soaring real estate or soaring Dow stocks or soaring oil reserves (smile).

Gold was never meant to be part of an official currency. It should have remained a wealth asset like everything else. Traded around at values that depict the amount of currency inflation in modern digital currencies. Volatile? Of course! But no more so than everything else we use and price with
paper money. At least in a "free gold" stance, more people would own it, use it and benefit from it's true value then based on "real" supply and demand!

I further reply to your thought by noting to ORO:

Hello ORO,

Everything you document about free gold not working in a free traded arena is note worthy. I / We understand it all as you so very well present it. But your and our feel for the subject is different in that you probably cannot sell your presentation to any government. Another did.

Thanks all

Be back soon and good luck!

Trail Guide / FOA
presenting for Another

Gold Trail Update (06/14/00; 05:19:31MDT - Msg ID:32307)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (06/14/00; 05:19:29MT - usagold.com msg#27)
Off the trail for a while!
Hello ALL,

I noted in my last two USAGOLD FORUM posts (5-13-00) that I will be traveling for a while. Some of the time will be for research, but most will be as "time away". Will bring a laptop to follow the flow of gold discussion while away. It will be quite a few weeks before I return to this trail so
please help yourself to our path.

If all goes as expected, we will have a lot of ground to cover when I return.

thanks

FOA/ your Trail Guide

FOA (08/10/00; 20:30:44MT - usagold.com msg#: 34765)
(No Subject)
TEST

FOA (08/10/00; 20:33:40MT - usagold.com msg#: 34766)

RETURN

A Big Hello to Michael Kosares and all the people at Centennial Precious Metals!

And Hello To Everyone That Reads And Writes On The USAGOLD FORUM!

I have been away for a while and consumed some good Thoughts from many people in many places. Having only been back a few days, I have a large personal agenda to take care of. Once
that is done, I'll offer up my views and Another's perception on this ongoing evolution of Gold. Some of this has again arrived in the familiar "Another (Thoughts)" context.

By now most of you may agree that our world economic function is fast changing in a dangerous way. This new function's direction has blocked the return to "normal" markets and the "normal" paper contract prices many of us experienced in our youth. In Dollar terms, we will never see these markets correctly value anything in our economic structure again. We are on a march into total dollar hyperinflation as our dollar evolves. Now, more than ever for the USA, "paper contracts of all forms must expand rapidly" or our dollar and our way of life will fail sooner rather than later! I think this slow process is well understood by many quiet thinkers, worldwide.

From Another before I departed:

========

"Look every direction to world's currencies as these do price gold for modern economy. I say now this not price of my gold. It be price of "your Western gold"! These Western gold values be true! It must it has no weight! My friend, man who does control not wealth, has no wealth, yes? Indeed,
any man that be "surprised" as value falls of paper gold wealth he owns and controls not "be a great asset to one that sells such wealth", yes?

We ask now what be "true value" of gold in world if all have contract metal but few do control value of contract? A world where economy stand on "strong legs" of government money and debt. Strong indeed with good flow of oil? Oil that once was pumped for "two golds" of equal worth.

Two golds there still be this new day, two golds. However one holds no value and held by many. Other holds value as never before, held by few. This oil, it slow now until there be one gold, one gold for all to see!" This day on, two gold bring "weak legs".

Another (Thoughts)

=========

Thanks everyone, I'll be back in a few days or so.
FOA/ your Trail Guide

FOA (08/19/00; 17:23:02MT - usagold.com msg#: 35191)

POSTING LATER

Hello Again Everyone!

Yes, I'm still here. Sorry I haven't been able to write anything, but am just now getting back to normal. Thanks to everyone that welcomed me back after my post of a week ago. Michael, thanks for your private note then.

Will be testing my code for Gold Trail in a minute and hope to send in something later (few hours?).

Oh "Yes", we have a lot to offer over the next weeks and months.

FOA/ Your Trail Guide

Gold Trail Update (08/19/00; 17:29:00MDT - Msg ID:35192)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (08/19/00; 17:28:58MT - usagold.com msg#28)
Test
Up and running.

Gold Trail Update (08/19/00; 20:40:50MDT - Msg ID:35204)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (08/19/00; 20:40:49MT - usagold.com msg#29)
Real Wealth?

I'm tired from traveling and having just placed my house in order am in need of quiet time. Instead of hiking lets sit out on the veranda for a while. It's was such a beautiful evening, even as night fast approaches.

At times like these I can almost feel the thoughts of hundreds of my friends, worldwide as they collectively think of how our future must be, will be. It's a common understanding, these thoughts, as they agree and extrapolate on several singular items. Such as: mankind's future is more often negatively impacted by "acting on knowledge we learned from each other". Especially if it is contrary to the natural world around us. Nowhere is this more evident than in the "Western Mind's" concept of wealth!

I, being of "Western Mind" am fully aware of how this thinking will shape our future that's directly before us. Indeed, from cradle to grave we learned from each other how to highly value things that have no real value. From stocks, bonds, CDs and currencies, we hold a good portion of all of these as our Estate. But this is expected to support our lifestyle in the future. Yet none of these count as wealth in our natural world. They have no value until exchanged for "Natural world" things.

These "paper world" values are little more than credits and IOUs that we "learned to value" "from association with our own friends" of "Western Thought"! Even as the end of this financial era fast approaches we continue to follow our learned "Western ways".

"Don't buy that which cannot burn, buy a paper share of ownership of something that cannot burn." "Then watch, with your estate protected, while all the rest goes up in flames!"

My friends, a stock trader is a stock trader no matter what company name appears on the shares. If they think the world needs more golf balls, golf stocks are the ticket. More computers or internet providers, then those shares are purchased. If gold is expected to rise, gold stocks are played.

If a paper game is in them, paper products are pursued because that is what these investors were taught to value. Is electricity is on the move, buy electric futures. Oil? Buy oil futures! Iron? Buy iron futures (smile)!

Yet, even taking all of this in view; none of these traders are acting out anything different than their learned "Western Concept" of wealth. When the future comes, and it will, they will own nothing of natural value that can represent lasting wealth for their needs.

As night has now arrived, and we must go in now; please consider this short talk on my veranda. Sometimes fresh air can free the spirit so it may prepare for the future. A financial future that will, like our current Western forest fires, consume all paper made from these same trees.

In a day or so we can carry this much further. Even into the direction of oil.

Thanks

FOA/ Your Trail Guide

Gold Trail Update (08/20/00; 23:23:04MDT - Msg ID:35239)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (08/20/00; 23:23:02MD - usagold.com msg#30)

Ready for the next hike?

Hello Everyone,

I have been wanting to talk about the palladium situation for some time. There is a lot more precedent here than most writers want to discuss. From my position, the discussion has so far been slanted towards the "long" paper traders view. Let me ramble on a bit as we drift towards palladium: (smile)

During our "Veranda" chat in my last short post, I made reference to how so many financial players work from a learned "Western View" of paper wealth. With this background perception always dictating that owing the price of something in contract form is the same as owning real wealth, their reasoning becomes distorted. Their use of a real item as currency in trade loses it's function and purpose and the mind begins to see "intent" (a contract) as a tradable or ownable wealth on equal footing with real wealth.

Narrowing down the scope of that view considerably, we come to the "paper futures"

game most every trader is familiar with. Again, what strikes me as odd is the universally accepted position that holds these paper markets as equal to "the real thing". In both value and possession! Indeed, how many times have we seen council presented by seasoned professionals as to how the physical product can be delivered against paper if needed or wanted. Yet, in reality neither side of these future markets are prepared to "settle up" entirely, 100% in physical merchandise if push comes to shove. That's right, neither side!

These markets were never designed to represent the value of 100% physical settlement. That's why they haven't recently and don't today demonstrate the real price value of their contracted product! The closing price is but a settlement of opinion ABOUT "supply and demand". Not settlement of real supply and demand that has been sold to so many as "one-in-the-same". An opinion bet is never a "real value" that's equal to a 100% settlement in actual trade.

The only value represented in these markets is found in their ability to demonstrate the cash margin build up on each side of the total contracts outstanding. The closing prices of gold contracts have lately shown that there is a bottomless pit of margin cash available to create the short side contracts against any long position. This is the real reading an investor should take from closing paper prices. Not a real give and take of physical supply or demand.

But, these shorts are no more ready to supply real metal than are the longs ready to pay for real metal. Why? The "Western Concept" of wealth accepts that if the "cash margin opinion" of the value of gold is great enough to move the paper price upward or downward,,,,,, then that opinion is the true "supply and demand" value of physical gold.

Indeed, billions of dollars of physical gold is sold every day using this "cash opinion" to set the value of physical trades. With all world currencies in play by their governments, then gold's low pricing is truly a political gift for those not blinded by "Western values" and investing in gold paper wealth.

But before you cry foul, understand that it's been this way for many, many years now! The vast majority of "Western" paper trades are cash settled with no metal moved in a way that largely impacts the "supply and demand" context traders so often discuss and follow. Again, the "Western View" takes the position that these contracts and their closing values are a paper value that represents real supply and demand values. My friends, it doesn't and never again in our lifetimes will it! Today, these paper price values only represent "margin deposit opinion" about where the physical trading price "should be" not where a "Freegold 100% settled price "would be".

A fraud? To say that the shorts have sold a metal contract that they cannot deliver against,,,,,, holds no more meaning than the fact that the longs cannot pay for metal they have contracted to take! As proof, watch as both sides always scramble to close out the majority of contracts for cash before they must settle. Betting on the price movements of something is not buying real wealth and running from a contract should prove it in the open to changing "Western Thinkers". Waiting for the shorts to be had, in order for your paper investments to gain value may be a long wait indeed. If this continues further, and now with the blessing of Europe, it's the paper longs that may be had as the shorts are let off the hook as the market is destroyed!

Once again:

This very paper trading process was the birthplace of a larger world market that controls gold values for the benefit of those who will buy physical well under true currency market value. A wealth building benefit that is available to anyone. Below market physical gold, in dollars, is a deal available around the world to anyone outside the "Western Perception of Wealth".

In this perception mindset, most Western investors have purchased into the controlled paper side of the gold equation. They are lost in an outdated paper wealth dream that can never again be a value substitute for real gold. International politics and world currency realities are today pulling what little value is left from the paper gold wealth that so many thought they had.

In a way, one may say that the flow of oil was purchased over many years using this same cheap physical gold currency created by withdrawing wealth from these paper gold substitutes.

The fact that,,,,, for many years,,,,, around the world,,,,, so many investors adopted the "Western View" of paper wealth,,,, it changed the real supply and demand function of physical gold. Because the majority of "American Style" investors had decided they would do just as well by betting on the price of gold as by owning gold,,,,,,, physical gold was free up to flow where it was needed.

This paper market was born, not created and found that it could be "CONTROLLED" by the flow of official "margin cash". Truly, in a larger view it was our collective "Style" of investing that trapped many as "long paper gold bulls", not as much the flow of "opinion margin" that has been used against them.

So what about palladium:

The massive margin increase announced is demonstrating exactly what these paper markets always have been. They understate the real world value of the physical product by valuing it using margin opinion, not real physical supply and demand. If the markets get out of whack because too many players move away from holding "American Style" paper wealth and want the real thing,,,,,,, then the paper markets adjust by reverting to cash settlement using the "understated opinion price".

None of the recent commentary touches on the fact that the shorts also face the same huge margin increases. In reality, the move is a precursor to forcing cash settlement if needed. Once a crisis threatens to shut down paper trading, cash settlement liquidation is enforced. This is why the shorts need to carry 150%++ MARGIN to make sure of cash settlement (not physical settlement). The fact that the longs must also have the same margin does make the weaker players fold their hand. But still, many longs will stay for the end.

This is very much what is coming for our gold market, worldwide. Yes, just as in palladium (if it fails), long paper gold traders will smile at their big cash gains (if they can get them). But their smiles will fade as they notice how their $1,000 / ounce settlement only represented the "margin opinion" of real physical value. In the aftermath of a paper gold market shutdown they will buy a 1/10 ounce for that $1,000, if lucky!

In today's world, it's the physical traders that hold all the cards and will gain the most wealth for their future. The value is there today for anyone that want's it. The paper markets we know and love will die before they can ever equal the real value that's coming for gold.

To close:

The true physical gold demand in our world today is poorly understood and poorly calculated. While physical trades are documented as well as possible, little weight is given to the countless investors that own gold using the international margin/deposit paper markets. Yes, most of these players don't have the "here - with - all" to make good on their gold purchases by taking delivery 100%. Mostly they play the "gold price" in a paper game rigged against their ever seeing full value.

But if even 10% of this ---"I own real gold in paper form but haven't paid for it yet and have the cash to do it "--- demand was to surface outside the futures related arena? This demand would take all the supply available in an "adjusted" post paper gold world. Only then will the real demand equation be understood. Only then will physical gold trade for it's fair value as a world currency outside official paper gold control. That day is coming for the owners of real gold.

You see,,,,,, any excess supply would mostly flow to filling those that have contracted for it and have something the world cannot live without! OIL!

In time the real value of gold will be represented by real demand not subject to currency supply. Not the unlimited paper supply that values gold for political ends.

To reword Another's strange post: One gold is coming my friends, one gold!

Thank you all

FOA/Your Trail Guide

Trail Guide (08/21/00; 20:59:20MT - usagold.com msg#: 35282)
test
test

Trail Guide (08/21/00; 21:04:03MT - usagold.com msg#: 35283)
Reply

Hello SLF and Welcome!

I say welcome because I think you are new here. But then again, I haven't read back through all the discussion that happened while away. As you know many of the posters on this forum present exceptional perspective. The kind that demands a comment or answer before moving along. Often one must be careful not to read them or risk being trapped here. (smile) Yours is the first I saw today, no doubt there are many others in the archives for later. So let's stop a while.

Your post # 35259:

--- I have been following your post's for a couple a years. I am trying to get a grasp

on your current thoughts. As time goes on I am trying to see how current events will effect Gold/Dollar. It is my impression that you believe the Euro will be the currency that dethrones the Dollar as the Dollar
hyper inflates. What are your latest thoughts about the weak Euro strong Dollar? ----
-

SLF, I see this whole progression of events as an international chess game. It's a game that has been going on and evolving for many years. It's hard to discuss it in an investment format because far too many "hard money" traders continue to grasp each move on the board as a short term
isolated happening. From this view, they play these events for quick profits. Mostly they lose big, because this particular game is unlike anything in the past and continues to evolve away from past historical precedent.

On the other hand, there is a whole world of people out there that are making a killing for reasons they profess to fully comprehend. Yet truly, their wealth making is little more than a mistake of historic human proportions and they will have it all taken away for reasons fully incomprehensible!

SO,,,, For us to see the whole board we must wade away from shore. Away from all the shallow water traders and into the deep blue. There we can feel the real current.

Our dollar has had a usage period that corresponds with the society that interacts with it. Yes, just like people, currencies travel through seasons of life. Even gold currencies, in both metal and paper form have their "time of use". Search the history books and we find that all "OFFICIAL" moneys have at one time come and gone with the human society that created them. Fortunately, raw gold has the ability to be melted so it may flow into the next nations accounts as "their new money".

This ebb and flow of all currencies can be described as their "timeline". We could argue and debate the finer points, but it seems that all currencies age mostly from their debt build up. In a very simple way of seeing it, once a currency must be forcefully manipulated to maintain it's value, it is entering the winter of it's years. At this stage the quality of manipulation and debt service become the foremost determinant of how markets value said money. Suddenly, the entire society values their currency wealth on the strength and power of the state's ability to control, not on the actual value of the money itself. Even today our dollar moves more on Mr. Greenspan's directions than from the horrendous value dilution it is receiving in the hands of the US treasury.

This is where the dollar has drifted into dangerous waters these last ten or twenty years. If you have read most of Another's and my posts, it comes apparent that preparation has been underway for some time to engineer a new currency system. A system that will evolve into the dollars slot once it dies.

Out here, in deep water, we can feel what the Euro makers are after. No one is looking for another gold standard, or even something that will match the long life and success of the dollar. We only know that the dollar's timeline is ending and a new young currency must replace it. No great ideals, nor can we save the world! But a reserve currency void is not acceptable.

Now look back to shore and watch the world traders kick ankle deep water in each other's faces over the daily movements of Euros. From here, up to our necks in blue

water, you ask "What the hell are they doing?" I'll tell you. They are trying to make $.50 on a million dollar play! Mostly because they are seeing the chess game one move at a time. (smile) Truly, their real wealth is in long term jeopardy.

Our dollar has already entered a massive hyperinflation. It's timeline is ending and there will be no deflation to save it. The currency and all the multitude of derivative instruments that make up our money system have expanded rapidly over the last 20 years. Even at a super hyper rate for the last five years or so. We cannot read it because much of what we "Western" savers call paper wealth has really become money substitutes that's value is supported by the government. This paper wealth creation cannot reverse and is beginning to enter the "natural world" of real things. The best sign that the currency has entered it's last, final inflation is seen in the manipulated price gauges. Truly, this is only the beginning. Eventually we will see roaring price increases in everything, even as our
government indicates level prices or perhaps a deflation in our price structure. This has to happen, because there is no saving a society's currency that has debted itself beyond any known example in man's past.

In our time we will all see the Euro become very strong. You will read and hear this. But, Another and I have know for some time that it will be the dollar falling away that will make the illusion complete. I say this because all currencies are but an illusion of value.

Eventually, either before of after the dollars transition, the illusion that makes currencies real will also undergo a change. That illusion / vision is the current world paper gold market. Often known as the dollar gold market. This marketplace will fail with the dollar's timeline and so too will it's use to value gold. In this time gold will not soar in value, rather all currencies will seek their true
relationship to a "FreeGold" market. The US dollar will some day see $30,000+ for an ounce of gold. So too will the Euro price gold much higher ($$3,000 to 6,000???).

It is here that our Euro has planed to play the game to the end. (more later)

In your post:

---- When Another talks about " slow oil" what does he mean? Is the current short term oil price increase the beginning of something larger and more sustaining?-------
--

Yes, SLF! The transition from a world of dollars into something else is truly an evolution. There is no definite point where political wills draw the line. Once the Euro was born and "online" the dollar evolution began to speed up. Oil, out of a seemingly impossible position, suddenly began to rise in price. The paper gold markets were adjusted in what was the first step of their destruction, the Washington Agreement. Now, oil prices are set to evolve high enough to test not only the dollar's strength, but to force the physical gold market to separate from it's paper controlling world. Indeed, our paper gold markets will very much simulate the same manipulation of price gauges as the CPI.
All in an official attempt to say that our dollar is not dying. In many ways, it will be the paper longs that abandon the gold markets (forcing prices ever lower) even as the physical price soars. Yes, the shorts may make a killing but the money they make will be worthless!!!!!!

Your post:

--- In reading your last post on the trail, you say "one Gold is coming my friends, one Gold"-----

I think Another means that oil flow will slow until we have one physical gold price. Perhaps this is the end of Another's beginning odyssey of many years ago. It could be that the REAL GAME HAS BEGUN!

My friend, the future of physical gold is to become a wealth holding of a lifetime. However, the world will not take lightly to such a recognition of private wealth gain. I hold physical gold in good proportion but am prepared to see it's current paper fictional value plunge to Another's very low
dollar price. A paper price that will be a fictional as $1.00 gasoline during a dollar hyperinflation. This is the reason I hold a lifetime position in a few gold shares. Their value may plunge to zero before things change (an event the shallow water boys could not stand with). Even in the face of a soaring physical price, investors may chose to believe the paper markets over reality. Don't laugh, the believe the CPI today and continue to buy bonds????

Your post:

--- I know you don't have a crystal ball to see the future, but I am under the impression you are a person that has high level information about what is going on with Gold/oil/currencies.--------

AS Another often put it, "I am but a simple person". Events will make this knowledge real, not the words of myself or Another. Indeed, only "time will prove all things".

I hope to continue this, be back next day? , thanks

Trail Guide

Trail Guide (08/21/00; 21:17:27MT - usagold.com msg#: 35284)
Back later
Cavan Man, AL,,,, ALL

Just saw all the good discussion. I'll join in tomorrow (smile).

Trail Guide (08/22/00; 18:32:15MT - usagold.com msg#: 35332)
oil
http://cbs.marketwatch.com/news/current/crude.htx?source=htx/http2_mw
MarkeTalk (08/22/00; 16:34:15MT - usagold.com msg#: 35323)
Heating Oil and Natural Gas Prices to Skyrocket

Hello Market Talk:

I know you are part of USAGOLD but have misplaced your name from Michael's post.

Something has definitely changed in world oil supply!(smile) Can you remember back just a year or so ago, how everyone thought OPEC was finished? Even further back I remember people asking how in the world any of the OPEC group could ever

find the money to buy gold. Much less eventually move the markets!

If I remember correctly, you are more of a fundamental thinker. Tell me, how could oil be worth $10 one day and now $30+? Was long term supply and demand so completely misunderstood? Perhaps our current world dollar dilution has become so powerful as to override our political ability
to manage it's oil purchasing ability. Truly there is a lot more at stake here than a coming bull market in gold!

Here is a clip from the above link:

NEW YORK (CBS.MW) -- October crude futures rallied to more than $32 a barrel in overnight Tuesday trading after a key report said crude inventories as of the week ended Aug. 18 plunged 7.8 million barrels -- a dramatic turnabout from the forecast rise of at least 300,000 barrels.

"Forget everything else -- we're back to record-low stocks again," Phil Flynn, a senior energy analyst at Chicago brokerage house Alaron.com, exclaimed just after the data was released. He also said the latest data was a "shocker" and will have "explosive" effects.
In after-hours Access trading, October crude oil added 84 cents, or 2.7 percent, to $32.06 a barrel. After the markets closed, the American Petroleum Institute said crude stocks, as of the week ended Aug. 18, dropped a whopping 7.8 million barrels to total 279.7 million barrels.

Thanks Trail Guide

Trail Guide (08/22/00; 20:01:05MT - usagold.com msg#: 35336)
Reply
Hello 714:

From your post:

714 (08/22/00; 12:17:49MT - usagold.com msg#: 35309)
Questions for FOA/Another
Under the concession agreement of 1933, Aramco was paying Ibn Saud in gold. But during WWII, the price of gold became distorted, with an official rate being posted in NY and another rate, double that of NY's, posted in Jidda. The Saudis apparently demanded payment at one point at the Jidda rate. Aramco felt it was not possible for them to meet Saudi conditions and even diplomatic intervention failed to resolve the dispute. Ultimately, it was settled by having Aramco build a $70 million railroad between Riyadh and Dammam.--------

HA, HA! Well 714, there were/are a lot of versions to that story. But it does point out how far we have traveled from grasping what money really is. Our official money teachers try to separate the currency / money concept in order to make an inferior money (currency) worth more against
competing wealth money. Usually one is taught to think of money as something you buy wealth with when in fact all the wealth you own is money. Not just your "bank account" against "everything else we own".

That nice new railroad was wealth money and used as such. Yet it's never worded that way in Western views. Like this: "Well Jim, I just used my house to buy

$200,000 bucks. Boy, there must be some kind of real wealth DEFLATION going on because my house money sure is buying a lot more cash these days!"

That works for your mind, no?

Truly 714, no form of money (all wealth money) needs an established exchange to be used in daily life. Lock up a herd of 10,000 people in the state of Kansas for a year without currency,,,,,,,,, in no time at all every one of those 10,000 humans would know the value of every tradable item. Yes, there would be a few taken by the quick learner/ trader types. But, trading wealth money is a fast study for most. Believe it!

Think about it: None of us know what our pocket currency is worth except by association. Give a Canadian 100,000 Marks and send him to Germany for a month. Trust me he will know value association in no time. As for our group in Kansas, if there happens to be a little gold floating around in their wealth pool, that metal will quickly evolve to become the leading wealth item for trade. And all of this would happen without any formal exchange.

I think most hard money advocates have conditioned their thought process too much. A little time away from the trading screen and into the real world where fresh air clears the mind would do them good. There is a whole planet of people out there that can use currency right along side all their other wealth to trade anything. Old Ibn Saud was one of them.

Your post:

---This episode brings to mind Another's assertion that gold would be traded at an artificially low "official" price at the LBMA (and NY), while physical bullion would unofficially be traded off-market at a much higher price. My question is this: WHERE will physical gold trade at higher prices than those officially and imposed prices? In London? In Jidda? In NY? And my second question is: In a capped market, such as we've seen in Tokyo with palladium, where would a bullion holder go to get higher prices? All the way to Jidda?-------

Why hell, if one had a camera he could take a picture of it being traded on the sidewalk, just outside the COMEX! (smile) Wouldn't happen, you say?

Like this:

About ten years ago,,, in south Florida and on Kauai (Hawaii),,,,,, a hurricane blew the daylights out of everything,,,,,,,, especially electricity! A person could have gone into any nearby Home Depot, Wall Mart or Mom and Pop store and see signs for generators. Say, $800 each. The
trouble was none were available on these "Official Exchanges". Yes you could buy all the order papers (futures contracts) you wanted, but physical settlement was dearly in question,,,,,,,,, soooooo,,,,,,, the amount of deposit cash placed against these orders became less and less. Eventually, these contracts for future supply became less and less wanted and even there "tradable value" fell dramatically as players fled the market! But,,,,,, these "official exchanges" still kept the doors open and offered the generators for sale at even higher prices. But,,,,,, just around the corner (in Georgia) and across the water (on OAHU),,,,,, in back alleys,,,,, one could trade for these

generators on a "physical market" that was sucking all supply away from the exchange stores,,,, at perhaps ten times the official rate!

And the good part about it was:
"they didn't have to go to Jidda!"

(smile)

714, a market will open in Europe, in Euros.

Thanks
Trail Guide

Trail Guide (08/22/00; 20:36:52MT - usagold.com msg#: 35342)
Reply

------Leigh (08/22/00; 13:36:37MT - usagold.com msg#: 35315)
Trail Guide
Welcome home, Trail Guide! Would you mind putting some of us out of our misery and answering this question (which is debated often here): Will real estate values go up or down in the hyperinflation ahead? Is this a good time to buy a home or land, or should we wait? Thank you from those of us who are trying to get our portfolios now! ---------

Hi Leigh,

Thanks to you and everyone that have welcomed a return. Real Estate better keep going up, because I own a fair amount! (smile)

Leigh, Many years ago (20+) there was a lot to discussion that a strong inflation would drive rates high enough to kill real estate. Well, it did hurt somewhat, but it certainly didn't kill it.

I think,,,,,,

that most of that perspective, then was built on our government keeping the dollar strong. In other words, if inflation got out of control, they would do whatever it took to thin out the banking system and save the integrity of the dollar. But, that whole concept was flawed because it was based on the government reacting to a relatively weak price inflation, 10% to 14%,,,,,, but maintaining paper asset growth. In reality, money inflation has taken off even from that day, only it's been manifest in the government considering virtually all paper assets as protect able money. This process has built a huge new money base that is inflating as we speak. Once this money base breaks into a price spiral, our leaders will fall far behind the battle of holding real price inflation at bay. Mostly because it would underscore the use of an alternative, competing currency, the Euro. Any attempt today to stop asset growth, runs headlong into destroying the very new money base the system is built on. Destroy that base and the dollar itself will fall away. The next price inflation spiral will run far, far
above anything we have known.

Under these conditions, that are more typical of third world systems, real estate will run as a real wealth asset. I'm mostly talking about residential.

Thanks

Trail Guide

Trail Guide (08/22/00; 20:41:18MT - usagold.com msg#: 35344)
comment
Cavan Man (08/22/00; 20:18:02MT - usagold.com msg#: 35337)
The Euro
From the 8-21 FT:

Unilever 'encourages' Its UK Suppliers To Ivoice In Euros-----

Hello Cavan Man,

The evolution moves on! (smile)

Be back later

Trail Guide

Trail Guide (8/23/2000; 15:44:43MT - usagold.com msg#: 35423)
boy this hall is crowded

My Goodness!

After pushing and grabbing just to get up here on stage with the "mike",,,,,, I'm all worn out and forgot what I wanted to say! (smile)

Michael,,,, where did all these people come from? (big grin)

Can't believe how many new faces are here today and in the archives.

Anyway, just had to note something and I'll be back to add my say about these paper "futures" in a bit.

Trail Guide

Trail Guide (8/23/2000; 17:42:28MT - usagold.com msg#: 35427)
Comment

Hello Everyone,

OK, now that I have the mike and a clear mind, I'll say a few things. I see a full house and even spotted Goldhunter over there on the side. Yes, a little wave and smile back at you, sir.

People, I have to say that myself and most of you have probably heard official line spoken before. In all walks of life and professions, once heard the expression is easy to remember. I have forgotten the number of times guys have explained the workings of exchanges and markets to me. They spent hours lining me up so as to

get a crack at my little account. (grin) It all comes out so neat and clean that the verbiage almost sounds like a preacher quoting line and verse right from the book.

Well, Mr. Goldhunter is absolutely right in presenting all the line items in sequence. (another little wave and grin to you 'sir) But, something happens between the time we read it all and hear it all while sitting at the kitchen table,,,,,,,,, and when our money is on the line "real time". I think the terms to describe it are "reality" and "real life"!

We can take in everything a "futures industry advocate" tells us as fact,,,,,, kind of like going to drivers school. You know, go the posted speed limit, signal before turns, maintain a safe distance, put your lights on at night,,,,,,, and don't worry there are plenty of officers out there to enforce the law if you get in trouble.

All these things are line & verse,,,,,, the rules,,,,,,the law,,,, the trading book. But boy once we get out on the Freeway (Highway for you east coasters),,,,, all bets are off! It's everyone for themselves! If the speed limit is 70 watch for that truck going 95! Good lord, I almost hit that
woman because she didn't signal! That big commercial trader just ran me down with a 6,000 lot sell order!

My friends, the difference between Goldhunter (another big smile) and myself, is that I speak in terms of what happens in "real life". Not what the book or officials say will happen. My discussion, projections and analogies are based on how real people deal with each other world wide in hard
terms.

Now for a little rebuttal:

You post:

goldhunter (08/23/00; 07:56:59MT - usagold.com msg#: 35388)

------The Comex price IS THE PRICE for gold to buy or sell at that instant in time...PERIOD. ---

Sir, there are many good schools in this world that could teach you the difference between a "contract agreement" and a "hard closing trade". Before making a statement like above you should consider enrolling. All COMEX dealings on their exchange are the trading of contract agreements. No matter if they extend out six months or last just 60 seconds, there is no "closing trade" for "PHYSICAL METAL" until that metal or it's warehouse receipt is in your account or your hot little hand.------ PERIOD!

Further:

Even when you have settled for physical delivery,,,, and paid out your cash,,,,,,,, you still only have a contract agreement OUTSTANDING,,,,,,, nothing is settled yet,,,, you have no "hard closing trade". That closing, sir, is when the days,,,, weeks,,,,,, or months pass and your physical is
delivered in your requested form. Let's add one more PERIOD to that!

Further:

Now, the above was the process of buying and closing a contract, not setting the price of physical yellow gold. In the above one has "bid for delivery" by entering into a contract. You have not traded any gold nor have you conducted a "closing trade" that IMPACTS THE SUPPLY OF
GOLD at the time said contract is traded.

As an example:
I have one good friend that is short some 50 contracts and does not have any gold of his own,,,,,,, does not have enough assets to buy that much gold if called to deliver. He would have to declare bankruptcy if the markets opened the first trading day tomorrow and the first contract traded
moved at +200 over the following day.

Now,,,,, the long holder opposite this poor fellow has a contract for 50 times that 100 ounces. But, he did not set the price of gold when he brought those contracts. He only set the price of those contract agreements. He did not close a trade for gold and did not impact the price of gold by
taking supply off the market as a "closing trade" would have done.

In fact,,,,, all he did was express his opinion,,,,, through open outcry,,,, of the value and integrity of those contracts should he decide to take delivery and "close the trade" from my friend

Of course,,,, in driving school we learn that everyone stops for red lights. It's the law,,,, right? It's also the official rules that comex will deliver is needed. But,,,,, in the real world we may experience later,,,,,, no one is going to cover the millions and millions of gold bets made world wide by people like my little 50 contract friend. Especially if the markets open +200 ten days in a row!

Your post:

-----Your OPINION that it is an opinion of price or other is wrong...You want gold, you get it...you want to sell gold you can sell it...100 oz lots, big or small...the exchange will accommodate your wish.---------

People,,,,,,,

We can't even get new firestone tires for our bad ones,,,,,, let alone find an extra 100 million ounces of gold laying around when the market goes up in smoke. The next time someone passes you going 80 in a 50 zone,,,, just remember,,,, in the real world accommodation is indeed
just a passing wish.

Smile!!!

Thanks all

Trail Guide

Trail Guide (8/25/2000; 6:04:33MT - usagold.com msg#: 35504)
Comment

Oh Aristotle,

Standing on the hillside of life and watching our "golden wars"
I can see your battle crest like a blazing sun!
Your thoughts are our true course
mighty words do shield these golden hearts
Advance mighty one and draw ever nearer truth
for the benifit of all

My friend, Isn't it interesting how people revert to debating and berating "the presentation" of a position when they are lost to discuss or question "the content".
Your beautiful post drives home "the content"!
One should read these passages first and settle into a thought frame.
Then reread the whole post:

Aristotle (8/25/2000; 4:02:42MT - usagold.com msg#: 35502)
The evolution and confessions of an unrepentant Gold advocate

-----for myself despite the heavy influences of the Goldbug dogma I had eagerly absorbed with gusto. As I came to realize how many pieces of their puzzle didn't fit, I came to see that the explanation was owing to the well-intentioned reason that much of the "standard Goldbug rhetoric" was based on idealism.----------

------Happily for the buggiest Goldbugs, this same pragmatism also renders equally null and void the successful implementations of any notions of an idealistic paper-only world as seen in the wildest dreams of Keynesians, governments, and many bankers. As things are, Gold has a very important role squarely in the middle of a pragmatic world, yet too few people give much "theoretical thought" to this middle ground.----------

------I arrived at a position with a realistic eye on the middle ground giving me clearer monetary understanding as it works in the real world, and also how it COULD in fact (and should) be made to work immeasurably better.-------

------Such has been my evolution toward monetary "enlightenment," and such is my position here--as a pilgrim, not a teacher--at the very bottom and on the fringe of the admirable and idealistic gentlemen who gather here to share their thoughts and visions of a better world and a better monetary system.------

-----I certainly didn't come here as perhaps some of the traders have--after having gotten themselves into an investment hole, hoping to argue, defend, and justify their way out of it.----

-----Keynes didn't call Gold itself a "barbarous relic," but he rightly called the Gold STANDARD a "barbarous relic," which is also precisely what the system of Gold derivatives and bullion banking of today has become---------

-------a relic of a clever scheme originally to offer life-support to a failing dollar-based international system at a time when the world had no other option. -------

This patchwork scheme is no longer needed. On the other hand, freemarket physical Gold, as the pure and essential reserve/savings asset (unlent with no derivatives) is desperately needed in the modern world to indiscriminately bolster each of us along side modern currencies which are now a permanent feature in the financial landscape. Simply put, Freemarket Gold is the only way for a man to safely coexist with his currency.--------

Gold. Get you some. ---Aristotle ----------

Thanks Aristotle--- The future is before us!

Trail Guide

Aristotle (8/25/2000; 4:02:42MT - usagold.com msg#: 35502)

The evolution and confessions of an unrepentant Gold advocate

Hello to you, Mr. JMB

I've had the pleasure of catching up on the postings for the past day and see from your recent message (08/24/00; 23:28:30MT - usagold.com msg#: 35490) and similar earlier expressions that you are apparently having a problem with AllanC, and with me also. It is my observation that AllanC has conducted his affairs at the forum this day in an exemplary manner (such as his 35479). He gave you a good reply, steered his remarks toward meaningful discussion of Gold, and yet you persist. What more would you have of him, appointing him as my spokesman seemingly, when you state, "My case, simply put, is that GOLDHUNTER presented an excellent post and ARISTOTLE was unnecessarily rude to him. You [AllanC] have stated that 'GOLDHUNTER posed a fair question' yet you said nothing about ARISTOTLE'S rudeness...well I will. ARISTOTLE is brilliant, no doubt about it. There are just three teenie little problems with him as a teacher...He thinks he has a monoply on all worldly economic wisdom, he is insecure (intellectually) and he is an anus. Other than that, he's great. I look forward to his next post...I just hope it's not to me."? To you, Mr. JMB, I have this to say. AllanC seems quite competent to discuss matters of Gold, so let's let him avoid any unnecessary participation in speculative defense of my recent behavior here.

Apparently I've been on a mean streak lately to which I've been blissfully oblivious. To tell the truth, I can't recall having an August that has been any MORE enjoyable than this one in my entire life. So, we can't chalk up my latest displays of "harsh" and "rude" behavior to stress, now, can we? Perhaps, deep down, I'm nothing but a bad, bad man. All in all, when I look around, my honest assessment is, "I can definitely live with it." Why is it wrecking YOUR day? Goldhunter and Adam Hamilton, if anyone, ought to be the ones calling for my hide or for my immediate banishment.

To your point, yes, you are correct--on Aug. 23rd, Goldhunter did raise a topic (to say nothing of HIS tone) that was worthy of a well-considered answer. I would like to think that he got this from both individuals who addressed his thoughts: me and Trail Guide. Again, I am surprised that you, a simple bystander to the exchange, felt compelled to raise such a ruckus over this. Which of my two posts, (8/23/2000; 12:40:51MT - usagold.com msg#: 35412) , or (8/23/2000; 13:46:33MT - usagold.com msg#: 35416) was the more offensive, and in what regard? While you

suggest that I was "unnecessarily rude," my perception remains that I was "precisely and necessarily direct," and for that I offer no apology, as none is needed.

To end on an agreeable note, I certainly appreciate that you have shown me a measure of kindness in pointing out *only* three "teenie little problems" with me "as a teacher." I am certain that the reasons abound, and I shall be thankful if others refrain from adding to this otherwise important list, for I make no claim here as "teacher." I didn't come here to be a "teacher," nor did I come here to be liked, nor abused. As a matter of fact, my expectation was (and remains so) that I would fit in rather poorly and rub many people the wrong way because I have long since evolved from my earliest being as someone who listened fast, thought faster, and talked fastest. There was a time I gave very little thought to the nature of the money I earned and spent and saved. But as certain thoughts drew me years ago to investigate Gold, as a result of my reckless nature I listened too attentively to the standard Goldbug rhetoric of others and was not well-served regarding the influence it had on my pursuit of clearer monetary understanding or on my discussions with others on this subject. Fortunately I had no investment commitments during that period of tainted perspective, so only my perception of monetary affairs was temporarily damaged, not my meager savings at the time.

Fortunately, my mother raised me right, and I still possessed the capacity to think for myself despite the heavy influences of the Goldbug dogma I had eagerly absorbed with gusto. As I came to realize how many pieces of their puzzle didn't fit, I came to see that the explanation was owing to the well-intentioned reason that much of the "standard Goldbug rhetoric" was based on idealism. Well, that's fine and all, and something worthy to strive for, but in the end, we all must live in a pragmatic world. Happily for the buggiest Goldbugs, this same pragmatism also renders equally null and void the successful implementations of any notions of an idealistic paper-only world as seen in the wildest dreams of Keynesians, governments, and many bankers. As things are, Gold has a very important role squarely in the middle of a pragmatic world, yet too few people give much "theoretical thought" to this middle ground. Arguments are always made from the merits of the lofty points on opposite ends of a pendulum's arc. Pointless for making meaningful progress, to be sure, but God bless the idealists, anyway. (For the record, the Goldbug (Goldheart!) idealism--however unworkable it happens to be--is at least noble in the "eyes" of the individual human spirit, whereas the paper idealism is not.)

After a period of slower talking and deeper thinking, I arrived at a position with a realistic eye on the middle ground giving me clearer monetary understanding as it works in the real world, and also how it COULD in fact (and should) be made to work immeasurably better. Simply put, my thoughts had evolved from their starting point, and I became comfortable with my own concepts of a unique kind of monetary idealism that existed at the nadir--the bottom of the pendulum's arc. Despite reservations about beginning to share such radical monetary thoughts at this Goldbug-infested forum, in truth, it happens to be the finest economics discussion forum to be found anywhere on the web, and the credit goes to the good hosts (MK and TC) along with the high quality of those individuals who "infest" it. And to my delight, there are in fact some here, past and present, (I won't name them because it is obvious to them who they are) who also have grappled this monetary pendulum at the "perfect bottom" at the risk of receiving slings and arrows from those feeling ill-tempered on any given day who occupy the "perfect top" on either side--although given the Golden nature of this forum, our position at the bottom center surely looks

like the opposite paper side due to the complete absence of those folks making their case here. In their presence, I have been further nurtured and heartened in my convictions that the international monetary system could and seemingly IS evolving toward this position.

Such has been my evolution toward monetary "enlightenment," and such is my position here--as a pilgrim, not a teacher--at the very bottom and on the fringe of the admirable and idealistic gentlemen who gather here to share their thoughts and visions of a better world and a better monetary system. I certainly didn't come here as perhaps some of the traders have--after having gotten themselves into an investment hole, hoping to argue, defend, and justify their way out of it. I don't feel stressed or defensive in any degree because my investment strategy has not put me on the ropes as others perhaps are. I have maintained a savings/investment position that is consistent with my understanding of how the world works, and to that end, I hold physical Gold at this time in such a large percentage of my net worth that most Gold bugs would tarnish green with envy, or else think ME to be the idealistic one.

Believe it or not, Gold within the system I endeavor to describe during my time here, though my views are unpopular, will be far more valuable (yes, and priced accordingly) than Gold ever could be in the more popular Gold-standard system. Such a radical vision? It promises vast wealth (for current Gold owners) AND international monetary stability (for everyone), whereas the Gold-standard vision won't propel your physical Gold near as high in value and has already shown itself in the past to fail under natural worldly pressures. Which system (and outcome) would YOU rather wish upon yourself and also leave to your children?

Keynes didn't call Gold itself a "barbarous relic," but he rightly called the Gold STANDARD a "barbarous relic," which is also precisely what the system of Gold derivatives and bullion banking of today has become--a relic of a clever scheme originally to offer life-support to a failing dollar-based international system at a time when the world had no other option. This patchwork scheme is no longer needed. On the other hand, freemarket physical Gold, as the pure and essential reserve/savings asset (unlent with no derivatives) is desperately needed in the modern world to indiscriminately bolster each of us along side modern currencies which are now a permanent feature in the financial landscape. Simply put, Freemarket Gold is the only way for a man to safely coexist with his currency.

Gold. Get you some. ---Aristotle

Trail Guide (8/25/2000; 8:55:32MT - usagold.com msg#: 35512)
Comment

oldgold (8/25/2000; 8:12:54MT - usagold.com msg#: 35510)
Energy and Gold

Hello Oldgold,

I know you have held a forceful opinion for sometime that the US can and is still controlling oil producers. Your thinking was no doubt rightfully influenced by our last ten to twenty years of experience with the political world of oil.

What has been changing for the last number of years was our realization that a new

currency would available to the world. True, it's nothing to write home about now but we as as a Western thinking group tend to underweight it's strategic importance as an "available alternative" to the dollar if needed. This subtle fact has shifted the playing field considerably when viewing the US ability to control oil flow.

Today, oil flow has moved from playing a fundamental game of pricing "use value" with supply and demand to pricing it's "monetary value" in supporting any major currency block. Concessions are now there for the taking. Dollar prices for oil can rise considerably higher with the US's behind the
scene support for this action. In addition, the world paper gold markets can and are being dismantled as a further concession to retain dollar settlement of oil.

Strangely, the coming surge in physical prices are now a 180 degree shift from keeping them low in support of oil flow. In the future, rising physical bullion stores (and dollar prices) will play an important roll in playing a failing inflationary dollar against an ever likely increasing shift towards Euro oil settlement. No matter how this eventually plays, our dollar paper gold markets will dissolve as free priced bullion supports the EBS / Euro system.

Your article goes a long way to seeing the mental shift some Western thinkers are only just now grasping. It's seems even Goldman has printed a paper calling for 50 oil! It will be very interesting to see how their stock is valued the try to ride the middle ground between a short gold position vs
long oil. In the end their much vaulted paper gold game make them a tone of money but without a market available to realize those gains. The more GATA talks, the more the paper world sweats. Not from a short squeeze, but from their market being officially evaporated. I know you, oldgold
must also (smile) as I do at that thought!

thanks

Trail Guide

Trail Guide (8/25/2000; 8:57:25MT - usagold.com msg#: 35513)

Reply

Hello Knallgold,

Do you think LBMA and their entire operation are wondering what price that gold will eventually be offered at so as to flow back to them? You know, once the political flow is more recognized, then that off market pricing will eventually leak into the open. I wonder what someone with extra
assets would pay "over market" to put out their fire ahead of the rest?

The world sees supply as growing when it's shrinking to almost nothing. See my post to oldgold and you will feel "the deep current" in blue water.

thanks

Trail Guide

Note, Cavan Man, we talk tomorrow, yes?

Trail Guide (8/26/2000; 19:16:31MT - usagold.com msg#: 35569)

Couldn't post this on the Gold Trail? Something Wrong?

Hello Cavan Man!

In your post of ---- Cavan Man (08/21/00; 19:49:05MT - usagold.com msg#: 35278)---- you asked for more detail. Something like a grocery list to check off as events move along (smile). The exact question came as: ----"What are some of the impediments to moving ahead with your
"freegold" scenario?"----

Well, Cavan Man, one of the toughest problems investors have with following the Gold Trail stems from their perception of how our modern dollar money values things in the market place. I, we, all of us have discussed this extensively. Often from a somewhat different view than mine.

From my interaction with people of various far reaching world backgrounds, one thing is clear: Investors and regular workers with a Western slant do not grasp what wealth is. Overwhelmingly they see their currency and paper investment portfolios on an equal footing in value with the same
"real things" that raise our living standards. Yet, in real life, they cannot be equal because these paper assets are only an exercise able future claim on our "real things in life".

Take my debate "Against" Goldhunter as an explanation example. His perception is typical in that the ---"prices bid for futures contracts are the market value of gold"---- (see msg#: 35427). These future contracts serve no more purpose in setting pricing function than do all modern paper assets we today hold as wealth.

In this larger sense, after rereading my post to him,,,,, one can see where the entire dollar world itself has become a "futures pricing arena" that "undervalues" almost every real usable item we function with in daily life. The dollar asset system, as we know it today is used as a value setting
tool even though it,,,, like gold futures,,,, does not entail the removal of real goods from circulation.

But wait, you say,,, of course it does,,,, we buy and sell for our life's needs every day using dollars! Yes, this is true, Cavan Man but in that process we as an economic society only use a tiny fraction of this paper asset wealth to do that physical trading. As an example:

Look at the daily trading of gold futures and gold future "look alikes" in London as they trade in a huge volume multiple of the actual physical market. As this lopsided trading is a comparison valuation that understates the value of gold,,,,, so too does the collective acceptance that dollar assets are held as equal to life's physical needs,,,,,, also understates the real value of all things in our lives.

You see, a futures system that functions as our currency or currency contracts, values physical assets without taking these assets into our lives and by extension taking the assets out of the market. This is the current money world we live in. The dollar in your pocket is part of a much larger paper wealth system that has evolved into today's money system. A reserve system that is not tested against real "supply

and demand" values. With these money futures we may leverage our perceived wealth by thinking we actually control "real assets" just by holding contracts or dollar denominated paper assets. In reality we only own claims on each other's ability to produce,,,,, just as a futures contract holder only holds a claim on another to produce physical. Expand this function to a level where today's dollar world is and we can grasp what others see in the real value of gold.

This is the reality of perception that Another speaks of when he said -----"your wealth, it not what your currency say it is"-----.

Truly, this statement was larger than life to anyone that could understand it's implications then and correctly act on it today! Unfortunately, most readers just went out and brought more paper denominated dollar gold assets. Many have lost a bundle thinking they were hedging when they were just playing the same dollar game.

This takes us back to your initial question:

Western society and Western influenced investors cannot grasp gold's value because they mentally must denominate it into currency first. To do this they turn to the "market place" as the undisputed tester of values. But, as shown above, our market place uses a currency system that is entering the end of it's timeline and therefore can no longer measure "things" on a simple supply and demand value basis.

Some of the things on our "grocery list" are being checked off as we walk this Golden Trail.

==========
This currency systems and the evolving nature of our current society that created this system is in the process of radically changing it's paper wealth structure. The government, as an extension of that society begins to support and maintain the asset value of almost everything. This is the engine that drives an eventual hyperinflation. Not a typical business expansion inflation we are used to, rather an all consuming, ending inflation that does not stop. At this point the concept of sound money takes a back seat to maintaining majority asset holdings on a permanent plateau. By extension, the official stance is moved to promote all paper assets as "national money". Stocks, bonds, business function and even general welfare is elevated to an equal footing with the need for a good sound money in your pocket. The mood becomes one of "what good is a sound dollar if we are deflating"? Check that one off your list because we are well on that road.

==========
The international value of major currencies become more a function of "who can manipulate them the best" rather than their soundness. Forget the trade deficits, asset price bubbles, debt overflows or interest rates,,,,, it's who is best at controlling currency derivative function. Traders buy using "official control" as their determining value fundamentals. Truly, at this stage the prospects of a price deflation and it's opposing currency hardness are a distant joke. The US has now moved to using measures once reserved for third world systems when it comes to playing the money game. Example: "our national debt is being paid off"! Or the CPI rising .01%! Check this one off your list, it's happening now.

==========
Those with power outside this game are seen making long term preparations for the day when the US dollar inflates away. They see where the dollar value is only a function of trade flow manipulations. Not real economic progress. They see where throwing ones entire economic system wide open to "bubble expansion" policy in a "come and get it while you can" experience,,,,, can only end one way. So they play the game while there is time and they play to win with gold! As
USAGOLD poster Henri put it today in msg#: 35547:

---- " If one considers wealth to be the accumulation of unencumbered assets of enduring value, then the pursuit of fiat profit to be converted to real wealth makes sense.-----

(nice post Henri)

The unanswered question that "noone" could ever understand was "outside the other CBs, who has been buying all this gold over these years?" Check this one off your list my friend.

==========
The Washington Agreement has placed us "on the road" to one of the most exciting changes for our current physical gold market in it's short 25 year history. This part of the world reserve currency system was about to radically evolve with respect to the world dollar gold values. To date, the
ongoing dramatic fall off of LBMA trading from it's (also) short public life is leading to an eventual official evaporation of dollar based paper gold banking.

Someone in Another's group pointed to that spike in paper trading long before most had ever heard of LBMA,,,, and did so by saying that a drop below $360 would cause it. That ensuing round of massive paper playing was but a backstop to maintain the dollar reputation with low paper prices
prior to Euro presentation.

I point this out because many new watchers of our gold wars have no knowledge of this important play on the political currency chess board.

This paper game got out of hand before the Euro was born and the BIS was ready to hold the gold line at $280 if needed. But, the Euro was born and is now a functioning currency. Today our paper gold game has come full circle and most of the players that know anything are shaking at the prospect of a pure physical market that will stand next to the Euro.
Forget the gross volumes of derivatives on the books of majors, they don't mean a thing. They can keep writing contracts all they want but with trading volume falling away, eventually there will be no market to value these
assets.

If this process is allowed to mature fully, major pain is coming to paper hard money investors worldwide. They have hitched their wagon to assets that require an operating paper system to sell into. Outside the private markets for existing and circulating bullion and coins, the entire industry will shutter to a halt as the mess is worked out. Investors will be kicking themselves as bullion soars
while an extended workout phase brings their asset values to almost zero. Sure,

something will give,,,, maybe? Maybe we are at the paper price lows now?

But most "regular" hard money people that read these Thoughts are in the game for asset preservation during a world currency crisis and or inflation. Ten ounces of French gold coins and $60,000 in mining stocks and derivatives will make them sick during such a paper work out. Other proud hard paper asset holders proclaim they have millions in the industry and are not the least worried. They also said the Euro would never happen, oil will never see $30 without $600 gold and $280 gold would mean a major US depression! Well,,,, Don't check this one off yet. It's still playing out.

==========
Then there is oil. I will repost my recent and now "edited" post to oldgold:

Trail Guide (8/25/2000; 8:55:32MT - usagold.com msg#: 35512) Comment

oldgold (8/25/2000; 8:12:54MT - usagold.com msg#: 35510)
Energy and Gold

Hello Oldgold,

I know you have held a forceful opinion for sometime that the US can and is still controlling oil producers. Your thinking was no doubt rightfully influenced by our last ten to twenty years of experience with the political world of oil.

What has been changing for the last number of years was our realization that a new currency would be available to the world. True, this Euro is nothing to write home about now but we as a Western thinking group tend to underweight it's strategic importance as an "available alternative" to the dollar if needed. This subtle fact has shifted the playing field considerably when viewing the US ability to control oil flow.

Edited note: this next item is where we should watch for the dollar to be impacted by an increase in oil prices. For oil prices to be this high after all the political favors we are owed,,,, something must be countering that leverage. The US must be endorsing the move?

---------- Today, oil flow has moved from playing a fundamental game of pricing "use value" with supply and demand to pricing it's "monetary value" in supporting any major currency block. Concessions are now there for the taking by oil producers. Dollar prices for oil can rise
considerably higher with the US giving behind the scene support for this action. In addition, the world paper gold markets can and are being dismantled as a further concession to retain dollar settlement of oil. ----------

Strangely, the coming surge in physical prices are now a 180 degree shift from keeping them low in support of oil flow.

Edited note: This next was the purpose for the short history of the LBMA high volume. It's use is now behind us.

In the future, rising physical bullion stores (and dollar prices) will play an important roll in playing a failing inflationary dollar against an ever likely increasing shift

towards Euro oil settlement. No matter how this eventually plays, our dollar paper gold markets will dissolve as free priced bullion supports the EBS / Euro system.

Oldgold, Your posted article goes a long way to seeing the mental shift some Western thinkers are only just now grasping. It's seems even Goldman has printed a paper calling for 50 oil! It will be very interesting to see how their stock price is valued as they try to ride the middle ground between a short gold position vs long oil. In the end their much vaulted paper gold game should make them a ton of money, but without a market available to realize those gains? The more GATA talks, the more the paper world sweats. Not from a short squeeze, but from their market being officially evaporated. I know you, oldgold must also (smile) as I do at that thought!

==========
Cavan Man, check off rising oil prices.

We are on the road to "Freegold"!

thanks
Trail Guide

Trail Guide (8/26/2000; 19:44:32MT - usagold.com msg#: 35573)
Gold Trail
TownCrier,
The ISP presented a message saying it was out of menory. I won't mention the ISP name as you know who it is. I'll try again,,,,,,thanks (smile)

Trail Guide (8/26/2000; 21:41:44MT - usagold.com msg#: 35583)
Reply
TownCrier (8/26/2000; 20:53:17MT - usagold.com msg#: 35578)
A question for Trail Guide
http://www.insidedenver.com/business/0826gree7.shtml

TownCrier,

Ha! Ha! I think we are going to see a lot of requests in the future for things to go slowly. You know how it is, once someone else gets behind the wheel of your car,,,,,,, you can only direct! (smile) Now with oil in a win - win position and Europe playing the good guys,,,,,,, there is no room left to maneuver. Alan no longer can adjust policy except to add more gas. His recent rate hikes seem to
be just a return to where we were before the LTCM disaster. All assets seem to know only one way to run and that is up. Just the direction a failing currency takes it's owners before it fails completely. When you think about it, Europe would like nothing better than for the dollar to get
stronger as it inflates! If the US can keep the game going just a little longer while everyone gets what they want,,,, good for everybody,,,, right?

TownC, I tried to load Gold Trails again. Didn't work. I think my post was too long, like you said. I'll watch and wait, see what Jeff does.

One more post to Henri and I have to go.

thanks

Trail Guide

Trail Guide (8/26/2000; 21:44:27MT - usagold.com msg#: 35584)

Reply

Hello Henri,

Your post (Henri (08/26/00; 07:59:19MT - usagold.com msg#: 35549)----

----------1) If $12 oil is incompatible with $320 gold, then $10 oil must have been extremely incompatible with $250 gold. To what extent was the recent explosion upward in oil prices a retaliation for continued downward manipulation of gold prices?----------

Henri, most of this maneuvering took place prior to the Euro being secure. There was a lot at stake if the Euro fell apart at that time. Politically it went something like this:

a.(late 80s early to early 90s)

US and Europe worked together to bring gold prices down:
to make the dollar good in gold for oil and others
to allow some cheap physical purchases
to allow some long term contracts to be established
to allow the continued flow of oil at reasonable, economy supporting rates

paper gold had not inflated to anywhere near these current levels
so contracts were seen as supportable
so contracts and physical were seen on almost equal footing

b. (early 90s to mid 90s)
the supply of freegold on the official level was beginning to run short
so CBs sold openly mostly to each other to create gold selling impression
so mine forward selling was encouraged originally engaging mostly CB gold

major gold buyers were ready buyers with cash or lend able natural resources
so naked paper selling began to imitate CB supplied gold
so same naked paper selling supplied some mines forward sales contracts
so falling paper gold prices drew out old line/ non oil physical bullion in exchange for paper
so falling paper prices brought in cheap financiers to sell into this paper demand

market is flooded with new paper and begins to override it's original purpose
by now US knows the Euro will succeed and benefit from a rising physical gold price

c. (mid 90s to date)
US and Europe split,,,, BIS takes Euro side
US encourages London to join it in dollar support,,,, print more paper
Europe and BIS stand to enter the world physical markets if gold falls below $280 before Euro is born
Euro comes online
Oil gold buyers don't like paper gold inflation
Oil stands to raise dollar oil prices if gold markets stay below $280

Europe stands aside and watches knowing what rising oil will eventually do to US dollar / economy
Europe adopts policy of "Freegold" by quarterly marking to the market bullion prices
Europe and BIS stand aside and endorse a flood of paper gold
Eventual demise of dollar contract gold markets draws oil to Euro support
Oil and Europe force Washington Agreement
Oil begins to raise dollar oil prices in effort to crush paper gold markets with inflation induced physical gold demand

----Your questions-----

-------2) How high is OPEC prepared to take oil, to force the gold price freeing agreement to a
level they are comfortable with ($30,000/oz)? I am assuming that OPEC is voice of this group. Am
I wrong?----------

$75 to $100
Europe / BIS are and always have been at least the political architects

------3) when gold is freed, will $10 oil reappear?------

10 dollars? Never.
10 Euros? Absolutely

----4) Can we look to the breakup of operations at the London Bullion exchange as the next
signpost along the trail? -------

Several outcomes:
Look for paper trading to slow further, physical becomes rare

or paper prices surge in a super run then quickly shut down as physical prices run away

or paper open interest surges as shorts try to cover before more players come to know about the condition of the markets.

or paper prices plunge to less than $100 as all physical trading stops. Then markets shut as physical prices leap

---5) Goldman Sachs is I believe as much involved in forward sales of oil and futures as they are in gold futures sales. I think this only because the oil index is also known as the Goldmans Sachs index. I may be wrong.----

These guys are smart! Who knows, this could all pass and nothing happens at all! (big smile)

-----How much of the "glut" of oil that drove prices down to $10/barrel existed only on paper? I am thinking that the same group that is driving gold down with paper supply learned this by doing the same with oil earlier. Will the breakup of the London

operations signal it is past time to go long gold and short oil?-----

Henri, it's my bet that the oil markets learned from the gold market. For myself, in these uncertain days, I would never short oil or anything that a hyperinflation could drive thru the roof. If I must trade gold trading physical with a dealer is the ticket.

Sorry for the short format, I have to go.

Thanks
Trail Guide

Trail Guide (8/26/2000; 22:25:05MT - usagold.com msg#: 35589)

Comment and Reply

goldhunter (8/26/2000; 21:41:37MT - usagold.com msg#: 35582)

Mr. goldhunter and ALL:

NOTE: It is rare that I am ever upset when talking with everyone here and truly I am smiling as I write this. The contrast of thoughts here is worth all the time spent reading.

I'll answer that good question from you:
--"Do you believe that futures set the price of gold?---

Yes!!!!!!!!! If every trader that has taken the short side of a long gold contract,,,,,, has physical gold " " in his possession" " to deliver against his contract,,,,,,,,,,,, then that contract market has indeed set the true fundamental supply and demand price value of gold!

Further,,,,,,(smile),,,,,, It also goes without saying,,,,,, that every trader on the long side of a contract must also have the cash to take delivery of said "in possession physical gold". If not then his bid is only a short term opinion that cannot be converted into a fundamental supply and demand function that sets the price value of gold.

Further,,,,,,,,(SMILE),,,,,, because we all know that neither of the above circumstances is true,,,,,,the line of logic pursued by goldhunter presents and confirms the point I keep making,,,,,,,,that the present contract price of gold that is used to trade all physical is,,,, indeed,,,,,,
an understatement of and not the the true physical price. It represents a Western Style Opinion of where price should be IF they had the assets to complete the trade. This Style of investing is currently the reason Governments are able to keep the dollar price of gold low. However, do not complain and please encourage traders to continue to bet this way,,,,,, as it fills the vault to out advantage! Become a Physical Gold Advocate and hold a wealth no paper can ever value!

Now I must depart,

Thank you TownCrier and everyone
FOA/ your trail guide

Trail Guide (8/28/2000; 6:32:03MT - usagold.com msg#: 35638)
Later Post

Hello Peter,

Thank you for using this portion of my logic to get your point across. In my travels I have found it surprising how many investors immediately grasp the enormity and impact of that statement. Yet, equally surprising it intrigues me just how many sophisticated, educated Americans see only a very
small piece of the paper contradiction that same statement entails.

Later today, I'm going to once again use Kansas as a testing ground like in an earlier post (smile). Asking 10,000 people to line up and do a futures trade for us. In this exercise we should be able to see how the futures understate price of gold by using our soft opinion instead of a hard trade.
Somewhere in that group, even Goldhunter will participate!

Also thanks to SteveH, HBM and others for "digging" deep in their mind. The truth is buried deep, here in America. With a good effort we will unearth it!

thanks
Trail Guide

==========
Peter Asher (08/27/00; 23:31:54MT - usagold.com msg#: 35630)
Canucks Challenge was already met
Today's Forum opened up with my post of an EXACTLY twenty word excerpt from

FOA/TG's earlier msg.

Again: Trail Guide (8/26/2000; 22:25:05MT - usagold.com msg#: 35589)

>>> It represents a Western Style Opinion of where price should be IF they had the assets to complete the trade.<<<

Trail Guide (08/28/00; 20:35:52MT - usagold.com msg#: 35674)
The big trade!

Hello Everyone!

I would like to start this as an offshoot from my post earlier today to Peter Aster (msg#: 35638). It seems we have run into a roadblock of thought. Perhaps a traffic jam would be a better analogy.

Let's talk:

In it's most basic form, this presentation has been that;
----in the worldwide modern paper markets, contract trading has taken over the roll of setting gold prices at a tremendously understated level.---- Years ago hard physical trading once did that job and did it at a correct level
relative the physical product that was changing hands.

For us to follow and grasp this concept change correctly, we must start at the very beginning of simple economic principal.

When someone buys a product and takes possession of that product he impacts the value of that item as it relates to the next person in line waiting to buy. Like this:

When Joe buys one of five apple from the table of a vendor, he leaves only four apples left on the table to be bid on by the next buyer. This ages old act of "hard trading" demonstrates the whole human interaction with supply, demand, need and emotions. When the next buyer sees that only four apples are left, where there were once five, whether he likes it or not his mind will consider the above supply and demand possibilities. All the while personal need and emotions mix in his brain.

The result may or may not be a different bid from the first buyer of an apple. But it will be a true value assessment based on actual, hard, real time circumstances known at that moment.

When Joe brought that apple, he impacted real supply and forced the market,,,,,,, that's everyone trading behind him,,,,,, to form "hard opinions" about "real demand" and "real supply". In this dynamic, the next trade is not priced by "soft opinions" based on conjecture of "will Joe really take delivery".

You see,,,,,, in real life,,,,,,, in real trading,,,,, Joe taking delivery now, hard down, undisputed,,,, and this forms a different "mind set to bid" by the next in line. This mind set is what creates a "real value bid" instead of a "possible value bid". These "hard bids" based on "hard opinions" overshadow and usually bid higher for product than "soft opinions". In times of "Hard Trading",,,,"Soft opinion" bids even fail to materialize mostly because "Joe has shown that he does take delivery"! ========

Now,
I had today, asked 10,000 Kansas investors to line up along their border with Colorado. This nice straight border is very long and allows room for everyone to have some space. I asked half of then (that's 5,000 (smile)) to stand on the Western side of the border (Colorado for you non
Americans) and the other half of them to stand directly opposite on the Eastern side (Kansas). All of these people did this in a hurry and they remembered to bring the very last $50,000 in cash they had to their name along with a pen and paper.

This was quite a mess to organize, so I hope everyone will appreciate this effort! (smile)

So,

Today, while the Comex was still open and trading,,,, and the US dealer markets were open,,,,, I instructed all 10,000 of these people to enter into a REAL LEGAL PRIVATE OFF MARKET CONTRACT with each other for "1,000 ounces of gold". In effect, I asked that 5,000 of these investors contract to buy from the other 5,000 the equivalent of "ten 100 ounce gold contracts" that would expire in one hour. That's one hour before the gold markets closed today.

Yes, that's 50,000 contracts for five million ounces of gold that existed during trading today.

Further, not only did the sellers not have any physical gold, their last $50,000 in margin cash could not possibly buy the 1,000 ounces to deliver. Nor could the 5,000 long traders hope to use the last $50,000 the had to their name to buy that same 1,000 ounces. But their margin deposits did seem to make the deal real.

So,

While this trade took place and the contracts were in force (they were legal and binding),,,, I called several bullion dealers to ask if the gold market was being impacted. I also watched the computer screen intently to see if anything would happen.

Surely, with five million extra ounces of gold being traded, it would have changed the price of gold.

"Just think, five thousand rich Americans contracting for five million ounces of gold should have done something!"

Well, it didn't. So all 10,000 Kansas investors canceled their contracts by buying each others commitments and went home a little smarter.==========

OK,

The reason this little trade didn't impact the "real value" of physical gold was because they didn't trade any real gold. As big as the numbers seem, the real physical supply of gold was never touched. All they traded with each other was their "soft opinion" about the future price of gold.
Again, I say soft because they only traded bluffs that were for far more metal than their real financial assets could cover.

Their trading, like so much paper trading today creates and expands a soft paper market that not only overstates demand, but more importantly allows sellers to "vastly overstate supply without DRAWING FROM THE APPLE TRAY.

Further, the worldwide paper markets our margin money has helped sustain, continues to trade an outstanding interest that is far in excess of real available bullion. ------"""" Yet this outstanding interest is the supply gauge that so understates what physical gold would trade at as it's used to price the much smaller dealer gold demand""" ----.
==========

Oh,,,, I'm sure 5% or 10% of my Kansas traders actually did make and receive delivery while I wasn't looking. They most likely had some gold and extra cash to make the deal. But with the size of the world gold market it didn't really notice.

By far, the majority of these investors were playing out my observed typical "Western Style". They trade the price of gold while waiting for someone else to buy enough physical gold to impact supply. All the while helping support a system that dealers use to price bullion at an understated
price. Again, a price that's not created by taking real bullion off the market in a volume equal to contracts traded.

=======
My reply to one investor heard saying, "why does anyone have to take delivery at all?".

My good man, then you would end up just like my Kansas traders as they wade in our modern mess. Always settling up and trading nothing, and doing it at a lower price. Because the paper price of bullion will continue to fall from a continued increase in paper supply. No different than the way our governments lower the value of money by supplying more of it. The correlation between the two concepts is indeed staggering.

This logic is almost like our early currency thinkers asking, "you know, we really don't need gold as a currency. Let's just trade dollars!"!==========

Thanks
Trail Guide

Trail Guide (8/29/2000; 6:16:10MT - usagold.com msg#: 35691)
Comment

Your Post:

-------Hill Billy Mitchell (08/28/00; 21:58:38MT - usagold.com msg#: 35678)

Anyway thanks for the insight. Better get out of here before I jam up the traffic any further. I think I may have ruffled FOA's feathers. It appears that maybe this is his forum.-------

Hello HBL,

I checked my feathers, all nice and flat. (smile) Traffic jams are good, they show that no one owns the thought freeway! Thanks for your posts and insights here.

Trail Guide

Trail Guide (8/30/2000; 6:04:09MT - usagold.com msg#: 35734)
Note
TownCrier,

Thank you very much for your time in fixing the Gold Trails page! I will be placing a few of my recent posts on it and then we can begin hiking "current events" as seen from the eyes of others.
Also, Cavan Man, I'll be discussing Mr. Howe's latest thrust then. This next leg of the trail should provide a nice parallel to actual events unfolding on our world gold markets.

Trail Guide

Trail Guide (9/3/2000; 8:03:23MT - usagold.com msg#: 35921)
Onward!

Hello Everyone,

Sorry I couldn't make it for our hike yesterday! I was waiting for some input before taking up the walking stick and heading out onto the path. Because this is a big American weekend, most readers will have more time than usual,,,,, and some major things are happening,,, a longer walk is warranted (smile).

Will be posting later and joining the main forum.

Trail Guise

Gold Trail Update (09/03/00; 16:27:21MDT - Msg ID:35938)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (09/03/00; 16:27:20MD - usagold.com msg#34)
Of Currency Wars

Hello ALL!

Let's hit the trail!

While we walk view to the southwest:

Is Gresham's law no longer a law? You know, the one that say's good money will drive out bad money. One may look at our modern gold markets and say "help, it's not working". Indeed, if gold is the good money and dollars are the bad money, how come gold has gone down for all these recent years? Worse yet,,,,,, aside from price considerations, gold does not seem to drive out the bad money as people accumulate more of the yellow stuff!

Well, in truth gold can't compete because our modern world of gold mostly consists of the same bad money paper that currencies are made of. That's right, this modern world of paper gold very much functions as the same IOUs that currency is based on,,,,,, not much different from fractional reserve dollars.

So this is the same failing gold markets and resulting prices we all hear and read about. The same markets gold bugs watch with increasing despair as Gresham's law works it's will. By saying "paper gold cannot drive out paper currency" this law is proving that hard money investors have hitched their wagon to the wrong horse. A paper horse! Today, more than ever, investing in an industry or paper vehicle that requires a functioning gold banking (paper) intermediary will be devastating as this modern gold market evaporates.

Make no mistake, physical gold already contains many times the value these paper markets have established for it. When the price of physical traded gold runs far away from this imploding paper gold arena, the value of real money will them truly reflect where our bad money exists today.
Obviously, we are talking about dollars.

True, gold will reset itself in value compared to all world fiat currencies. But, that percentage reset will be viewed in a different context than when gold money was

ordained by governments. Gresham's understanding applied more to gold as a bankable currency, not an asset holding "in and of itself". This is the future of "freegold" in our time. It will be much like comparing an advancing stock to the currency it's denominated in, a rising asset,,,, not a competing money!

Now look northeast, into the valley:

What will make this "modern gold market evaporate"? Well, value in a paper contract is a funny thing,,,,,,, it can change radically when no market bids exists for it to trade in. Like paper dollars, contracts have no value without a trading market demand. Walk into any store,,,,, if everything is suddenly priced in a physical trade format, our dollars suddenly become worthless, no?

If the gold market was to shift to say, 5 day hard delivery, how could one trade their contracts for gold? Yes, you guessed it, paper would trade all right,,,,, at a huge discount. But in short order, as a spiking price lunges upward into the thousands,,,, and doesn't come back to earth,,,,,, what counter party on the other side of your contract could deliver? Further, how could the bullion banking system match liabilities and make good on a cascading default?

Stop here and see how it could happen two ways (or a combination of both):

You see, all it takes is for one or two government and/or private entities to pull the cord. Most all of you long ago came to the same conclusion; a Dollar / Euro currency dispute could set this off. Outside parties begin buying gold with dollar reserves,,,,, on the barrel head for 5 day placement. It begins with twenty or thirty 100 ton orders ,,,,,, a billion$$ or so each! Not derivative orders, mind you,,,, hard delivery orders that aggravate and outline the soft nature of modern gold banking. They keep coming,,, days on end! Then, suddenly the paper markets "are no more".

OR:

The price of oil rises until price inflation can no longer be contained. Unmined physical gold is withheld from the markets to such an extent that even limited demand runs the physical price to a large premium. More and more investors pay a larger escalating premium to get physical "now". Such a premium overwhelms and discredits the function of paper market pricing. Bullion Banking must revert to currency banking to cancel out it's contracts. The run begins.

Let's check our political map to see where we are on the trail:

The wonderful recent essays by Mr. Howe expose and document a system as it currently stands,,,,at the end of it's timeline of usefulness. The purpose, need and use of gold banking has run headlong into a world class political storm. This end time battle has been in the making from before Another ever started writing. Truly, this Gold War will be about a transition from world dollar dominance.

As I stated in an earlier USAGOLD post (listed as #35569):

----- Today, oil flow has moved from playing a fundamental game of pricing "use value" with supply and demand to pricing it's "monetary value" in supporting any major currency block. Concessions are now there for the taking by oil producers. Dollar prices for oil can rise considerably higher with the US giving behind the scene

support for this action. In addition, the world paper gold markets can and are being dismantled as a further concession to retain dollar settlement of oil. ----------

It's easy to see today that most of the major world oil reserves have had their value politically converted by the Euro's successful birth. The current trading value of the Euro is a small factor compared to this "existence" worth in our political currency wars. This Euro has broken the "cheap dollar" value placed on oil by our one currency world and now allows dollar oil prices to soar without constraint. Oil has indeed been rising after the Euro's first few months of existance The prize of this master play on our Chess Board ,,,,? This new pricing thrust, unlike early OPEC drives of the 70s and 80s, will crush the modern paper gold banking game and place the dollar and Euro on a level playing field.

And so the contest begins for real,,,, no longer must we talk in a future mode,,,,,May the best man win!

Thank you
FOA/ Your Trail Guide

Trail Guide (09/03/00; 19:18:29MT - usagold.com msg#: 35950)
Reply
Mr Gresham,

Ha! Ha! I never thought it would be picked up the way you saw it. Yes, I meant to imply that "it was driving bad money into circulation"! You are right, I put it in a context that could be easily seen as reversed. Hope everyone can understand it?

When I say Gresham law is not working; I wanted to point out how the dollar price is not reflecting this "good money" (gold) accumulation as it drives our fiat dollars into circulation. It's doing this because what we as Western Style investors assume to be gold is really paper.

Oh well, it's my poor use of thought direction.

Also,
I think the waiting is finally over. Everyone is accepting that crude is going higher and not from any fundamental reasons. This surge in perceived value of oil has become so blatant that it's obviously not just from demand. This will play out as a fall in all currencies relative to oil, but once it breaks $35 to $45 (or sooner) the dollar will begin to roll over. That's because producers are prepared to bid the excess profits for both gold and Euros! By the time crude gets that high the US trade deficit will be truly explosive,,,,, and no one is willing to guess the impact. Further, without a corresponding plunge in perceived gold values, using paper gold as the measure, the dollar will be going into it's first real free fall. I think Europe will allow a swift default cascade in gold banking, but only because they now have major buying support shaping up and it's being voiced from dollar reserve holders. That support will be aimed squarely at spot physical. A prospect that was not legitimate with cheaper oil.
We shall see!

thanks for your comments on my post, I'll try to word things a little more clearly.

Trail Guide

Trail Guide (09/03/00; 19:38:31MT - usagold.com msg#: 35952)
Comment
Cavan Man (08/29/00; 18:36:09MT - usagold.com msg#: 35715)
Trail Guide/FOA...RE: ix What do you make of the OM bid for LSE as reported in the FT today?

Hello Cavan Man,

I think OM Gruppen would be a better platform for Euro Land trading. They are way ahead of the rest. It makes no difference who takes the lead politically, in developing future market infrastructure. What counts is the whole Euro thrust at the moment. Who buys or merges with LSE is not all that important, OM will be a European player whether alone or with another. So will London, they just have a hard time digesting that fact right now.

I bet shares will be quoted in Euros. What say you?

Trail Guide

Trail Guide (09/03/00; 20:39:50MT - usagold.com msg#: 35961)
Reply
Al Fulchino (09/03/00; 19:38:42MT - usagold.com msg#: 35953)
Trail Guide
I many have missed a response to the post below, I have searched a couple of times, but to no avail.. However....any comment would be appreciated.Al Fulchino (08/21/00; 19:16:50MT - usagold.com msg#: 35277)

Hello Al,

I often write or refer to the Comex and their future contracts. But in reality, I'm just as much pointing out the whole system. With that in mind:

Every month or so a very large collection of open interest builds up in a leading futures month. From almost as long as I can remember, the vast majority of these contracts are worked off thru either cash trading or cash settlement. This is what I refer to as "running from a contract" because
they don't want physical delivery. There is nothing wrong with some of this because a portion of these traders use the system as a hedge. But, Comex trading is nothing compared to the whole world of gold paper and all the physical traded doesn't require this much hedging. Obviously, by a wide margin most of these transactions do not involve the transfer of bullion. As I said before, by trading and settling in cash, this huge paper pool has created not only an illusion of physical demand but a much larger illusion of physical supply. It is never tested for price validity by settling in physical and does understate the true price of bullion. Therein is the system for controlling the perceived value of gold. In this format, supply can equal and overcome any demand built on currency inflation because the supply is a function of the same fiat liquidity.

But this is yesterday's news. That period is ending with this end run from oil! We should prepare for the destruction of our dollar gold markets now.

Further, I fully well expect the entire bullion banking sector to be frozen by official decree and settled in an understated cash price. Even as the physical trades onward and upward. This will devastate many mines, investors and hedgers but save the banks. We shall see!

thanks
Trail Guide

Trail Guide (09/03/00; 20:49:46MT - usagold.com msg#: 35962)
(No Subject)
Cavan Man (09/03/00; 20:30:12MT - usagold.com msg#: 35959)

Cavan Man, I do try to use a #2 iron but it's rough on my ego! (smile)

Trail Guide (09/03/00; 21:48:34MT - usagold.com msg#: 35966)
Comment
Hello Buena Fe,

I'm sure you will keep your soul, my friend. I think mine is still safe,,,, I think? (smile)!

But, truly,,,, our gold bankers were only following behind a political wave that's changing things. No different than the hard money crowd that has tried to follow behind a gold move. One group was on the correct side and the other was on the wrong side. Nothing more.

How many local and international traders you know that would not have shorted gold for all they were worth if they knew how the game was being played? Even with a pro hard money stance, I bet they would have borrowed all the gold a CB would lend,,,,, and sell it down with the best of them. Further, how many big bankers do you think are personally very long physical,,,, even as they voice their evil projections of gold being worthless?

It's no different on the mining front. Most (but not all) investors went long shares or pumped money into the business for the leverage it could produce,,,,,, not the wealth preserving qualities so many of them proclaimed of bullion. The same as if someone tells everyone that will listen how their life will not be the same without a new ford,,,,, then he goes without a vehicle himself to allow the purchase of ford stock for himself?????? The examples of these traits are all over if we look for them. Not just in the possession of bankers!

Every so often a change comes along that makes old fashioned ideals and concepts look like something only a genius could understand. Yet, it's just recognizing where we are on the trail and doing what has to work instead of what will work the most.

Physical gold, as simple and stupid that holding may be,,,,, will outwork all the brains on our planet. Like keeping cash in a shoe box,,,, under the bed during the great 1930 bank failures,,,,, the leverage in gold today is a thousand times greater.

I ramble on.
Trail Guide

Trail Guide (09/03/00; 22:07:57MT - usagold.com msg#: 35968)
Comment
Buena Fe (09/03/00; 21:24:39MT - usagold.com msg#: 35964)
(No Subject)
Trail Guide, do you percieve that the fuss over Jerusalem and its holy sites (et al) ??

Buena Fe,

Oh, It's all part of our travels through life. Jerusalem has and will always be a problem. I think it will be many generations before that area is finally worked out.

On your note about Britons and the Euro? Ha! Ha! Life is good! I'm getting closer to winning my dollar bet from Michael K.!

Thanks
Trail Guide

Trail Guide (09/03/00; 22:13:19MT - usagold.com msg#: 35971)
(No Subject)
Simply Me (09/03/00; 21:54:04MT - usagold.com msg#: 35967)

Hello Simply Me,
It just could be that it's being discussed with Mr. Clinton this week.

I have to go now.

Trail Guide

Trail Guide (09/03/00; 22:16:48MT - usagold.com msg#: 35972)
(No Subject)
law (09/03/00; 22:12:07MT - usagold.com msg#: 35970)

I'll discuss tomorrow.
thanks

Gold Trail Update (09/04/00; 20:23:42MDT - Msg ID:36027)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (09/04/00; 20:23:42MD - usagold.com msg#35)
Correction?

Hello again,

On the Veranda for an explanation:

I have a clarification to make concerning our observations during the last hike. Right after it was done, a USAGOLD poster with the handle Mr. Gresham (#35943) pointed out my backward way of presenting Gresham's law. Well, he was very right. My post

had a way of reversing the concept.

I thought it would be understood, but after reading it again it was obvious that many would walk away with the wrong impression.

Gresham's law say's that "bad money drives good money out of circulation". In our context, on the trail it was presented from a position that "good money drives bad money into circulation". No, I didn't say that outright, but that was my mindset. You say, you can't read my mind? (smile)

We used this way of presenting the situation because it better illustrated how gold today, has not risen in value against dollars (the bad money). By failing in this process, the stage for a value judgment to take place where people hold gold (the good appreciating money) and spend dollars (the bad money) could not happen. Paper gold prices were not driving dollars into circulation! There is no FreeGold price to judge and convict our fiat currency.

With this mindset, one can take the first part of that last hike again and (hopefully) better see what we were driving at. I have no doubt most of you have never looked at Gresham's law from that angle. Please understand that I often converse with people that also present life's trails in just as difficult a format. I hope this helps you.

On another note: Due to technical problems I could not post several pieces intended for the trails here. Here is a list of those posts as located on the USAGOLD FORUM. While you are there, please consider the works of other guides posting there. Many of them are well worth the time.

Lists:

[**Editor Note:** To view an auxiliary page containing these five posts **CLICK HERE**]

Trail Guide (08/28/00; 20:35:52MT - usagold.com msg#: 35674) **The big trade!**

Trail Guide (8/26/2000; 21:44:27MT - usagold.com msg#: 35584)**Reply Hello Henri,**

Trail Guide (8/26/2000; 19:16:31MT - usagold.com msg#: 35569)**Hello Cavan Man!**

Trail Guide (8/25/2000; 6:04:33MT - usagold.com msg#: 35504)**Oh Aristotle**

Trail Guide (08/21/00; 21:04:03MT - usagold.com msg#: 35283)**Hello SLF**

Thanks
Trail Guide

Trail Guide (09/04/00; 20:28:59MT - usagold.com msg#: 36028)
Reply
Hello Law,

Your post:

------law (09/03/00; 22:12:07MT - usagold.com msg#: 35970)
Trail Guide: Questions concerning your recent posts! First of all, a very WELCOME BACK...it appears you had a most fruitful and enjoyable sojourn.
I too, have had a very busy summer and have not had the available time to continue my previous and consummate lurking and occasional posting...but I'm trying to catch up with the thoughtful and intelligent commentary of the many wonderful posters who frequent here.

My Questions:(08/20/00 msg#30)
You stated, "If this continues further, and now with the blessing of Europe, it's the paper longs that may be had as the shorts are let off the hook as the market is destroyed!"

After having read Howe's excellent commentary and also Murphy's, is it your implication thatDeustch Bank is absorbing the derivatives in order to prevent Euro "bleeding" or is there another context to this statement?

Mr. Law, I fully well believe all the following:

That the Euro and EuroLand's thrust is to have gold compliment that currency in a future context. Buried deep in the trading habits of our ECBs largest bank members are many gold derivatives that were expressly created for Euro cash settlement,,,,,if,,,, and only if the ECB/BIS make good on a
FreeGold based value for gold.

We must understand that the Euro is not bleeding, it is marking time as the markets evolve from political will. My friend, Euro value is a very movable item. Just as oil was worth only $10 heading to $6,,,, and now has been politically placed at $30 heading to $50+,,,,,,,, so too will the Euro be "politically placed".

Further: I think the portion of Deustch's position that is not correlated to FreeGold has no general liability beyond a failing paper gold market. If this world wide arena is inflated into oblivion and politically settled at say $50??,,,,, who is going to hurt? Yes, the very players that were trying to leverage against the odds that Paper gold would keep the dollar going and oil priced in dollars only.
Truly, if our modern paper gold price only went to $400 or $500 that move would maintain the integrity of all the gold industry, save the paper markets at the expense of many big banks,,,,, and save the dollar for another day.

That is not going to happen! We are on the road to super high priced physical gold at the expense of the dollar,,,,, at the expense of the entire way our modern gold market is valued,,,,, and at the expense of the dollar banking system that maintains that market. In the process we will find out that """your wealth, it not what your dollar say it is"""!

Your post:

--Also: (09/03/00 msg#34) Concerning the "two ways (or a combination of both):"..."one or two government and /or private entities to pull the cord"...or..."The price of oil rises until price inflation can no longer be contained."

In the first way: Who would have the INTESTINAL FORTITUDE! IN THE "OPEN"! To

"pull the cord"???-------

Well Sir Law, anyone that begins to perceive that holding official dollar reserves makes no sense in a two currency world. Especially where the dollar maker,,,,USA,,,, is forever running a trade deficit. Indeed, why hold dollars when so many more are always coming your way? Most
especially today (amd this is the major kicker),,,, if oil is going to punch the dollar deficit through the roof at $40,,,,, how can we soak up the flood that's coming with $50 oil?

Truly, rising oil will bring the bid for physical gold and Euros and it will be a worldwide based demand. It will "initially" have nothing to do with perceived (by officials outside)US price inflation and everything to do with our ongoing US dollar inflation. Watch oil,,, it builds INTESTINAL FORTITUDE!

Your post:

---In the second way: Will the oil producers be able to withstand the political pressure that will undoubtedly be placed on them?------

My good man,,,, the pressure is on the US to maintain world dollar oil settlement! The existence of the Euro is the Master Play on this chess board! Please dig through my last posts.

Thanks
Trail Guide

Trail Guide (09/04/00; 21:33:39MT - usagold.com msg#: 36029)
EuroGold
http://www.usagold.com/announcement/europeantelegram.html

Great Job, USAGOLD!
I'm sure CPM is the first.

You know, a "great horse" is always running for the finish line while the "near great" stay in the pack. Just trying to catch the ones in front of them!

And indeed, just like riding gold, smart people will stay with a winner.

USAGOLD (09/04/00; 11:30:26MT - usagold.com msg#: 35993)
Here's the link for details on the European Delivery Program
http://www.usagold.com/announcement/europeantelegram.html
Please e-mail your questions and comments. . . . .

Your friend
Trail Guide

And, I add, great timing! (smile)

Gold Trail Update (9/7/2000; 10:54:03MDT - Msg ID:36194)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (9/7/2000; 10:54:02MD - usagold.com msg#36)

Something to think about before our next walk down the Golden Trail!

Onto my back yard patio, please:

Have a seat and listen for a minute. Are you a hard money advocate and having a rough time with your assets? Do your hard investments need the present quoted gold price to rise for them to have value? Did you buy these hard assets knowing that they were leveraged to gold so they would rise faster than bullion? Do you buy into the view that these items are of the same security as bullion and therefore better than physical because of their leveraged? Are you in mine shares, futures options, share options, futures, not to mention plain old borrowing money from your trader against your physical account?

The one problem with all these positions is that they are also leveraged against you if the "gold price you are watching" falls away! If this current gold price doesn't rise eventually, your assets wither away? Or worse, if the present quoted gold price was to fall further, these leveraged vehicles could have no value at all? Reality dictates that in a "falling gold price situation" none of these investments will survive. So how in the world can they be of the same value as gold? History has proven that bullion retains value and maintains an investor's "staying power" through thick and thin markets.

---------Both manipulated and free!----------

If you are suffering from not understanding all of the above, then it's because your mind set is running parallel with Western Hard Money Thought. Truly, you are running in the wrong crowd. You are playing a game that the Political Will of this world say's you cannot win! Today, the gold price everyone watches is little more than the influence of paper printing on quoted prices. Because it is not the the REAL reflected value of bullion, it will slowly fall away from too much paper supply.

To better understand and grasp what this means, read the USAGOLD post by Aristotle at:
(09/06/00; 20:34:12MT - usagold.com msg#: 36150).

He does a wonderful job of laying out what is now waiting for all hard money advocates that have isolated themselves in Western Thought.

Hard money advocates that take a more worldly, political view have already come to understand his meaning. Indeed, most of them did so long ago. With today's politically created paper gold pricing system, they know why being a "Physical Gold Advocate" is the only path for "Protecting Their Wealth" in the long and short run. Watching the current traded gold price is useless to them except to buy more gold at ever cheaper prices. We know how investing in vehicles that demand that paper price to rise "can be disastrous" in this evolving market!

To quote Aristotle:

----To be sure, it is not confidence in physical Gold that is slipping, but is rather a failing of confidence in the inflated supply of paper Gold that is at this time calling the tune and being reflectively priced into Gold by the structure of the marketplace.

Just as it always has before, complete failure of the paper equivalency awaits. The paper portion dies, and only the physical Gold remains to deliver your wealth to the other side.

In a nutshell's nutshell: The price of Gold is falling because we are witnessing the end days of the timeline / lifespan of a "currency system" known as Paper Gold. I expect considerable volatility until the "bitter end." ----------

Nice job Aristotle!

People, I fully well expect that most Western style gold bugs will become more violent and inflammatory as the influence of political will on quoted gold prices increases. More and more the line of difference between Physical Gold Advocates and Hard Money Investors will become a valley as said leveraged gold substitutes wither. Indeed, in the future that valley will mark the difference between haves and have nots in the coming super bull market in physical gold!

Some will ride their paper roller coaster all the way to it's conclusion. Yes, they will be rich, but none of them will collect. I submit that physical gold buyers that can grasp the political nature of this will come out the very best.

As an often repeated example I again explain:

---- Whenever the world gold price threatens to run away, whatever pricing system in use at that time is officially forced to fail. It does so not because the system cannot adjust to the new higher values. It fails because the runaway value exposes the political manipulation of gold inherent in that time frame and system. There will be no difference between officially forced failures of yesterday and today.

The only difference between then and now is in fashion! It's possible that this present Western generation is more interested in being "in style" with their hard money views than with actually coming out ahead in the crisis that awaits.

In 1971, the simple solution to adjusting the over expansion (inflation) of the dollar money supply would have been to simply raise the dollar price of gold to a level where every dollar (a contract for gold) was worth it's equivalent. But this would have exposed the manipulation of the dollar (over printing of contracts) that occurred prior to that happening. Not to mention it would have bankrupted many important players (like Bullion Banks today).

Back then, like today, gold in the form of paper contract dollars, traded in a far higher quantity than the actual physical that was delivered against total contracts (like LBMA, no?). In fact, it was far in excess of all bullion in existence at dollar prices at that time. As $35 was a paper price for gold then,,, so too is $270 or even $50 a paper price today! It had no real contact with the real value of gold. Sound familiar? Is this sinking in?

Today, like yesterday, any rise in the "paper quoted" price of gold, will have the same effects on the dollar contracts written and the major player that create these paper traded gold vehicles. Just as in 71, when official dollar contracts for gold were frozen at $42?? while physical eventually soared overseas,,,,,,, Our current bullion banking system will be officially frozen in US terms while physical soars. ---------- It will do this much much more today because the paper price is even further away from reality. Gold at thousands and thousands an ounce is in our future!

If you can understand Aristotle, then you can grasp where we have been and where we are going. In fact, read all his fine works!

In recognition of our fine host, Mr. Michael Kosares and the CPM people I add this:

In the future, a relationship with a good """ world marketing""" bullion and coin dealer will be more valuable than all the paper gold you could ever own.

Believe it!

Thanks
FOA/ your Trail Guide

Aristotle (09/06/00; 20:34:12MT - usagold.com msg#: 36150)

Here's one for you, Cavan Man.

My longish thoughts seem to be making very little headway in leaving a lasting impression in answering the oft' repeated question, "Why isn't the price of Gold rising?" They are either ineffective or incorrect, and therefore the question is asked again and again in search of a valid answer. In the event that my proffered explanations are ignored because the general impression is that they are NOT the correct, I encourage anyone and everyone to please promptly set me straight on the path to a keener understanding.

I'm inclined to think I'm not being met with objections because my position is fundamentally sound, but that I'm failing to provide a suitable and lasting answer to this question because my delivery needs to be reduced to a standard media soundbite. So here it is, in response to the question and consternation that you've articulated on behalf of the free world for hopefully the last time--to be promptly followed by a Gold rush as a million cartoon lightbulbs illuminate over heads. Everyone wants to know--

"Why isn't gold moving? POG is defying every historical precedent where, fundamentals should dictate AT LEAST A MODEST RISE."

IN A NUTSHELL (my own cranium?):
Physical Gold is flying under the radar.
It has been the issue and trading of paper Gold that has called the tune.
It is this paper Gold that is being "priced" by the markets.
The POG that you see falling is actually a representation of the falling price of paper Gold.
So then, why is the market price of paper Gold in decline?
It is falling for the same reason that we have seen ALL national currencies lose value over time--through a combination of 1) inflation of the paper supply, and 2) through dwindling confidence in the paper.

To be sure, it is not confidence in physical Gold that is slipping, but is rather a failing of confidence in the inflated supply of paper Gold that is at this time calling the tune and being reflectively priced into Gold by the structure of the marketplace.

Just as it always has before, complete failure of the paper equivalency awaits. The paper portion dies, and only the physical Gold remains to deliver your wealth to the other side.

In a nutshell's nutshell: The price of Gold is falling because we are witnessing the end days of the timeline/lifespan of a "currency system" known as Paper Gold. I expect considerable volatility until the "bitter end." (If you can in fact call something "bitter" that ushers in the dawn of a new Golden day.)

Gold. Get you some. ---Aristotle

Trail Guide (09/12/00; 20:35:24MT - usagold.com msg#: 36560)
Reply

Strad Master (09/07/00; 23:48:48MT - usagold.com msg#: 36233)Stratfor's take on the Euro

Hello Strad Master,
First, I'd like to say I'm sorry not to have heard your music the other day. For me, there are too many links in the chain to hear it that way. But, it's no doubt your hand made the experience a step above the rest (smile).

==========
I find that when reading many of these strategic analyst, they look too much at the here and now. Their feel for the game takes on a traders perspective who try's to perform on what the very next step will be. Instead of observing the forces that shape and mold the minds of world players, they
(stratfor as example) try to interpret each act as the whole play. Certainly, being a performer yourself, you know that one note does not make the song. In life, it never has and never will.

From your post they write:
-------After years of driving toward a single economic bloc, bound by a single currency, Europe in stark contrast to the United States is battling severe economic headwinds. -------

You know, aside from oil (which I'll touch on later in this series) that statement flies in the face of Mr. Duisenberg's exceptional speech. All of the Euro bears are trying to make a failure out of each piece of this puzzle, but the chess game just continues on to their dismay. I suggest that every
reader break the US into the same pieces and view it in the very same perspective. Nine times out of ten, simple barn yard logic and reason will prevail in such an exercise, demonstrating which market is really in trouble.

While traders are waiting for something to happen, the president of the ECB lays it all out for everyone to follow. Indeed he has done a fine job of accomplishing all their goals exactly. Let's look at it:

------By lowering transaction costs and enhancing price transparency, the single currency represents a major contribution to fostering competition and efficiency in goods and financial markets across the euro area. --------

In any stretch of the imagination, this is an "ongoing" process. Nowhere did anyone project that this would happen overnight.

--------As such, the introduction of the euro represents a quantum leap towards completing a fully integrated Single Market in the EU and lays a solid basis for the improvement in the living standards of European citizens. ----------

Again, only a few short years ago almost every trader with an opinion was saying how the Euro would never even arrive. Yet, that solid basis for changing Europe has arrived and is in the process of advancing. It all just depends on where you are standing when viewing the process.

It's just like when Wall Mart comes to town, all you hear about is how the small shop owners will suffer. No one talks to loudly about the benefits to everyone. It's the same in Europe. The Western media picks up on every bit of negative change and plays down the eventual positive outcome. As
outsiders, we read it all as an ongoing failure that coming apart like a firestone tire. Strategic Analyst with a Western slant present all this news but fail to mention the same struggles happening in reflection in an American context. Truly, Europe is facing nothing more than the US has come to terms with today and throughout it's short history (compared to Europe).

When living in Europe, my Euros represent nothing more than the living standard I may attain there in the process of normal life. Yes, the ebb and flow of exchange rates do impact that segment of my life that depends on imports. But, what goes around comes around and the US will suffer it's
currency trials in good time. Currency traders that leverage up on Euros are the loudest criers of how that currency will fail. Well, I say it's good practice for their vocal cords because they will need a strong voice for dollars soon enough.

In the mean time Euro trade competition is destroying the profitability of most American and World exporters that go head up with Europe. I make my point from these now old statistics in his speech (Europe exports are no doubt surging now):

-----With almost 20%, the euro area is the world's largest exporter, compared with 15% and 9%in the United States and Japan respectively.----------

Further:

-------While the shares of euro area debt securities (91%) and stock market capitalization (63%) relative to GDP remain clearly below 100%,--------- the figures for the United States are in both cases well above 150% (155% and 172% respectively).----------

Now I ask you, where are the currency analyst when it comes time to evaluate the future using these figures? I said in one of my recent posts that many major investors now see the US markets and their guiding officials are adopting a "come and get it while you can" mentality.

For us, taking a long term view, it's easy to see beyond the dollar's politically maintained currency value as represented in exchange rates. Using the above part of Mr. D's speech one doesn't have to be very strategic to dodge the coming US currency collapse. Add those 155% and 172% with a good dose of high oil prices ($50+?) and it will eventually wreck havoc in the house of cards currently built in the US,,,,,,,, long before Europe suffers anything close to the same effect. The coming dollar crisis will make the current French oil problems look like a breath of fresh air!

More:

---------A number of observers have argued that one of the main motivations behind Economic and Monetary Union (EMU) was the development of the euro as a major international currency. This perception, however, is incorrect for a number of reasons.-----

------(1.) First, the "euro project" is to be seen as a further logical step in the Europeanintegration process, which started more than half a century ago, immediately after the Second World War. Its objectives were not - and are still not - purely economic, -------

I completely agree and his single points follow as edited:

-----European integration aims ----- (to) a stable and peaceful Europe. --------- the removal of all barriers to free competition has been the engine of this process.-----the completion of the Single Market in Europe-----

Again, this process is ongoing and will take some time to work out. Yet the above thrust is extremely important. The Euro objective is not to amalgamate "Europe's Political Will" but to coordinate it's strengths!

The benefits will be in the form of a world dominate currency built on the needs of a diverse group of nation people. It's strength will come from the competition between these various national viewpoints. Many Euro bears point to this as it's downfall and why it cannot work. I counter that this view is shortsighted and stems from a thin world exposure that's dominated with Western dollar culture! Too the contrary, a money based on conflicting viewpoints will better regulate a fiat's worst tendencies and become it's most attractive quality. A factor that later endears it to the majority of world investors. In contrast to the current dollar, that currency is built on the needs of one political house of people and therefore is structured to benefit only that single political will.

For the ECB, their mandate takes the form of making the Euro work for 11 different European cultures "FIRST", in the form of long term internal price stability! Not exchange rate function against the dollar. From his speech:

-------The primary objective of the ECB is to maintain price stability in the euro area.------

It will be easy for this to work "long term" because their economic house is:

---------The euro area represents a large and relatively closed economy.----------

To continue from his speech I repeat his opening:

----------A number of observers have argued that one of the main motivations behind Economic and Monetary Union (EMU) was the development of the euro as a major international currency. This perception, however, is incorrect for a number of reasons.-----

Having given (1.) above:

------(2.) Second, the international use of the euro is, first and foremost, the outcome of a market-driven process, not to be steered by central banks or by political bodies. The ECB has adopted a neutral stance on the internationalisation of the euro. The ECB intends neither to foster nor to hinder the use of the euro.---------

I don't know how many old time traders are reading this, but it seems that most of them forgot the "dirty float" problems of the 60s, 70s and 80s! Every hard currency and hard money advocate out there cried about the ongoing currency manipulations then. Now, we finally have a fiat that's being
built on a "no intervention" format and they all are asking for it's head? Any fool can clearly see from the above (and it's ongoing management!!!) that the Euro policy is aimed at fostering an entirely different animal from the current dollar system.

For myself, all of this rhetoric is a blinding example that proves a point in one of my posts. It was pointed out how the Western slant has shifted to value a currency more by the ability of it's officials to manipulate it than by the economic background that supports said money. But listen closely when the tide turns for the dollar and the ECB stands with it's hands still. When the dollar reverses
and goes up in flames, the whole hard currency crowd will be crying for the ECB to give in and help! Especially help make the paper gold system whole again so that the mining (and their supporting bullion banking) industry can survive. We shall see.

To further my points:

-----In the past, major countries have, at times, tended to promote the international use of their currency, primarily with a view to potential benefits for their national financial sectors.-----

Was that a shot at the dollar system?

----There have also been cases in which major countries have resisted the internationalisation of their currency, owing to the uncertainties that this process may imply for the conduct of monetary policy.-------

Was that a shot at the Yen system?

To continue from his speech I repeat his opening:

----------A number of observers have argued that one of the main motivations behind Economic and Monetary Union (EMU) was the development of the euro as a major international currency. This perception, however, is incorrect for a number of reasons.-----

Having given (1.) and (2.) above:

-----(3.) Third-------two basic factors might eventually determine the international role of the euro - size and risk.------

First factor, size:
-----With regard to the size factor, a broad, deep and liquid euro area capital market may lead to a greater use of the euro through lower transaction costs. This may, in turn, facilitate the development of the euro as a vehicle currency for trade and commodity pricing. ----------

How much size are we comparing? From his opening:

---------Given its population of almost 300 million people and its significant weight in the global economy, the euro area is broadly comparable with the United States. ---------- the most striking fact is that the euro area economy has a share of world output of around 16%. -------- significantly higher than that of Japan (8%), while being lower than that of the United States (21%)---------

Second factor, risk:
-------the international use of a currency is determined by risk factors, since investors may use the euro to hedge their risks through diversification across international currencies.-------

-------I should make clear that maintaining price stability ---------- is also a major precondition for a currency to play an international role.-------

-------As regards the private use of the euro, recent trends show that it has mainly been used as a financing currency. ------- The growing use of the euro was mainly mirrored in a decline in the share of US dollar-denominated issues from 58% to 48% between 1998 and 1999. These trends are even more striking if one focuses on the bonds and notes segment of the market. ------

I point out that USAGOLD poster ORO has written extensively on this growing process. Indeed, the above size and risk determinants may point to the Euro becoming replacement for the dollar. For a currency that's about to fail, it sure is progressing one solid step at a time.

As I have said, today's exchange values between dollars and Euros represent a fraud (the dollar) being propped up and a plain man (the Euro) shown as he is. Once the dollar turns from an oil settlement currency to a competing oil settlement currency, it will stand on equal ground with a Euro contender that must eventually be a true international currency. Indeed, as Mr. Duisenberg has presented, the ECB will not manipulate the Euro to international status. Truly, the world will do it for him.

Thanks for your time Strad Master, it was my pleasure

Trail Guide

Trail Guide (09/12/00; 22:04:59MT - usagold.com msg#: 36569)
Reply

Golden Hook (9/10/2000; 11:59:42MT - usagold.com msg#: 36388) Sirs: FOA and ANOTHER>
When William F. Duiesenberg declared war on curriences, particular the Dollar, Is not this the start of a new world war on all currencies for all the world to hear?
I believe this announcement was more important than the Washington Agreement. I believe now all is left is for ME to make their announcement. Thank you.

==========
Hello Golden Hook,

If you read my recent reply to Strad Master, then it should become apparent that William F. is not declaring war. Rather he is continuing a policy that will allow the US dollar to destroy itself. By inflating the paper gold markets into uselessness, the US has removed the only vehicle that added
enough value to our dollar currency to keep oil prices in check. Now that the Euro is clearly separated from our dollar system and able to make good on it's physical portion (convertible) of gold debt, we are off to the races. Oil will rise until one of the currency systems fail! With the weak nature of the US debt situation, real world price inflation will break the dollar economy first. It will
also break the dollar gold system through physical demand. It will force a dollar cash settlement for failing gold banking contracts in place of physical delivery. This process will create a cascading default that literally shuts down all paper gold markets. In the meantime any perceived weakness in the Euro will be countered in a soaring physical gold price. This sudden strength in Euros will allow
settlement of all optional (physical or non- physical) gold loans in Euro cash instead of dollar cash.

I don't think Mr. Duiesenberg's speech was more important than the WA. Rather it was the next step as this political drama unfolds. Conditions are being created that will allow a reasonable excuse for oil to be partially settled in Euros. I expect Europe will be given a choice of paying for
Arabian oil in either dollars or euros. This will be politically correct but functionally strengthening for
the Euro. We shall see.

Thanks
Trail Guide

Trail Guide (09/12/00; 22:18:16MT - usagold.com msg#: 36570)
Comment
Hello ORO!

Good to see you back. Nice works. I'll have some comments soon.

Ph in LA,
I saw your post the other day about Euro oil settlements. Could not post then or recently because I'm receiving too much other imput. Am trying to archive as many question posts (and post I want to comment on) as possible.

My goodness, USAGOLD is way up there in the linkage department. I think people would be surprised at who is reading here (smile)!

Be back tomorrow

Trail Guide

Trail Guide (09/13/00; 20:56:42MT - usagold.com msg#: 36623)
Reply
Hello Michael,
Your discussion about LBMA is very good. The trail curves as we lean forward to see what is before us.

Yes, I will try to further refine that post. I'll place some current things aside and call upon the Thoughts of close friends. Will return (not today) to discuss what has evolved .

Thanks
Trail Guide

Gold Trail Update (09/16/00; 10:02:56MDT - Msg ID:36790)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (09/16/00; 10:02:54MD - usagold.com msg#37)
Gather Around!
Hello Everyone and New Readers!

On with the packs:

This is a pre-hike post intended create a feel for the gold trail as we have "seen it" and prepare for the next hike. I use the term "as we see it" loosely because much of what has happened and what is coming we (Another, myself and others) prepared for long ago. Our actions were based on an ongoing "real life" evolution in political power structure as it related to currencies and gold. Not some possible outcome as so many attribute these works as referring too. This political evolution we are involved in has been in the thinking process for 30 years and in the actual implementation for perhaps the last 10 to 20 years. The flow of events were correctly expected to pick up steam considerably from 1995 to date. They did and Another began to privately discuss these changes in the early 90s (later through various intermediaries on the internet). All in an attempt to prepare his citizens and friends for the eventual outcome.

Another's style and flavor of writing reflected his background culture and human level of understanding wealth. On this level, gold was a real wealth holding. An asset held in an equal wealth concept to every other real thing we possess. It was something to save and / or eventually spend as needed. During it's accumulation it was understood that gold's current price (over the last 25 years) was something different from this wealth asset value. To say the least, this was a far cry from accepted hard money discussion during this time. Most of which focused on trading the price of gold for what constituted nickels compared to saving real gold for a personal family fortune in the making.

In a Western Style World where "the dollar market system's" trading price was seen

as the only real price for anything, investors forgot that when it comes to gold, governments may not control it (physical gold) but they do control "the dollar gold market system". I say forgot but it's doubtful some ever knew. Many still feel to this day that gold was set free in 1971. Today, this same "control" concept that was laughed at only a few years ago, most hard money thinkers have come to agree is true. In the future directly before us, our gold trail is leading around a curve that once again the hard money crowd is laughing at. What they do not know is that Another has already walked the trail our eyes have not seen. Yes, the footprints of Giants are there and easy to follow, he is just ahead, around the next curve.

This current phase of public writing and discussion (last 3 years or so) was implemented by Another so as to concentrate the average investor's thinking on certain aspects of these coming economic changes as they evolved. He always wanted people to see the actual flow of events as creating a background in their minds of the political evolution his directions were pointing to. In other words, use his map, place it over the events as they occur and consider (not accept) the direction. Over and over, he said that in this process, as your understanding grew (changed), events would prove his Thoughts. Events, not his words or mine! To that end, until he decides to write again, following his lead, my seemingly poorly thought, fragmented posts will become more academic. As events unfold and the trail straightens, my clarity will grow with your understanding.

The Common Person's Strategy

Because this currency transition is in a fluid progression, using a price sensitive gold substitute investment during such a dynamic political process was useless. Perhaps dangerous! Just as in the game of chess, for most average investors there are no public, permanent hard facts to cling to. Yes, chess players and even poker players can and do give out signals opposite their intended play. Further, in this political world game a solid move is countered with an opposite move that renders each step to be very short term in nature. For small private investors, only the game's end will have the most long term lasting effect on their wealth. It would also create the most massive gains for anyone that can continue to "stay and hold to the end". Indeed, this meant using a vehicle that history has shown was certain to outlive the chess game. Physical gold value has outlived the battles of many kings and queens during 2,000+ years of chess moves. Truly, in our time, the next very large match is about to be concluded.

Another's posting was done to report where we were located on the political board. Not intended to make a "Market Call" for gold substitute players. To date, his only point was for citizens to buy physical gold for a run of a lifetime. To date (from his beginning posts), any hard money advocate that has left the gold substitute game for a physical position is in a major "wealth ahead" position compared to the pounding paper gold substitutes have taken. Indeed, that accumulated asset value builds and remains to be realized in the final days. To this end, the prize of physical gold in the thousands will make many a gold substitute player sick to see. There is no possible way the current dollar system's "political will" can allow the gold industry or it's gold banking system to experience such a dynamic gain / loss relationship. For many sophisticated players, hooked on an outdated failing concept of saving gold substitutes our currency evolution will be a painful learning experience. Yes, a few gold mining companies will make it and so too will some in the gold banking industry. It's possible they will do extremely well, but the gains will only compare evenly to the gains in physical gold. It's that simple! Truly, it will all be documented

and followed on the USAGOLD forum as it unfolds.

Again, the drive behind making these free offerings public was to point the largest number of average citizens to look in the right direction. These changes were (then) about spill out into the open in a piece meal, seemly unrelated fashion. Yet, they were all connected in a way "Western Eyes" were not focused to see.

Without giving specific details, those Thoughts forced people to see our currency evolution in a way few others could or wanted too. In this fashion private citizens had to follow "events" in a different light from accepted media reporting. It is gratifying to see many people (on these forums and privately) acknowledge how his Thoughts had done this. Recently USAGOLD poster SteveH (and many others) said as much. Thanks from Another and myself!

We'll walk quietly to that tree ahead. Then I'll discuss the evolution from my old post as offered in USAGOLD #36622.

Onward
FOA/ your Trail Guide

Gold Trail Update (09/16/00; 15:11:27MDT - Msg ID:36806)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (09/16/00; 15:11:26MD - usagold.com msg#38)
After six miles we arrive at the burial tree!

Everyone here?

I've stopped at this burial tree to have a look at something Michael Kosares found while hiking. It seems he and a USAGOLD poster (Invisible Hand) are examining the "old bones" of a post. That post was written and placed here on 08/10/98. After reviewing it, I agree they are my "old bones" (smile). What do they tell us today?

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From 8/10/98 Friend of ANOTHER

Michael Kosares,

It has taken some time to send this, but now I can also offer my thoughts to your questions.

Your statement: (from MK) "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! "

==========

Well Michael,

The ECB and Duisenberg have it right.

It's the dollar that's too strong (compared to it's management policy), not the Euro is too weak (compared to it's management policy)!

Everyone,

Under recent circumstances; using the dollar as a trade reserve it was the policy of all CBs to save most of their positive foreign exchange. This was in an ongoing defense of their domestic currencies value. We must grasp that just saving the excess trade reserves constituted active dollar support.

Simply put, when a nation state does a good job of manufacturing and runs a balance of trade surplus they are receiving more dollars in trade. This mandated a dollar surplus in their economy's banking system from where more local moneys were printed against those saved reserves. In other words, if you're trade positive you are supporting dollar values by default. But why save dollars as a reserve?

In the good old days; when our country (USA) printed too much money and that money overflowed it's borders as buying power, the selling of that excess currency by our trading partners (lowering it's value) to balance trade differences would force the printing nation (US) to slow down it's money creation. If they didn't, price inflation in the domestic (US) market would begin to catch up and reflect said overprinting of the money. So far, so good.

Today; if our (USA) trading partners allowed those dollars to flow back into the world markets (actively buying their local currency with dollars) this action raised the exchange value of their currency and penalized the international pricing structure of their goods. Their goods would cost more and slow down their exports. Yet, if your currency management is strong (as the Euro's is) and your people (read that economy) work better than their foreign US competitors, the exchange rate system shouldn't hurt your goods pricing! But, it does. You see, selling these extra dollars today would have the effect of hurting a competitive producer that has good money management. But this is not the way our dollar system was supposed to work!

It's not a situation where your currency should get stronger if you're doing a good job. It's the other currency (dollar) that should get weaker because they are doing a bad job! In this a "Western Style World where "the dollar market system's" trading price was seen as the only real price for anything" (see my last post below),,,,,,,,,, the currency doing a bad job can and is manipulated to higher values than their manage policy should dictate.

But it is the over printer that should have been forced to slow down because of their policy of currency inflation (not the under printer). If you are a "Positive" trading partner of the US, your exports should slow because the US is sending less dollars

out to buy things from you internationally. In this dynamic your competitive pricing structure should remain the same even as USA demand for your goods slows.

Again, the whole reason this all worked backwards stems from the US's ability to manipulate it's dollar value through currency and gold derivatives, even as our dollar has super inflated it over the years. If we (as US citizens) can see this happening, think how foreigners see it? Our interest rates are way under where this money printing should have them. Our domestic economy is swollen fat with hyper spending for any and all forms of ancillary, nonessential goods. Yet the real US prices we all pay comes nowhere close to reflecting this money creation (I'm talking real life pricing today, not the government CPI). Debt creation (the machine of dollar creation) is surging as our domestic economy runs away on goods priced low by foreign exchange rates.

If this is not bad enough, who wants to hold their neighbors debt as a wealth reserve? More from my "old bones":

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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.

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Looking down the trail:

This is where the ECB is offering a different currency animal to combat our failing monetary order.

By not selling dollars to buy Euros, they are making an end run around the exchange system no other currency has had the option of doing. Think about it. The dollar reserves they hold are really worthless in a new currency system. If their Euro is as Duisenberg puts it, a new reserve for Europe, not the world; they don't need dollars or the buying value they represent. A super hyperinflation can take the dollars value to zero and the ECB will lose nothing. It already has it's dollar reserves in the form of Euros and gold.

Using the logic above; if they don't use reserve dollars to bid the Euro exchange rate above it's domestic pricing structure, the dollar system has no alternative but to slow itself down through competitive default. With nothing to stop it, through such a default the dollar will be force hyper inflated in a real world act. That dynamic will lower it's exchange rates. For good!

So how will the ECB give further backing to it's currency? Back to the burial tree:

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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!

==========

Let's consider

To those that think the ECB lacks the resolve to do this, just have a look at the exchange rates of the German Mark against the dollar. Between 1979 to date, the Mark had one instance where it lost 45% against the dollar. I submit that if the Mark and/or Germany didn't fail from that experience, this Euro and all of Euroland will not fade away from a little 20%+ fall we see today. From a recent Mr.Wim Duisenberg comment; "Weakness of euro is not one of the "exceptional circumstances" that

would justify intervention" !

Indeed, it was the US that first initiated the accords in 1985 that broke the dollar's high value. They were worried then but there was no alternative currency to work against them. They are trapped now.

Today, the ECB can use not only it's excess dollars to buy physical gold sold from other banks, they could use Euros printed outright to buy physical spot delivery. If their currency continues to fall before the dollar begins it's terminal phase, this option is wide open to them. Certainly, "Free Gold" is not going to compete against them as it would against the dollar because it's their policy to mark all it's rise to the market. Because Free Gold will not be an official currency, it's wealth building power will compliment the bank's reserves. In addition, national citizens would own gold as a wealth savings, not a currency.

More from our diggings:

=========
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.

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This takes us back to his recent large speech, Duisenberg said:

-----"First, the "euro project" is to be seen as a further logical step in the European integration process, which started more than half a century ago, immediately after the Second World War. Its objectives were not - and are still not - purely economic, as European integration aims not only at the creation of a prosperous but also a stable and peaceful Europe. For a large part, trade, economic and financial integration aimed at the removal of all barriers to free competition has been the engine of this process. In this context, the euro is to be seen as a major contribution to the completion of the Single Market in Europe.--------

I repeat, ----Its objectives were not - and are still not - purely economic----

Truly, a new world reserve currency in the making!

Further:

The present dollar overprinting (already in the system) is enough to force the US to further print in order to stop a cascading default. Again. this current dollar strength is killing it's trade and exploding the foreign exchange deficit. The final trigger for all this is in the prices of two international goods that are synonymous with real wealth, gold and oil.

Oil now doing it's two part thrust to drive the US into hyper status. Thus ending it's reserve roll for good. High oil prices are forcing the trade deficit to alarming, derivative busting levels. In addition, these same oil prices will completely break the ability of American goods to be priced competitively. At some point our domestic economy will roll over and the above mentioned cascading defaults will begin. Rather

than raising local interest rates to slow our dollar flood (as the fed would do in the past) they will, like Japan drive rates to almost zero. All in a mad attempt to save the system and keep the world away from Euros. It will not work.

Contrary to what many hard money advocates expect, In such an atmosphere the dollar / gold market and it's gold banking system will completely fail. As part of the current dollar derivative system, a hyper inflating US price structure will fracture the credibility of paper gold. The paper gold prices we watch every day will go directly to the floor!

Just as in every inflation in history, credibility only goes so far. Then it's time to settle up. Trading volume on the world paper gold market is now falling away just as paper gold derivative supply is driving ahead. Truly, even a corporation cannot continue to get away with issuing more stock privately as public trading dries up. In the same light paper gold derivatives are being inflated as volume slows. In the end it's pricing structure that always fails. Today this paper gold price continues down into market failure. At some point, a full "Free Gold" physical market will appear and it will be used by the ECB to support the Euro Banks with a super high free gold price. This is something Physical Gold Advocates know is coming.

The ECB is going to support gold in a major way. They may be doing so now through the BIS sales of Swiss gold but none of this will break into the open until the dollar begins it's inflation and it's derivatives fail.

As all of this is going on, inflation in Europe will more than likely bring their trade status with the US to an even neutral basis. But by then, the Euro (through comparison) will have become the candidate as a leading reserve currency holding worldwide. Not only will the ECB be buying gold with dollars, so too will any other positive traders with the US. Most everyone will be asked to use Euros to buy oil and the oil producers will be buying gold hand over fist with excess dollars.

Right around here, the ECB will begin buying dollar reserves from other CBs. Of course using Euros. It will be seen as a defense of the dollar, but by then such an action will be just a political ploy.

Ok, let's place this little guy back into the ground under our burial tree. We will meet here next time to see how these oil for gold deals will benefit the further expansion of Euro use.

We do live in exciting times for Physical Gold owners. Exciting times.

Thanks
FOA/ your Trail Guide

Trail Guide (9/18/2000; 7:22:01MT - usagold.com msg#: 36881)
Happy B-Day USAGOLD!

This forum has covered a lot of ground during it's time. But in an off take from a famous saying;

---we have miles to go before we sleep--- (smile)

Talk about good words; when reading ORO (9/18/2000; 5:53:59MT - usagold.com msg#: 36874)

I am reminded of another great thinker that said
---give me a place to stand and I can move the world-----

Of course that original thought was referring to physical leverage. ORO's post is the kind of solid rock from where Another places his wealth building pry - bar. Very few will gain from using such a bar in real life, because one has to have a heap of mass behind it. Oil is that mass that's
moving the paper fraud into the open! ORO, you have said it all in that post.

ALL;
I am close to distilling a lot of input and am about to start replying to some of the comments and questions sent my way. In today's markets we are trully seeing "leverage in action".

thanks
Trail Guide

Gold Trail Update (9/23/2000; 9:26:11MDT - Msg ID:37297)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (9/23/2000; 9:26:10MD - usagold.com msg#39)
ONWARD!

Once again, a big Happy Birthday to Michael Kosares's USAGOLD and welcome to all the new writers there! Also thanks to everyone at CPM and especially TownCrier for "ALL" his fine thoughts.

Another pre hike talk at the trail head (as a warm up)

In my view, the only people that see the Euro as weak are the ones with a clouded Western Perception. I own a large portion of my currency in dollars. But they aren't held for investment, rather just plain old money / risk diversity.

In addition, my Euros once made up almost the same amount of cash held as Dollars Prior to EMU my foreign fiat was in the form of several European moneys and some Yen. After EMU I allowed all of that portion to be slowly converted into Euros. About 1/3 went off initially and the rest followed over time. Once the Euro exchange rate drifted to the .90 area I began shifting more of my dollars to Euros. (of course physical gold is my largest holding along with several other assets) Today, the Euro makes up some 80% of the currency mix.

Why shift into a weak Euro or hold Euros at all?

Well, mostly because I don't see or value these cash assets the way Western traders do. Nor do I hold them in the form of derivatives, looking for a trading profit. As large as these assets may be, I do expect to eventually spend them for something

real some day.

With this position and viewpoint I don't have to "buy into" the "Euro is weak" trading talk distributed around various forums and trading houses. I don't have too because I can compare, "first hand" the relative values of these two currencies (or at least others can do it for me). By relative I mean their native buying power . In Europe, prices of a large basket of "LOCAL" goods have not gone up in price the same 30% +/- the Euro exchange rate has changed against the dollar. Conversely, the price of US goods produced natively have not fallen 30% to reflect the dollars gained strength. It's that simple.

Notice how we word this money comparison; it's an exchange rate, not a value comparison rate! Most Western traders consider the exchange rate to be the value, but it's not. Spending the paper money in it's local economy is the value rate.

To continue my logic I repeat an item from our last trail walk:

----- The ECB and Duisenberg have it right. ------- It's the dollar that's too strong (compared to it's management policy), not the Euro is too weak (compared to it's management policy)! --------

OK; with that understanding we can grasp why I am selling dollars (real dollar holdings, not derivatives) for more Euros. The fact is that, for a bunch of reasons the dollar went up in it's exchange rate against the Euro. It did so even though the real value of these currency's "buying power" did not become an issue, rather the manipulated exchange rate did.

This process alone created the gain in my dollar holdings. I see it as no different than buying a stock in America that rises over a year or so. No, the dollar (Euro concept) didn't fall against the stock (dollar concept), it's the stock (dollar concept) that went up in value. So we sell the stock (the dollar) to retain profits! Just as most American tech stock's trading price does not reflect their fundamental worth and value, so too does the Dollar exchange rate not reflect it's true fundamental pricing value.

Further; if an across the board price inflation was raging in Europe and not in the USA, the situation would be different. But it's not.

Also; who is fooling who here with this (Friday) currency intervention? Exactly which currency power block in under the worst stress and pressing for help (in the background)? Our Western Media gives us all the details of Europe's oil and other problems but perhaps 1/10 the coverage is given to the US trade hemorrhage. Any damn fool can see that this trade deficit is the result of a currency being manipulated and squeezed up for reasons that are uneconomic. USAGOLD poster ORO explained this dynamic many times.

Prior to EMU the dollar was expanded (thru debt creation) at levels never before thought allowable or possible. But all of that debt creation in conjunction with it's demands for that future debt service is spiking the dollar "exchange rate" as Euro financing competes with Dollar financing. In other words, on the world stage converting dollar debt into more favorable Euro debt shrinks the dollar liquidity pie. As this happens, our Euro value (in relative local buying power) stay's almost the same even as the dollar exchange rate rises against the Euro.

Again; it's the dollar that's caught in a vice because it's exchange value is rising while it's native buying power is somewhat the same. In order to balance the dollar's strength, native goods prices should be falling. By staying the same, it's effects on our exchange rate process makes the local price of US goods ever more noncompetitive to sell to world markets. I think Intel is but only one large operation that just recently demonstrated how this works against our US economy.

This very dynamic creates a massive demand for Euro priced goods from outside their borders. Left on it's own, such a process would expose the dollar structure to the bankrupt / hyper inflated position it has been in for many years. The US trade deficit would grow until the flow of dollars destroys our dollar reserve system. From where I swim in the ocean (in deep water), this is exactly the unending process we have embarked on. This time it will not reverse.

Better said, the US has been forced into such an inflation by the existence of a new possible reserve currency. Something our money policy has never had to contend with before.

Further:

Go back a read the most recent speeches and comments by the ECB president, Mr. Duisenberg. Truly, the ECB is not interested in "crashing" the system, rather let's "transition" the system into a more fair order. If intervention is needed, it's needed to keep the American economy from failing too fast from the coming hyperinflation of it's currency. If the ECB is worried about the "exchange rate" being too far out of whack, it a worry about it's effect in generating a dollar system meltdown from deficit trade. Not a total failure of the Euro as so many report. When the time comes, and it will; the dollar will begin it's fall away from it's own past policy failure. Until that time, for the benefit of oil producers and many others, let's move as far down this Euro / gold trail as possible. Without a breakdown.

The very existence of a Euro today makes oil policy in America as never before. One way or Another oil production control is going to expose the "best" system for future use. The one that most values and allows real wealth pricing in currency terms. The first system that allows the price of physical gold to rise will see it's currency price of oil fall. Yet, a rising physical gold price is something the dollar cannot and will not live with. The American and world gold market trading system is going to fail with this currency transition and that prospect will leave some high profile gold owners high and dry. It will also leave some very smart physical and paper gold traders with a real wealth holding Western traders never will understand. You see, in our day, in our time oil and gold will never flow in the same direction. Both price wise and physical wise.

Many American / Western order proponents will always take a nationalist side when writing about the Dollar's position. I think it's called "spinning" the details. Yet, in today's evolving money system, it's the dollar that under stress from a trade deficit dynamic. We shall see!

Let's hike back to the burial tree we visited last week. There we can re dig some "old bones"!

Onward

FOA/ your trail Guide

Trail Guide (9/23/2000; 9:46:15MT - usagold.com msg#: 37299)
(No Subject)

Hello everyone!

I'm going to be out a little while (few hours) and then return to this board untill very late. Hope to catch up on a number of overdue comments to old posters and new ones (smile). Great ongoing work Black Blade.

Trail Guide (09/23/00; 16:10:38MT - usagold.com msg#: 37311)
(No Subject)
online

Trail Guide (09/23/00; 16:43:33MT - usagold.com msg#: 37312)
Comment on MK's post
Hello USAGOLD!

That Mundell is something. When reading his speeches I almost feel like I have talked to him before. (smile)

My take on his latest (in your post) is that the gold coin part is a trial balloon. This isn't the first time we have driven in this direction. So, it's not the real end story. I always knew the Euro concept would eventually contain a gold Euro. But getting it past the crowd would take some doing,
indeed.

They may try to peg it's value in Euros initially, but the thrust will be to issue it as a Market Gold Euro. Perhaps it's name will be what you, Aristotle and myself would call a "Free Gold" Euro. I know this discussion will fly in the face of every past hard money thinker, but it not only will work, it will happen. We must watch this closely.

TG

Trail Guide (09/23/00; 16:56:28MT - usagold.com msg#: 37314)
Comment
JavaMan (9/23/2000; 9:42:11MT - usagold.com msg#: 37298)

As I understand it, the SPR draw-down is actually a swap in that at some (undetermined?) time inthe future, the refiners will have to replenish the inventories they took, presumably at the lower prices expected in the future. ----------

Hello JavaMan,

That's the way I read it too. In fact, it almost sounds like some sort of oil lending? Kind of like paper oil? Let's see; the oil is really there in the SPR but only in IOU form ,,,,,, like gold lent from a CB. No?

I can just hear the producers getting all excited at the prospects of us draining our

last line of defense. I bet poster "Oldgold" is even wondering why the USA,,,,,, with all his reporting of American influence over the ME oil producers,,,,,, is now resorting to such an obvious weak ploy!

My take is that something else is exerting more pressure on our "political will" than the usual arm twisting can overcome. We pointed out on the trail and here that the Euro presence makes pricing concessions the norm. We shall see!

TG

Trail Guide (09/23/00; 17:10:50MT - usagold.com msg#: 37315)
Comment
ET (09/22/00; 22:16:38MT - usagold.com msg#: 37281)
Markets

------"As the meter runs on California's electricity crisis, shock over this summer's price spikes is giving ,,,,,,,,,,,

Geez - what a quandry! The free market is intersecting with our collectivist friends in California.

Hello ET,

Boy, it just goes to show you how quickly a solid contract can be driven into the dirt when "Physical Electricity" is suddenly priced too high (smile). Don't think for a minute that our free market ideals are limited to being only represented by this action in Southern Cal!

Our friend Goldhunter (good poster here) will learn soon enough how a rising physical gold price will make the free market in contract gold fall apart also. People today only honor contracts if they are within accepted bounds. Once things get out of hand, it's time to settle up at the other man's loss!

TG

Trail Guide (09/23/00; 17:17:39MT - usagold.com msg#: 37316)
(No Subject)
USAGOLD (09/22/00; 20:31:52MT - usagold.com msg#: 37267)
A Toast. . . I want to thank all of you for making this a memorable celebration.

Well Michael,
I'm having my toast as Starbuck's coffee in one of their stainless steel mugs. For me, this is the usual! (smile) Perhaps a good wine with dinner tomorrow.

TG

Trail Guide (09/23/00; 17:45:28MT - usagold.com msg#: 37322)
Reply
Buena Fe (09/23/00; 17:20:40MT - usagold.com msg#: 37317)

-----."ride the winds of change with direct "physical gold ownership/possession" to preserve and enhance your wealth!"-----

-----do you for see this process still taking a few years, or is it truly "unpredictable" in its timetable?--

---

Hello Buena Fe!

I'm happy you are coming to terms with all of this. It's a real broad thing to get one's mind around. Yes, we will all,,,,, in our time "ride these winds of change"!

As in all political conflicts, the actual timing of the event is impossible. The actions can indeed be there and also out of sight,,,,, but the other side must also make a choice to react to these events either in the open or out of sight. Nothing spills into public view until all the jockeying is exhausted.

I personally know the now year old Washington Agreement as an public showing that one part of the contest was now exhausted. In other words, we were as I said then "on the road to high priced gold"! But nothing happened right then. Indeed, that spike was nothing compared to what could
have happened.

We as free agents must take this time frame to prepare for the time when an uncontrollable spike closes the dollar paper gold markets for good. I would say this is in the pipeline but when will it spill out?

TG

Trail Guide (09/23/00; 17:59:50MT - usagold.com msg#: 37326)

Comment

JavaMan (09/23/00; 17:21:25MT - usagold.com msg#: 37318)

Trail Guide...good to hear from you! You said...

"...the oil is really there in the SPR but only in IOU form."

Ha! Ha! JavaMan I know that oil is there now (as we speak). But, if they start draining it this time, I doubt it will ever, ever be replaced again. The US knows the oil pricing dynamics have and are changing today. Truly, fundamental supply and demand was never the driving force. Real payment
for oil was!

We have made a mistake in deciding to inflate the paper gold currency supply like it was a fiat. Today, without Europe's gold backing, that American portion of paper no longer can control the dollar pricing of oil! Mainly because paper gold is held in the same memory banks of minds that knew 1971. This play will not be performed again!

TG

Trail Guide (09/23/00; 19:58:00MT - usagold.com msg#: 37329)
Reply

Michael,
I'll reply in order:

USAGOLD (09/23/00; 17:24:27MT - usagold.com msg#: 37319)
FOA. . .
Your comment: "When reading his speeches I almost feel like I have talked to him before."

Maybe because the logic looks familiar? I've often wondered about the same ideas coming to largenumbers of people at the same time. You see it all the time -- even in considerably soft scienceslike political economy not to speak of the highly disciplined hard sciences. I think it is because
shared knowledge and analysis logically leads people to similar conclusions.
Sorry.....I drift .....

I never thought of that as drifting. Sounds more like thinking (smile).

Your post:

If you were to go pure Rothbard (and FOA) on this thing, the coin would not be marked with a currency value, but I always have had trouble with that because, practically speaking, how do you use such a coin in day to day transactions. I can just imagine going to the scooter shop to buy
transportation and having to get a calculator out, call the gold broker, etc. to determine how many ounces of gold it would take to complete the transaction.

Well MK, try thinking of it as a internationally secure asset you don't use for transactions. Consider; how many assets we all hold and think of as our wealth savings? Yet none of us can spend them as a currency? Stocks, real estate, oil reserves, rare pictures, antiques, violins (Strad Master (smile)? You go through life with some idea of how many cars your house could buy,,,,, how many violins your IBM shares could bring,,,,, but never the exact amount without a quote. Why some people even own millions in 30 year bonds,,,,, an actual currency debt,,,,, but only have an idea of it's tradable worth because of market changes.

All of these items form part of our wealth and are just as much spend able and tradable as any digital currency. But first one must convert a portion (or all) of them into a modern digital transactional currency before spending. So why not hold gold the way it was always intended; not
as an officially denominated currency but as an officially declared savings asset ,,,,,, and be as a part of our real wealth in coin form?

Think further back. Back into the time of your earliest rare coins. These gold coins

were the actual currency, but no one knew the street market for gold? When Marcus went into his Roman scooter shop did he know the gold price? Even if these official coins were a "gold coin of the Roman Empire equal to 25 denarii", he did not know the value of a denarius unit. No, he just knew how much weight in gold it would take to make his purchase. This many tiny coins of so much gold
weight. It's tradable value was not in the denarii, rather it was in the scooter.

A gold asset has a moving value whether it's denominated in currency units or not. That's because the value in gold comes from how much weight it takes to trade for anything else,,,,, and in real life everything else is always changing in value from our human demand.

Even deeper; again,,,,, if gold is used as a currency it has no fixed value even if denominated in so many units of the realm,,,,,, because the value of everything is always in a state of change,,,,, Therefore, official Gold value must not be fixed if it is to be worth saving as an asset. Us hard money types always promote the history example of how gold kept everything so stable. Yet, everything was always in a state of value evolution, even in gold terms.

I hope I'm not drifting alone here (smile).

From your post:

But when you go on this line of reasoning, you are confronted with a major question:

What would EU put as a currency value on that one ounce gold coin? Now that's something to think about. . . . . If you do not put a currency value on it, you make exchange risk a factor in every transaction. I don't think that's what Mundell has in mind, though I could easily be wrong on that.

Am I missing something here, FOA? Each method provides its unique advantages and disadvantages.

But Michael, exchange risk is inherent in everything we own. Only a currency system that can recognize and base itself on the flexible nature of gold value can survive in the long run. As a high speed, modern, global trading society we are not going to drive digital currencies away because gold is becoming more valuable. If that were the case we would already be using stock certificates to buy our groceries (grin). FreeGold will allow us to use the timeless traits of gold wealth to protect ourselves from currency inflation.

From your post:

I'm with you all the way on this being a trial balloon. I think there are those in Europe who know what it's going to take to overcome the euro's problems and what better way to float the gold euro idea than through a Nobel Prize winner who happens to know what he's talking about. In the recent
interview of Judy Shelton (another economist I admire) by Robert Novak, she mentioned that gold was going to make a comeback as the international arbiter of value because it is the only true international money -- money without a country, as I have said before. She said gold was perfect
for the direction the world was going -- breaking down international trade barriers,

etc.

Yes, I think we are well on the way to using gold as an international free asset in monetary affairs. The difference this time is that the next reserve currency has learned to use gold in the same way we have,,,,,,,, by allowing it to protect their system from political tinkering. Rather than use gold to force responsible currency creation through currency denomination of it's weight (something that history has shown will always fail),,,,,, FreeGold will make the very best meter to indicate currency inflation. A meter for all to see!

---
again, your post:

Another thought, FOA. . .

Either way, wouldn't adopting such a proposal virtually put an end to gold sales and leases out of Europe? Perhaps the Washington Agreement was Prelude?? Talk about logic. . .

"The Winds Of Change"!

TG

Trail Guide (09/23/00; 20:29:33MT - usagold.com msg#: 37330)
Comment
beesting (9/22/2000; 13:26:21MT - usagold.com msg#: 37229)
ORO is Right! The second part of ORO's # 37224 covers "EURO Intervention" today by the U.S. FED, BOJ and ECB.It's Right On!

Well my guess it was to try to show the Group of 7 (G-7) meeting tomorrow in Prague that "We(U.S. FED/BOJ)have things under control." Because, if they(FED) hadn't taken this action today, the G-7 would have devalued the U.S.Dollar by a much larger percentage at the end of their meeting. We watch together.....beesting.

Hello Beesting,

In a way I echoed ORO's nice post in my trail talk today. Truly, it's the dollar that must fall and do it in Euro terms. Our present situation is in no way comparable to past dollar problems. Our US policy must now be one of intervention as raising interest rates to a degree that would work will not be allowed.

This will be the last inflation, my friend. The last and the longest! We will find that in time all our markets will reflect this with rising prices and changing terms of trade.

If we think the G-7 cannot be maneuvered, just look at what they did to the dollar in 1985. Then it was the Yen that was so low it somewhat threatened the US. Yet, the Yen was nothing compared to the Euro Project, especially when one considers that

ME oil is what helped shape it. Yes, the political will was Old Europe and BIS to the core, but oil is what made it so.

Further:
England recognized this and began making conditions to join EMU even though their public is negative. That's because they only have half the story. Britain is selling it's gold in such a strange format so as to somewhat bail out a few of it's favorite gold players. But only a few will make it.
Most of them will be eaten as the London / American gold markets evaporate. Can you imagine the Brits thinking in Euros? Ha! Ha! I have to live long enough to see this!

TG

Trail Guide (09/23/00; 20:48:26MT - usagold.com msg#: 37332)
G7 ready for further euro action
http://news.bbc.co.uk/hi/english/business/newsid_936000/936917.stm
Saturday, 23 September, 2000, 19:35 GMT 20:35--- UK

---It was widely reported that Mr Summers had finally agreed to help boost the euro because of the collapse of US company profits in Europe, which has led to a sharp stock market sell-off.

The high value of the dollar against the euro makes US goods more expensive in Europe, and has been hurting their sales. ----------

---
Did we just talk about this?

TG

Trail Guide (09/23/00; 20:57:18MT - usagold.com msg#: 37335)
It's just some wood with string on it, no?
Do you mean to tell me a strad is worth over $40,000 now?
(huge grin)

TG

Trail Guide (09/23/00; 21:12:51MT - usagold.com msg#: 37338)
Reply
da2g (09/16/00; 22:12:13MT - usagold.com msg#: 36813)
Swiss Gold Sales
This question is respectfully asked of FOA, but however I would appreciate anyone who would address it (and perhaps it has been addressed before, if so forgive me). What is the motivation of the Swiss to divest themselves of so much gold?

Hello da2g,

They are also doing some of the same maneuvers as the British (as stated below). But, as I understand it,,,,, that gold is also flowing in a round about way into the ECB

system,,,,,, for Euros. The BIS (as the official selling broker) has many ways of moving gold between CBs without it ever being on the books. I think we will all see more of this gold trail once the dollar really begins it's fall.
Then,,,, every official gold owner in the world will be proclaiming their ownership of this bullion that suddenly appeared out of nowhere.

We da2g, must accept that eventually the Swiss will become part of the Euro system. Perhaps they will enter in some two tier market plan? I don't know yet, but they will be very hurt without some form of membership. To this end their gold will best work for them if it's under ECB control in an
EMCB format. We shall see.

TG

Trail Guide (09/23/00; 21:18:42MT - usagold.com msg#: 37339)
Comment
Clint H (09/16/00; 20:48:13MT - usagold.com msg#: 36811)
FOA (09/16/00; 10:02:54MD - usagold.com msg#37

<<Yes, a few gold mining companies will make it and so too will some in the gold banking industry. It's possible they will do extremely well, but the gains will only compare evenly to the gains in physical gold. It's that simple! >>

Powerful!!!! Compares to "nothing can travel faster than the speed of light?"

Hello Clint H,

I think the man that gave us E=Mc2 would also be a gold owner at this time! He understood the speed of light very well (smile).

TG

Also: Hello Aristotle!

Trail Guide (09/23/00; 21:22:12MT - usagold.com msg#: 37340)
Comment
Mr Gresham (09/16/00; 15:40:17MT - usagold.com msg#: 36807)
FOA -- The Trail
You put the story together, again, all in one place. I'm amazed at your patience in doing so for us, but each time I think a little more sticks to my synapses.

Question: What have the oil producers been doing with their excess dollars since early '99's oil rise? Were they still bought off by paper gold deals? Or, not really in a hurry, they could wait to phase out of those and buy physical longer-term? Or did some of them have dollar debt to work out of first, in the process of paying off now?

How cynical are they? How much pressure is put on them in other ways to give the dollar more time? Why are they so patient, so far?

In other words, why didn't physical get a jolt from them before now?

Mr. G,,,, Hello again:

I'll be conducting a hike on that very question. Next time on the trail.

TG

Trail Guide (09/23/00; 21:33:34MT - usagold.com msg#: 37344)
Reply
Bascom Toadvine (09/20/00; 11:23:35MT - usagold.com msg#: 37040)
Trail Guide
I think the western bankers left the yellow brick road when they saw the "Emerald City" (Wall Street?) of no inflation and a stock market that goes up forever. But now they have fallen asleep in the fields of poppies surrounding the city. What will they find when Glenda the good witch of the north wakes them up?....or will she? They are definitely not in Kansas anymore!

Hello Bascom Toadvine,

Nice handle. I think the good witch will wake them up. But only after she has found them in a country like Mexico. Truly, America will wish it was in Kansas again.

TG

Trail Guide (09/23/00; 22:12:52MT - usagold.com msg#: 37346)
Reply

PH in LA,

Well, I was just about to post your item. Had copied it from that day. You know, their fuel prices are changing faster than ours so some of that looks wrong. The oldest rates are OK and well before EMU, but overall,,,,,, over time the comparison is good.

But actually, PH,,, because the dollar has risen against the Euro Zone native currencies and the Euro itself, these rates indicate more of a recent uptrend in fuel costs for them (convert it back to Euros at today's rates). This is the only area where local costs have gone up in line with the dollar's appreciation. Yet, if the G-7 is forced to take the dollar back to Euro par, then their total basket will look very good compared to ours.

Their fuel prices are way higher than ours and always have been. I think you know this, your people are in Spain, no? On the surface, we must understand the uproar in Europe over fuel costs is mostly from exchange rate adjustments that are on top of rising dollar crude prices. If oil is settled
in Euros all this will change dramatically!

TG

Trail Guide (09/23/00; 22:37:52MT - usagold.com msg#: 37349)

Reply

Cavan Man (09/23/00; 21:40:44MT - usagold.com msg#: 37345)

TG

Do you recall your comment about the KRand and stating that because there was no currency value indicated on the coin, "they've already taken care of that"?

Hello Cavan Man

Yes, that is part of the reason. They had to have "thought long and Hard" on that aspect because FreeGold was but a distant Thought then.

The other is the Legal Tender problem we also discussed. While I'm not concerned with official gold confiscation, the US and it's Australian / Canadian partners may call in all their Legal Tender in some form of currency exchange. Most of our modern Western gold is "Legal Tender"! . For this
reason alone, especially when things get rough one should have brought some of the old coins. K-Rands are better than local bullion but a better mix would include a bunch of the old fractional coins. Or at least begin building on them now.

But, as a further point:

I would not suggest to anyone that they wait for the Euro gold coin before buying gold. That would be some mistake, indeed! Gold will most likely be in the thousands before they come out. Even then, a limited manufacturing capacity may limit them to Euro Zone circulation for years. It may truly be a master stroke for MK to be operating in Europe. Looking down the road and thinking out loud,,,,,,,, CPM may be one of the few dealers that could offer these new items back into the US???? You never know how things will turn out.

Thanks for reading Cavan Man

TG

Trail Guide (09/23/00; 23:12:58MT - usagold.com msg#: 37351)

Last post

Aristotle (09/23/00; 22:13:21MT - usagold.com msg#: 37347)

----do you see Alan Greenspan agreeing to "play ball" now for the greater global good after having been the beneficiary of many fixed innings? Or does he believe the dollar can yet be salvaged? Or does he have no choice in the matter but to put on a brave face against the inevitable (in which case, again, "playing ball" would seem the appropriate course of action)?----------

---

Aristotle, I know he believes in America and all it stood for in the past. But who can fault him for his apathy with all that is going on around him? This nation is changing,,,,, has changed and will never again be the place he knew. How could his policies ever undo all the wrong our debt has brought and paid for and still pay off

our debt?

As strong as the Federal Reserve's purpose is/was, we,,,, as a nation have tied their hands with our own doings. Blaming it on the banks and the Fed is a nice way out,,,,, but the fathers of this generation and this generation itself have built our undoing by believing the bookkeeping lies they
were told. A simple person knows we cannot spend ourselves rich, but then we do not think ourselves simple,,,,, do we?

Yes Aristotle, he will play ball now. Just to keep us out of harms way a while longer. No longer is the dollar system something to salvage, it's just become something to manage to a lesser end.

Thank you and everyone here for this time. As Another always said:

"We watch this new gold market together, yes?"

Yes!

Trail Guide

Trail Guide (09/27/00; 21:42:44MT - usagold.com msg#: 37721)
Comment
http://www.usagold.com/DailyQuotes.html

Hello Everyone:

You know, it was only a short time ago that the smart money was telling us how the Euro would never be born. It was.

When it was born, it ran to 1.17+/-. Everyone (including the ECB) got real quiet wondering it something was wrong. You see, we now know the ECB just wanted a par (1.00) opening against the dollar. The whole game plan was never to see Euro strength this early on. I expected things may have been worse than we knew then and prepared to be "off to the races". Never the less, to my relief, the Euro soon returned to par as the currency's usage grew over the next many months. We can listen to all the trader types tell us how much it has fallen, but the reality is that price inflation in that group of nations has not justified any exchange rate drop. If anything is striking about all this it's that no one clarifies why a basket of Euro interest rates are always lower than the dollar rates? If indeed the Euro is so weak why does this secaond largest world currency command a lower lending rate? We don't hear anyone working that into the value equation. At .88 today, has the Euro really fallen? It hasn't. The dollar has gone up.

Then the traders were telling us the Euro would never be backed by gold. Or the ECB would never hold and treat gold as a monetary reserve like all the other currencies they own. In fact, today they not only hold gold as a reserve, they mark it to market quarterly. By placing gold in such a
prominent position, it does truly back the Euro every bit as much as any US dollars it holds. But traders don't have a clue what would make this so? Soon after the Euro Project started, the IMF set a new precedent by receiving gold as payment for dollar debt. This very action repositioned the

ECB gold reserve assets for later use. Whether traders think it does or not, gold is backing the Euro today? It does.

Now the Danish vote comes up and it's suddenly neck and neck. Once again the Western trading community was wrong, early on by saying the vote was completely lopsided against EMU. Whether the Danish say yes or no, clearly this Euro cat has nine lives as it's momentum continues to build. But it's a dead currency that can't survive, say the traders! Yep, that's right,,,,, these guys told us that before!

Now out of a clear blue sky, one of the oil producing countries is turning to the Euro for oil payment. Funny how that is coming up right before the big OPEC meeting in South America. Euros, gold, oil,,,,,, almost sounds like these things are tying together. But the traders said this was
all a bunch of bull,,,,,,,, does anyone still listen to the logic of a trading mentality?

More

From the USAGOLD market report site (link above):

Toyota steers flexible approach to the euro:
Mr Mizushima added: "If British suppliers with whom we've worked for years tell us they will have difficulty using the euro, we do not plan to abandon them but rather to help them move in that direction."

From MK's daily report,,,,, "In recent sessions, gold and the euro have risen in tandem."

Some recent news that says the G-7 intervention was done to save the dollar economy, not the Euro:

------ Lexmark blamed the shortfall on the reduced forecast of inkjet cartridge sales and weakness in European currencies. Shares plunged $14.50, or 28 percent, to $37.50.------

------The company (Kodak) said slumping sales were unable to offset pressures from a rising dollar and increased raw material costs, among others. Shares dropped $14.69 to $44.31.-----

------Intel------(I don't need to repeat that one)

A lot of policy is going to be made over the next month or so. We have said many times, this new gold market is about a war between Dollars and Euros. Watch only as dollars battle gold and you will miss 90% of the action. Our dollar paper gold market is going to lay waste to the assets of a lot
of paper gold players. Listen to the traders and it should be clear,,,,,, they don't see this one either!

Trail Guide

Trail Guide (09/27/00; 21:44:36MT - usagold.com msg#: 37723)
Comment

ALL:

As I said in some of my other writings, the valley between physical gold owners and paper gold substitute owners is going to grow. In the environment that's coming this is almost a given. As this new gold market evolves and progresses, paper players will fall behind because their leverage will be failing them. This is nothing new and has been in process for some time.

I watched Another's Thoughts tell the paper crowd long ago how they should hold their wealth in this changing market. He received the very same cacophony for paper we hear here today! The same outdated explanations based on using tools engineered from past experience. It's the same call from the wild, "these positions worked then so they should work this time"!

Gold options, futures, mine shares, etc. were all touted as something the smart money could trade in and out of, well ahead of the curve. It seemed to carry a silent message then and now that only the slow, dumb ones brought gold. Dumb indeed!

For the last several years these sharp paper players all used the same outdated tools to read what was quickly becoming a very new market dynamic. Their tools failed to trade then out of harm's way. I watched as most were cleaned out in the mining share game not to mention all the other
leverage plays. No, not everyone lost 50%. It was more like 60% to 70%+! But we don't hear about these slick trades, do we?

When we come to these forums it's important for lurkers to know the difference between our perspectives.

Hard money advocates (such as I) are positioning their assets for preservation. Their reasoning is based on the politics of currency use and it's changing dynamic. Because today's dynamic is so far out of balance, asset preservation in the form I advocate (long term building of physical gold) will also produce massive wealth gains.

Paper gold traders are leveraging their assets to create more wealth. Their reasoning is based on anything that makes their leverage work. Being short as well as long. Often they will promote the same dynamic as hard money advocates and assume it will also work equally in their leveraged
position. They feel they have the power to trade between the news.

For lurkers observing this, I submit that the loses taken by paper gold traders so far are alone enough to discourage new position in their arena. I also point out that in spite of the heavy loses to date, these paper traders will take many others with them on their ride. Mostly because both old
and new investors have not taken the time to learn how this new market is leveraging the paper game into the physical gold owner's favor.

Preservation or Leverage, Physical or Paper,,,,,,, they are not the same in this new game. Events will prove this correct. One side will bring wealth and profits while the other will bring busted leverage and loses. From what mountain will you watch the valley grow wide?

"time will prove all things" Another

Thanks
Trail Guide

Trail Guide (09/27/00; 22:32:59MT - usagold.com msg#: 37734)
Comment
Hello Megatron,

Here is your post:

--------megatron (09/27/00; 22:04:05MT - usagold.com msg#: 37725)Anyone? What is 'it' that evokes this visceral hatred of people who make money trading stocks and contracts? -----

OK, let me see if I got this picture right. I'm standing at a poker table looking at several players hands. I whisper to each of them that the game has been rigged for several years and anyone that's been playing hands like their's has lost big. Best to fold and hold hard chips for a while.

Them someone comes up behind me and (after hearing my tip) says:

"What is 'it' that evokes this visceral hatred of people who make money trading jacks and queens?

My reply is: "Knock! Knock! Is anyone home up there (smile)?"

Also you write:

--------megatron (09/27/00; 21:51:02MT - usagold.com msg#: 37724) trailGuide Sir, thousands of intelligent people made hundreds of millions of dollars in all of the bull gold
markets past and WILL DO SO in the next one. ----------To say otherwise is just plain stupid.

OK, my friend, why will they do so and please don't say anything we will consider stupid (smile)

ALL:

This post demonstrates how the valley is growing. Losses on leveraged gains do impact civil discourse.

Trail Guide

Trail Guide (09/28/00; 07:22:48MT - usagold.com msg#: 37750)
Various Comments:

TO:
-----The Invisible Hand (09/28/00; 03:46:21MT - usagold.com msg#:

37741)Marking to market ----------

Hello Invisible Hand,
Ever since the world left the gold exchange standard in 71 the rules covering reserves behind currencies has been changing. Each change has brought us further and further away from using gold as an asset. The ECB has taken a new direction. Their new thrust has not only been to keep gold
as a reserve asset (as allowed by current IMF rules) but to acknowledge it's market value. This is in direct conflict with our dollar policy of marking gold to a fictitious market of $45 to the ounce.

Holding gold "at market" creates a new dynamic that supports the Euro currency as gold rises. This new asset can now be used to pay debts (IMF precident), create more Euros against or hold for further future use. Contrast this against holding a foreign reserve currency (the dollar) that, if it rises in a fashion like
today hurts your import price structure because everything is settled in dollar prices. But gold, unlike fiat currencies is an international world reserve without a country of origin. It can rise in value without the dual conflict of mandatory usage in international trade and reserve storage.

By taking this course, the ECB is staying within the rules and breaking them at the same time. The only way the dollar / gold reserve system can function is by retaining the current price retarding paper gold trading. As we have discussed endlessly, breaking and destroying the IMF / dollar / LBMA price making structure will leave only a physical market. That new market will soar in Euro support leaving the dollar politically trapped in it's current reserve structure.

This is the reason we continue to advance investor understanding of the risk in paper gold. Even though most Western players have built their positions by using all forms of paper leverage, it's this very paper house that's about to fall. Carrying away the dreams of many.

Also:

Miner49er,,,, exceptionally fine writing. We must talk. I'll offer my views later.

AUgustAU,,,,,, More of the same, please.

Journeyman and Black Blade,,,,,, I know I never say it but your comments and posts on this board
are wonderful. Nice effort.

ALL,,,,,,,

I truly do support the gold industry and hope it profits everyone. I do own some shares. It would be my best morning to wake up to find all paper leveraged vehicles soaring with a big gold run. Still, the political game is moving away from just such an action. We shall see.

Thanks
Trail Guide

Trail Guide (09/28/00; 21:40:18MT - usagold.com msg#: 37822)

Comment on the news

http://dailynews.yahoo.com/h/nm/20000928/wl/energy_opec_dc_13.html

"Keep your eye on the game, not the ball! "

Sierra Madre,,,,, thanks for asking.
ORO,,,,,,,,, thanks for explaining.
TownCrier,,,, thanks for placing it in order #: 37809

ALL: OPEC is very much together these days. On Wednesday Saudi Arabia offered to pump more but indirectly tied it's offer to reductions in local taxes on crude products. Let's see how the West spins this one?

Thursday September 28 9:19 PM ET

OPEC Blames Rich World Tax for Costly Fuel

By Tom Ashby

CARACAS (Reuters) - OPEC (news - web sites) heads of state laid the blame for high oil prices squarely on industrialized nations on Thursday and said debt was a greater threat to the world's poor than expensive fuel.

Leaders of the Organization of the Petroleum Exporting Countries strongly denied they were endangering world economic growth and pointed the finger instead at fuel taxation in the developed world.

``OPEC is not blackmailing anyone. OPEC is not a cause of poverty in the world,'' said Venezuelan President Hugo Chavez, the host of a summit celebrating the cartel's 40th birthday.

``It is the horrific, diabolical world economic system that is to blame ... The debt burden is a greater hindrance to development than the high oil price.''

The Saudi-dominated exporter group is under pressure from consuming nations across all continents to boost oil supplies and provide some relief to escalating energy bills.

But an OPEC declaration issued as the summit drew to a close said fuel taxes that provide key revenues for Western governments were doing most damage to consumers' pocketbooks.

``Excessive taxation on petroleum products accounts for the highest share of the final price to the consumers in the major consuming countries,'' the so-called Caracas Declaration said.

It said major consuming nations should consider reducing fuel taxes for the benefit of their citizens and world growth.

OPEC would aim to supply oil at fair and stable prices, while boosting cooperation with non-OPEC producers and consuming countries to try to steady the market, said the declaration read by OPEC Secretary-General Rilwanu Lukman.

Chavez, promoting the cartel as a Third World champion, said a recent oil price spike had been driven by financial speculation, problems in the oil refining business and unjust terms of trade.

``We have relaunched OPEC, a united OPEC for all the world to see,'' said Chavez, who helped end a price slump last year by coordinating output with Saudi Arabia and non-OPEC Mexico.

The 11-nation group accounts for two-thirds of internationally traded crude oil and 40 percent of world crude production. It holds the vast majority of world oil reserves.

The declaration made no mention of sanctions, a key concern for members such as Iran, Iraq and Libya, seen by Washington as pariah states for alleged support of what it calls terrorism.

The countries deny the charge and experts argue world oil output could be up to two million barrels per day (bpd) higher were it not for the curbs on their oil industries.

Iraq Wanted Opec To Denounce Sanctions

Iraq had proposed the declaration denounce U.N. sanctions imposed after it invaded fellow-OPEC member Kuwait in 1990.

Delegates have said this was resisted by several OPEC countries including Saudi Arabia, which has been at odds with Baghdad ever since the invasion. A U.S.-led alliance based in Saudi Arabia ejected Iraqi troops from Kuwait in 1991.

OPEC did speak up on the environment and foreign debt, saying it wanted a more coordinated approach in international gatherings to easing the burden of heavily indebted nations.

``The biggest environmental tragedy facing the globe is human poverty,'' it said.

OPEC President Ali Rodriguez of Venezuela said he was expecting contacts with the European Union before a November 17-18 producer-consumer conference in Riyadh which will see high level representation from the U.S. and the EU.

The West's energy watchdog, the International Energy Agency (IEA), has called an emergency meeting of its governing board on October 4 to discuss the world oil market.

The IEA groups 25 industrialized nations and is responsible for coordinating joint steps to meet oil supply emergencies.

France has called for a meeting between OPEC and EU countries hit by protests over high fuel taxes that provide a key revenue source for European governments.

This year's price spike has mainly been driven by fears of fuel shortages in the United States, which consumes a fifth of world oil. U.S. fuel inventories stand near 24-year lows.

Several European countries have consulted each other over the possibility of

following Washington's lead and releasing strategic oil reserves to depress high prices.

Saudi Arabia, the world's largest oil producer, on Wednesday offered consumers an olive branch by declaring it stood ready to pump whatever volume would curb rampant prices.

But Saudi Crown Prince Abdullah urged industrialized nations to do their part by lowering taxes and said the cartel was being unjustly blamed for problems in the global economy.

Iraq stepped up verbal attacks on Saudi Arabia and Kuwait in an apparent bid to block a big Kuwaiti Gulf War compensation claim debated this week in Geneva.

On Thursday the five permanent Security Council powers, in approving the Kuwaiti claim for $15.9 billion in compensation from Iraq, also agreed to reduce the rate of reparations Baghdad pays for the invasion.

Some oil traders had anticipated that Iraq might disrupt the market by withholding its crude exports if the Kuwaiti claim went through without any gesture toward Baghdad.

But Iraqi Vice-President Taha Yassin Ramadan said on Thursday Iraq would not do that as it would not be in its own interests.

Iraq has frequently curtailed its own oil exports for at least several weeks between six-monthly phases of a U.N.- monitored Iraqi oil exchange.

Trail Guide (9/30/2000; 20:17:31MT - usagold.com msg#: 37946)

My Thoughts

ALL:

I wanted to talk some along the lines of thought in these two posts by miner49er. There is too much to copy so, if you please just read them again for assimilation with my discussion.
-miner49er (09/24/00; msg# 37381)-----
-miner49er (9/22/2000; msg#: 37234)-----

The Greatest Conspiracy; It's Called life

We are planning later this month to have a nice dinner party for a few couples. I chose the wine to be the absolute best for complimenting each course. We spent hours and hours agonizing over the finest combinations of ingredients for our gourmet offering. The music will be perfect, lighting
adjusted just right and great conversation would engross the entire affair. All of this and for what end?

Yes, my wife and I are deep within a great conspiracy. With every intent it is our plan to entertain our guest and friends. With any luck we will pull this off and in the process show these good people an exceptionally fine time. Perhaps they will also leave here with a feeling that the evening was a success. Perhaps they will be happily that we twisted reality, changed the rules and generally created such an

illusion for their benefit. I know we will enjoy it (smile)!

Such is this world of people we all are born into and live with today. It's normal and what we do. Humans conspire, plan and interact in an effort to manipulate the outcome of their life and the lives of others. We have been doing it from the beginning and will be doing it long after this present group is gone.

Whether the manipulation is with intent to gain for oneself, give to another or take from others, it is "THE dynamic" in our lives. There is little that any of us do either by ourselves or with a partner without conspiring for a preconceived outcome.

With this picture in mind it's easier for us "simple minded people" (yes I'm in that category) to understand how nothing in this life can be certain. Be it a law, a contract, a promise, an intent or just living life to death with a great deal of purpose; if humans are involved our plans end effects and that impact on others are always uncertain.

To this end I say "there is no such thing as integrity of contract"! From the days of our founding fathers and long before them, our dealings with each other are only as good as the last "settlement"! That's because no one rules the wind.

Most of us look for a "seasoned" mortgage before buying it (lending money?). We look for performance both past and present before entering an agreement (going over the books?). But our demands are in the present while we as people must perform against those requirements in the
future. And the future is always that dark space just ahead.

Hello miner49er,

We want to know who is going to win this game, don't we. Will it be Europe, China, the USA? Or will our oil producers walk away with the gold and then some? You know, it wasn't long ago that anyone even thought to ask questions along these lines (smile).

Do I know? No. I can only see their hands moving to the next chess player. One side places his hand on the knight while the other uses both hands to touch both queen and bishop. I know, that part is illegal. But in international power plays, rules are only good until someone else breaks them.
Then we are suddenly looking backwards at what history says the rules used to be.

What do I think? Well:

First, thanks for the Amen (smile) to my thoughts about Alan Greenspan I agree with you that he and most of our contemporary (American) politicians long ago inherited a lost cause in managing US monetary policy. We read endlessly where investors (and traders) try to explain away our
bankruptcy with something as simple as a change of money policy. Such reasoning usually grows from one's investment position that was taken prior to thinking.

It's like saying "my particular industry or market arena cannot fail, that's why I have an investment in it" (grin).

Using a logic that requires one to walk forward while looking backwards; they quickly gloss over our intense degeneration away from financial integrity. Then, just as quickly they slight the Europeans for such an add hock mix as the Euro Project. Truly, in reading and hearing these public pronouncements we have seen the enemy in ourselves. Our own reasoning becomes the very tools officials use to work the markets against us.

You asked me about gold confiscation. I am thinking that my view is often misconstrued with that of our host (Michael Kosares) on this issue. Actually it's more likely to be on somewhat the same level (that means i'm trying to catch up to him).

This country cannot possibly return to any semblance of a solid financial entity in out lifetime. Wading through all the thinking presented on both the internet and in the homes of major players, one cannot help but be struck by the loss of grasp for the gravity of the issue. It seems everyone is
betting we will have an "almost breakdown" someday in our system and positioning themselves for that occurrence. I think this is grounded in our perception that nothing else could take our place in the world power structure. But the history of fallen powers is all around us. Russia is a fine recent example.

This is the same attitude of "nothing can top us", also prevailed in England when the pound was king. Today, to prepare for anything of greater change than Britain underwent is to be placed in the "doomsday" camp. Yet, doomsday has escaped many countries that experienced these great inflations and power breakdowns.

If one only uses the recent bailouts of major banks and trading houses as an example and extrapolates such an action into a nation wide panic; we can clearly see how a full scale currency crisis could evolve. Something along the lines of a 1930 style banking shutdown is an almost
certainty. In addition, a complete currency recall (or remake if you will) could not be avoided in any twist of reality. We have to remember that this is coming in a context of having had, in the future the largest inflation this nation has ever seen.

I believe that "then", in a 180 degree turn from 1930s when gold was king, they will recognize gold at the value it would be trading at. Perhaps in the many, many thousands of dollars and thousands in Euros. Because the US will be the power experiencing international bankruptcy, the need to tie
gold to their currency would be utmost. In this process, they would call in all Legal Tender moneys for replacement. Modern gold bullion is in that official category. They will reissue both a gold backed fiat and copying Europe, a new gold coin.

Of course, the main agitation here is that the gold value at that time, in our modern eagles would not match what is contained in the new issues being created. Yes, I think most everyone would try to melt them down. But I bet that in that turmoil all sorts of restrictions and rules would be in place that work against an easy transition. Indeed, as I said in a thought appropriate for such a context in the future "I wouldn't have to outrun the government man, just out run you" (smile).

So, as you can see miner49er, my position isn't simply from an academic standpoint. Correct positioning requires that one should "conspire" to place their house of wealth in order today.

To do so is in keeping with the thrust and title of this post; being part of "The Greatest Conspiracy"!

Thanks
Trail Guide

Trail Guide (9/30/2000; 20:45:42MT - usagold.com msg#: 37948)
Comment
AUgustUS,

I am writing on your old #37512 and today's 37912. Also the next hike. Will post next day, thanks

Trail Guide

Gold Trail Update (10/02/00; 17:03:29MDT - Msg ID:38056)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (10/02/00; 17:03:27MD - usagold.com msg#40)
Show Time!

Hello travelers!

In the world today it's looking more and more like our physical gold trail is the best place to be. Because it takes the "high road" above risk, we can watch the action with little fear of ending up with nothing. Indeed, we may end up with everything!

However, be ware, while hiking the physical trail it's easy for us to be confused with those on that other paper gold trail. When asked, "are you still hurting from exposure to gold substitute paper", I have to reply; "I'm sorry, you must have missed the climbers across the valley". "Yes I say, we can hear their problems over there, even far over on this side, but their gold is not like ours. Indeed, nor is their pain ours!

So often Western observers wonder, "why do so many "Giants" buy physical gold when it's going down"? Well, my friends, I'll use the same example we offered recently about the Euro; it's not that gold is going down so much as the dollar is being driven up in failure, and truly this end drive will be it's very last. We will not have to suffer this play much longer.

Look around the world and place yourself in many of it's other countries. Consider just how many of them have seen the dollar rise over recent years, say at least 30% against their local moneys. Yet, prior to this recent oil run, the actual cost and pricing structure of most American goods has not risen this same 30%+ within it's domestic market. No, I'm not making a case for the US CPI figures being correct, clearly they are not. But, the US has not even begun to enter it's real price inflation phase. A phase that brings to light our price inflation on a world scale.

The point we are making by taking a foreign view is that gold prices are marking the world reserve currency's domestic pricing market, not it's currency's exchange market. Just as in our recent Euro and EuroLand posts, we measure a currencies true

values within it's local markets. From these positions it's clear that US goods have not come close to pricing all the dollar expansion of the last 20+ years. A dynamic that would have been exposed long ago if our reserve currency function were threatened as it is now.

Had a large cross segment of foreign nationals owned dollars over the last number of years, they would have watched their purchasing power in the US market gain some 30% or more when comparing to their various local moneys. Yet, US prices did not even drop a little on a productivity basis balancing act that could have evened out the loss on exchange against these foreign moneys. No, the whole world is not so evil or completely wrong in it's currencies and goods pricing values. Nor are we so god given productive. Clearly, the dollar is being driven up in an end time liquidity game that is more like a race between suitors. But this race is exposing our age.

As an example of value justification, had these nationals owned gold in one of these countries at say $400US; the loss of gold purchasing power on the US market would more directly compare to their average (many nations) currency's exchange loses. Take that 30% from $400 gold and you find the range of $280 gold. About where we are now. This recent price is demonstrating the world over that using gold as a real economic value scale, US goods have already been inflated in America today. Yes, our inflation is running 30%+ over these last years, compared to the world's price structure.

(Those of you falling behind, climb hard and take larger steps. We need to get to the top before sunset, so the battle can be seen!)

This is the process that we are now deep into. Our economy cannot adjust to this form of competition using it's normal, from the past currency policy. To sustain our current economic momentum we must resort to a serious outright currency inflation. Only, this time the game will be different than from before! Today, the world's only true modern reserve currency is going to price all fiats on a level playing field. That currency, by the way, "is oil"!

In the time directly before us, this level and in the open competition is going to gut our economy by exploding the US trade deficit before it explodes anyone else's. Eventually, our inability to shut down that deficit will demand a super run in our local US price structure. This dynamic will also be exposed in the "DOLLAR" price of real "physical gold".

======

So Mr Gresham,
(and also hello, sir (smile))

You ask in your USAGOLD FORUM post #36807: "In other words, why didn't physical get a jolt from them before now?"

Why?
Because they and other Giants were buying all the gold our american made paper markets would supply without driving the price above a domestic US price structure comparison. Remember, the question was never "Where" is the gold going, rather always why are we selling it?

This past inflation of paper gold would not only produce circumstances that only strengthen the exchange rate value of our dollars, but somewhat lower the price of gold in relation to our local goods prices instead of against oil. This position generated buying at the constantly lower levels this new ratio generated. Even though gold would later be priced in dollars using oil at 1gm per barrel. Lower gold was good for them (us) but demanded a currency policy above our economic structure's ability to sustain. Even as our true price inflation remained hidden in the dollar's reserve currency status, it was only a matter of time before the system fell apart. If cheap oil could only keep US prices even (not falling) then expensive oil would one day demand at least a strong economy busting exchange rate. It will be to that end (our economy will fail with our reserve currency status) and physical gold will rise from serious bidding to match any future economic supportive price inflation we embark upon. You and I know what the system will provide.

Expose a market dynamic that is delivering in your favor by taking more than can be supplied? You don't! You allow the broken system to expose itself first, then you move on. You see, unlike the boys across the valley, many of us (grin) are buying gold "the currency" not gold "the commodity". There is a world of strategic difference in how and why this is done today compared to yesterday.

The Washington Agreement was a signal as to what side of gold the ECB was on. Now, with all the players at the chess board, the clock has just been punched! All the words I and Another have written is now on the line!

My friend, it's show time!

thanks

FOA/ Your Trail Guide

Trail Guide (10/6/2000; 6:27:50MT - usagold.com msg#: 38379)

The Show Has Begun!

http://www.iht.com/IHT/TODAY/FRI/FIN/ecb.2.html

The dollar must fall to help the US continue it's end time march. First move done. Next one is in the pipeline!

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Paris, Friday, October 6, 2000

--FRANKFURT - The European Central Bank surprised markets Thursday by raising interest rates--------

---'We see no threat to growth'' from this rate increase, Mr. Duisenberg said. He said the euro-zone economy was at ''cruising altitude.''----------

-----The move stunned economists----------

------''They keep raising rates into a slowing economy, '-----''It is hard to see why they would have done it today other than to try to prop up the euro.''----------

------The ECB seems intent on crushing any inflation that stems from high crude oil prices and the weak euro. It cannot afford to appear soft on inflation, analysts said, when its own credibility is on trial and the euro under pressure.------

------Still, Mr. Duisenberg said, ''We had the maximum possible degree of consensus on today's decision.'' ----------
==========

I'll skip the hike this weekend and show up here to discuss and clarify.

thanks
Trail Guide

Gold Trail Update (10/07/00; 12:29:11MDT - Msg ID:38470)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (10/07/00; 12:29:10MD - usagold.com msg#41)
Checking the view!

Hello everyone,

Before starting my discussion on the main forum today, let me begin the long process of clarifying our (mine and the Giants I walk behind) views and understandings of the many concepts that drive our position. Indeed, these concepts and positions create and drive "the modern gold markets" of today.

By now many of you can see, that as events have proven, our gold market has indeed evolved. It's become a different sort of animal than the one we knew a few short years ago. Certainly it's response to world events is not even close to it's reply even as far back as fifteen years ago. Whether you follow gold stocks, play the gold paper derivatives or buy bullion itself, your portfolio has been impacted by these important changes in how gold is valued and priced.

Addressing everyone now with this is important, because most every investor in the "gold market" dynamic reads these words and has a perceived failing stake in the game. I also believe the entire system as we know it has reached the end of it's timeline that Another's Thoughts were always pointing to. So, today I'll make the first of many, clear and to the point posts. All done with a purpose of getting everyone into shape for the long hike directly before us.

Dollar currency and paper Gold? ----- both have been inflated ----- both will fail!---

Take a brief moment to look at the dollar as a fiat currency only and forget anything about it's past or present connection to gold. Consider the dollar as being backed by the actual goods it's economy (the USA) produces and how that backing is governed by a stable price for those goods.

In other words let's assume we will allow the USA to print all the currency it wants as long as that amount matches the ability of our economic structure to deliver goods against those dollars. Further, let's say the gauge of whether this is working correctly

is read in the price of those goods (in dollars) being stable.

As long as our (USA) society could make goods and deliver then for dollars in a stable price range, it should be fair to say that any and all of us would always own, retain, save and use dollars as a reasonable paper currency. If over any ten or twenty year period, the fiat prices for delivered goods stayed the same, in the minds of everyone (myself included) digital paper dollars would indeed be as good as owning things themselves.

Do you see the thought thrust of the above? By a wide margin, humans want to equate holding dollars as the same as holding goods. Like this fictional account:

I went to a Ford dealer the other day to see about getting a new SUV explorer. The dealer I went to had a ten year supply of them on hand (he must have been a big dealer - smile) and said they went for $22,000 each. He said that he had so many of them that their price would not vary much at all and they could even fall. Further, he said that I could take my time,,,,,, no rush,,,, come in any time and he was sure the supply would be there. Well,,,,,, I had the $22K in the bank and my old SUV was still working fairly well,,,,,,, so I didn't buy. I just went home, safe in the assumption that my $22K in the bank was as good as a new Ford SUV. In fact,,,, as the weeks went buy I even told my friends I had a "paper SUV" in the bank! All I had to do was "call for delivery"!

You see where this is going now, don't you? Over time, America has printed and created various forms of dollars and dollar substitutes while distributing then at home and the world over. The driving force behind this dynamic is in ours and the world's perception that these dollars are paper versions of "real things". This is the bedrock of a fiat currency; that the economic structure of the nation that prints said money can deliver goods against that currency and do it at a stable price.

Our dollar currency system has drifted far, far away from this expectation. Early on, years ago as we began printing more money than the goods we produced could be delivered (sell) against, prices began to rise (price inflation). But we adapted by expecting interest returns on these dollar holdings to make up the price rises. We accepted that if in general, American price inflation was running at say 5% then an 8% return would somewhat cover it. Over time and throughout our up and down price inflation cycles, we progressed further and further into accepting some form of ever increasing extra return on dollar savings as the balancing factor. Today, whether it's the stock market, bonds or whatever, dollar holders rely more and more on trading profits and derivatives to cover the added risk.

So what is wrong with this? Well,,,, our private dollar accounts have been covered because their numbers are increasing. At least if you have done your homework and were a good trader! Truly, there are ever increasing dollars in the world and their increase is helping to reassure dollar holders that their money is still equal to "real things". But, in reality it's the ability of the finite US system to deliver real goods against these ever increasing paper demands for delivery that is in question.

Over time, we have come to think of all of our various dollar substitutes as being easily converted into real things by just calling for delivery. In other words, spending them on something.

Again:

This "spending" is the process directly before us that will default the dollar through inflation. This is how a contract system, like our dollar currency begins to fail. Everyone, through trading or just plain old interest on CDs has built up an ever larger holding of "paper delivery notices" in the form of dollar credits. Like my example above, these "paper SUVs" have been inflated even as the ability to supply real goods produced in the US, has stayed the same. In fact, "THE PHYSICAL GOODS" that must be legally delivered against these "dollar legal tender credits" cannot come anywhere close to covering the (fiat) contracts written!

In the days ahead, we will see it as price inflation as Physical goods cannot be delivered against all the outstanding currency calls in the consumer marketplace. In many cases, it's the holders of these "paper SUV" contracts (what we call dollars) that will see their savings value tumble as the underlying physical goods soars in price.

So, this is the classical price inflation that results after a long expansion of a fiat currency. From the beginning the currency is seen as a contract for the delivery of goods sometime in the future. We save it (fiat) instead of spending it because it's convent and logical. Yet, the more that people, and in general the international marketplace relies on this method of holding their goods the more the officials expand the contracts (fiat currency) as a method of creating fictional wealth. This expanded currency is used to buy services, goods and commodities, even oil! But it's timeline has a beginning and an end. Today, we are at the dollar's end!

More:

So do we see any comparison to "paper gold" in the above? You bet we do! Like hand in glove "gold the money" travels the exact same route "dollars the fiat" does in our modern banking system.

For every person that thinks their "paper dollar" holdings can be spent for goods and receive those goods (call for delivery) at near today's price,,,,,,,,,, there are almost as many "paper gold holders" that think the world system will "deliver gold" in the price and amounts they have contracted for. Folks,,,,,, in today's world that's a lot of gold owners!

Yet, the holders of "paper gold" will fair little better than the holders of "paper dollars" in the coming super inflation. Both will lag the price rises of physical goods and physical gold as the inability of the finite supply system to deliver comes into play. One will end up in grocery markets trying to spend those paper dollar contracts and beat rising prices, while the other ends up in court, waiting for the delivery of physical gold that simply does not exist.

Another (and by following him, myself also) has seen this end from long ago. We buy physical gold not for it's commodity dollar value, but rather for it's money value in the coming failure of the entire dollar system. We do not expect the world to fail, rather change. We see a transition where traders see the loss of a infrastructure that blocks their building of wealth. Bullish gold traders detest our view because it denies them their dollar trading profits. Yet, dollar profits were exactly what we were trying to avoid.

To date, Another's view and position has been and is continuing to be right. The dollar paper system is on fire and the gold paper system is failing from continuous supply. The dollar is being forced upward as oil values rise, blocking all efforts of the Fed to raise rates and contract the runaway system. Hyperinflation is directly in our path.

I'll talk more about this and other things on the main forum, today.

Thanks
Trail Guide

Trail Guide (10/07/00; 15:51:46MT - usagold.com msg#: 38486)
test
online

Trail Guide (10/07/00; 16:53:08MT - usagold.com msg#: 38490)
Comment

Hell everyone,

I wasn't going to add anything to the trail today, but we decided it was time to begin placing things in clear terms. It looks like our political posturing is leaving the "let's talk about this behind the door stage" and entering the "show us your cards stage". This is not just predicated on the recent ECB rate hike alone. Some other things are in the works and with this new climate, it won't be long before we see it on the news.

Certainly, we must talk about SteveH's recent posts. He has made a real effort in trying to unravel the gold value question. In addition ORO has some good reasoning that must be addressed. So before I begin:

Hello Hermit Club, and welcome!

I fully well know just how hard it is to see the prospects of US dollar price inflation right now. Unless one has been following this trail for a long time the present economic momentum seems like an object in motion that must stay in motion. But as I tried to present in the Showtime post, the US domestic price structure is already primed to show it's price inflation dynamic. For the first time we have placed ourselves in an unretractable situation. The dollar is terribly strong from this currency competition that it was forced into. If the Federal reserve tries to raise rates to slow our runaway expansion the dollar will only get more overvalued. That process alone will drive our deficit to the
moon. They will not are not going to allow this much longer. Yet, the fed has little choice but to stand pat or even lower rates in the face of any perceived slowdown. With the current debt and derivative stress built into the dollar system, their only card is currency exchange intervention to
lower the dollar. But we will always hear this as supporting some other currency.

As Giovanni Dioro said in #38437, " but judge them not by their words, but by their actions".

Hello GD, we do judge them by their actions. Just because the Western press, official

press releases and various traders say the recent intervention is for the Euro doesn't mean it's true! On one side of the equator the drain water swirls one way while on the other side it goes the other, no? So if the Euro is up the dollar is down? Or is it if the Euro is down the dollar is up? Which perception is right?

We watch the actual local buying power relative to the local currencies to judge which way the water flows. Not only is Euro purchasing power relatively stable, it's basic across the board interest rates are lower than the US. The ECB could just as easily raise their rates to par with the US and the Euro would spike well above the dollar without any intervention at all. But making the Euro "as strong as the dollar right now is not their plan. The dynamic is to lower our over stressed dollar back to a "strong Euro level"! Now that's a different picture when one sees the Euro where it is with it's low financing rates. Rates that are building a solid foundation under their markets. In time here is where we will see who has the power!

But Euro weakness is not and never was the problem. The ball is squarely in the US court for them to lower the dollar to save their economy busting trade deficit from blowing them sky high. That will require the US to buy Euros or lower their rates and both those actions will greatly expose the
current built in weakness within the US structure. Yes, indeed, everyone is following the Euro weakness ball, but we are watching the entire dollar game. And that tells us that the recent action is part of a larger gameplan to unseat the dollar.

So, take the strong dollar position if you will, but doing so will place your bet in the right direction, but on the wrong horse. Just like trying to leverage a gold market position using a paper dynamic; good bet, wrong horse.

More

Trail Guide

Trail Guide (10/07/00; 17:09:35MT - usagold.com msg#: 38493)
Comment

Black Blade,

As a point of trivia: did you know that back in the early to mid 70s a Mcf of top tier (that's heavy) natural gas sold as high as $9.50!! That's when an old friend of mine that owned the Woodlands (in Houston) started cracking it into liquids. FWIW

Trail Guide (10/07/00; 18:05:08MT - usagold.com msg#: 38501)
Reply

ORO (10/6/2000; 14:54:46MT - usagold.com msg#: 38403)
Trail Guide - ECB rate hike
I take it that the WAR is going out into the open. Is that so?

Hello ORO and thank you for your time here. Your ongoing breakdown of economics is to say the least, expansive! (smile)

Yes, the war is heating up now. There is simply no time left for negotiations. Officials are definitely beginning to play their cards before the betting even comes around. Don't be surprised if the US strongly stomps on the dollar at the same time they

lower rates. This will smash the carry markets and probably crunch the dow. Whether they can wait until after the election is now very iffy??

All the posturing in the ME for accepting Euros for oil is having an effect and the higher the oil price goes the greater this effect is becoming. I said in the spring that $45 a barrel was coming and now $30 looks like the bottom. If we allow such a settlement proposition to go by without some action against the dollar to head it off, the eventual drop in dollar strength could be incredible. Let's face it, the only difference between the dollar and Euros right now is world settlement support for all goods. With our trade deficit where it is, selling dollars for even third tier currencies would crash it.

---
your post:

Some mention has been made that Eddie is dumping Euro and that the hedgies got a green light to resume shorting the Euro from the Anglo camp. Does this mean the UK has finally decided to go with the dollar camp after Labour stating for years that the EMU membership is "inevitable"? Was this presumed turn of events the cause for the escalation?

No possible way, ORO! That's another example of trader posturing. These guys have been shorting the Euro and Yen from the get go and don't know what's waiting for them. You said it all later in your post "Euro carry has had the door slammed in its face"! Their positions makes good talk, but in reality they are just providing hedge material (making a deep market) for legitimate trade financing in Euros. The shorts are in it for a trade while the big finance is done for many years. If you finance in Euros your risk is in a rising currency, so these shorts create the derivative for you to throw off to them, your risk. Once the perception changes, these billions in shorts will not have a market to cover in. The big international positions will just keep the shorts capitol and then some!

UK is sliding right into EMU whether they like it or not. How can they not? The dollar has hit it's final timeline top and the US fed will see to it it's downhill from here on out. The only escape for the UK is to jump into the relatively closed trading markets in the Euro zone. The EMU group trades with themselves a lot more than with anyone else so being within them during a free for all in the dollar will prove irresistible. I sold my pounds a long time ago and know they will belong to me once again in the form of Euros. (smile)

Further to comment to your post:

I think we have only begun to hear this talk about Euro oil settlement. Some of it is shifting right now and not saying anything about it. The Russians are selling so little of anything they are a non event right now. But wait, they will follow the leader, especially as we see more of an active stance from the US bringing down the dollar.

Now, for Steve (smile).

thanks
Trail Guide

Trail Guide (10/07/00; 20:46:57MT - usagold.com msg#: 38517)
Comment

SteveH, what can I say, you have written so much recently I have a hard time covering it all. Because my system comes on in auto mode and copies the forum at random times,,,,, or someone does it for me,,,,, I don't always catch all the imput. So, I'll try to comment on some of your thrust.

Just looking at 714's post #38448 today one can see that oil prices in gold go way back. It's no secret that in a broad term of valuations 1 gram brought a barrel of oil. We mentioned something to that effect long ago. Truth be told that is where Bunker Hunt got the angle when silver was in the $20 range in the late 70s. Then silver was hitting the old dollar gold targets that gave 1 gram gold for a barrel. He went on and on how one ounce of silver was equal to a barrel of oil.

Well, so much for then. Some producers are striving for a pricing gauge that can peg the value of oil in a modern society. A gauge that is not corrupted by currency inflation (I'm talking about the expansion of currencies not the general price levels such an expansion produces).

If someone is going to print some derivative,,,,, hand it to you in exchange for a finite commodity,,,,,, that's fine as long as you immediately lend it back to them or spend it for something. The problem today is that lending derivatives only brings in more derivatives and that process is made irreversible if the nation you deal with runs a permanent trade deficit. That's because the remedy to said trade deficit, when it is eventually deployed destroys the actual derivative (paper money) you are lending. It doesn't take a nuclear scientist to understand how this will end and how it will affect your long term wealth. On the other hand, spending the money on something has it's limits when you are trying to build a self-sustaining economy. One that allows your citizens to market their abilities to the world. Neither can you trade your paper dollar wealth for gold wealth if the rest of the world gets wind of it?

In the end you are left to selling some portion of your oil for gold. No it doesn't happen the way our trader boys delight in degrading it; "some truck loaded with gold backs up and dumps bullion bars on the ground as the main man tells his worker bee to turn the valve"! No the oil is turned into bookkeeping currency digits in some bank's computer. Then those digits are traded for the ownership or rights to gold. When someone posted what Another said the figures were, I think that that 20 million of actual bullion in retention represented the tally over some ten years (and was growing).

You see, gold like any currency is also spent. Even Cavan Man (smile) can add up all his pay receipts over ten years and that doesn't equal his savings. That would be nice CMan but it doesn't work that way, does it? The main reason they don't take gold outright, 1 gm per barrel is that "noone" wants to bust the digital system completely. As much as everyone thinks our paper money is all bad, it really works fairly well. I think oil producers are like everyone else and only want a more fair control on the print press. As it is right now, the dollar is done and we are just witnessing
the management of it's transition away from reserve status.

To that end, oil has played the gold paper game with the best of them. No, they

don't expect all their paper to return physical gold. But they do expect the gold they now have and a portion that will be sent to them (settling paper) to take over any lost wealth that occurs as the dollar grinds down. Needless to say, gold will have to jump a great deal to do this. It will. In doing this gold's
dollar value will represent all the incoming domestic US price inflation on the horizon plus all the currency inflation left over after the dollar hype's out. Again, that will be a lot. Much, much higher than anyone with Western eyes can now see.

But selling (inflating) paper gold to keep the price down (so oil can flow) had it's draw backs for the dollar system. Yes, it creates a two tier paper market that will send gold to the most favored first (in case of failure). But the left over contracts (held by hedgers both large and small) will have a huge disproportionate impact on the financial structure. Not only will no gold be delivered because
enough doesn't exist, but the price rise of physical against such paper will drain the books of many major financial houses. And at the price levels we are talking about, official intervention will be an absolute. At least until the wipe out is done, then gold will come to the forefront. Further, in today's world of molecular speed trading, all of this initial crisis will happen in a heartbeat. Blink,,,, it's done!

Steve, like I offered in an earlier post today, what perception of value is true? With all the dollars and their derivatives that are around today (80 trillion??) how can we know where the worth of oil is to our modern society? The continuos printing of dollar derivatives and gold derivatives makes the whole question a joke. Even supply and demand cannot answer the question when our supply and demand use dollars to create both sides of the equation. This is where physical gold comes in. It's the only denominator that is money in and of itself and no one can inflate it. We say, OK, one gram per barrel is where we are going. What currency price per barrel will that be? Who can tell? Will that much gold flow in to cover all the barrels produced? Of course not, all of us have bills. But some small portion will be retained and it's that portion that has become the ticking time bomb for the paper gold world!

This is the reason Another said they would eventually burn the paper markets. His implication was if the Euro failed at birth and later if the Euro succeeded. Once the Europeans began their withdrawal in 1999, it would be left to the US to act in it's own best interest. Just as they did in 71,
they will print paper gold currency until it's trading market values it at zero. Going back in time, I remember when the pre 71 dollar was being sold (inter CB trade) for 1/10 it's gold backing because everyone began to expect that no gold would be delivered to settle international trade
balances. I suspect that our present gold markets will do the same thing.

The Europeans have tried to structure their new currency to be prominently displayed as all this unfolds. Any breakdown in the dollar paper gold system will drive people away from dollars and into Euros and physical gold. Because the ECB / BIS is committed to a FreeGold market, the sky will be the limit in dollar terms. I fully expect the ECB to begin it's assault now because as Mr. D has said, our Euro is now mature and can walk into battle. We shall see!

thanks SteveH

Trail Guide

rail Guide (10/07/00; 21:53:36MT - usagold.com msg#: 38526)
Reply

JavaMan (10/07/00; 19:13:20MT - usagold.com msg#: 38503)

Now THAT doesn't sound good. Please, Trail Guide, for the common man, would you care to expand on "the US fed will see to it it's downhill from here on out"?

JavaMan, Hello!
Well, the US economy is going full blast now even as the dollar is at it's peak. In the past, at this stage the dollar would have already rolled over from the effects of fed / treasury / government intervention to slow the boom. In fact, contrary to everything we read and hear, they have been trying to slow this thing down for some time. We only hear it as; "it's the new computer, highly productive, new wave, next economy that's driving all the money into the US and their markets"! But, in reality something was out there driving the dollar higher even as the brakes were being applied.

Now the government is in a box it's never been in before. It they raise rates or slow reserve creation this will just drive the dollar ever higher while at the top of a boom phase. The explosion in deficit trade balances would at some point cause a crack up from where there is no escape (deflation?). They can only play the intervention card to lower the dollar and that (because we are the dollar creating entity) will cause an inflationary run. Further, in conjunction with intervention, they could also lower rates. This will have the same effect in this overheated marketplace. Either way, the dollar is going to drop to the level of the Euro.

Note: again, I ask how are we going to know that? It will spin as "the Euro finally rose to dollar par"!

Then and only then will we all have a look at our respective US and European financial structures on a relative even basis. I expect to see the Euro Zone taking off with some price inflation and a declining trade surplus heading toward deficit. All the while the US goes hyper with mountains of dollars coming home. And I don't mean coming home for investment. I mean coming home to exercise delivery against real US produced goods. I expect that before this is over, we (US) might be forced to use our gold card to help devalue the dollar. That would involve a forced restructuring of. the gold markets so as to make gold rise. A few political heads would roll if this takes place. Believe it!

So, will this all begin before the elections? The fuel certainly is in place. We shall see.

Trail Guide

Trail Guide (10/07/00; 22:10:49MT - usagold.com msg#: 38529)
Reply

beesting (10/07/00; 19:25:14MT - usagold.com msg#: 38504)

It seems since Sept. 22,2000 the up and down movements of the paper Gold markets close-ly follow the up and down movements of the Euro value on the FOREX markets. Is this movement a coincidence or is there some sort of correlation going on between the (perceived) price of Gold and the value of the Euro?

Hello beasting,

I know that somewhere,,,,,, out there,,,,,,, some smart brains are starting to put a relative value on the Euro using it's relationship to gold. It's only just starting, but it's almost like using Euros in place of what Gold stocks used to be. Indeed, if the Euro becomes established as the premier settlement currency and fully allows gold to price out to whatever level,,,,,, then in dollar terms Euros will return an awful lot. Just look at it like a native holding dollars during one of the Asian meltdowns?

As time goes by gold and Euros will most likely run together. Again, we shall see.

Thanks
Trail Guide

Trail Guide (10/07/00; 22:26:10MT - usagold.com msg#: 38532)
Last post.

ET,

Your question about oil and it's continued use in this unfolding drama is a whole chapter's worth of replies. Oil will some day be priced very cheaply and this will make an end run around fuel cell technology and what have you. It's not the supply of oil that's been a problem, rather how we pay for it in real money.

Thanks all
Until the next time on the Gold Trail

Trail Guide

Gold Trail Update (10/14/2000; 10:30:04MDT - Msg ID:39008)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (10/14/2000; 10:30:03MD - usagold.com msg#42)
Our Position -- Their Position ----- From Which Mountain Will You View The Valley Battle

Hello once again!

I see that our little group of "Western Minded Physical Gold Advocates" is growing by leaps and bounds. I have added Western to the phrase as a way of distinguishing them from most of the world's other physical buyers. It seems that outside our American way of understanding wealth, gold has always been a savings currency for other peoples! Only now has the Western mind begun to see gold as real wealth. Anyway, each week's walk on the trail has more hikers than the last. No doubt the

ongoing failure of paper gold substitutes must be taking it's toll.

Many new travelers here once held long term beliefs (myself included) about physical gold and it's relationship with various leveraged paper gold substitutes. I understand how easy it is to consider these relationships to be solid, valued historic perceptions. But today, they are not.

Most of the current gold market and it's industry has only recently matured to the present state of paper sophistication. If I had to venture a guess I would say it all began just 28 +/- years ago, in 1971? An even better estimate would tie it to the early to mid 80s. In any event, this is the period (from then till say 1996) that most gold thinkers use to build value relationships into paper gold from physical gold. In other words, if gold is at "such and such" price then typical, traditional trading has historically valued paper prices (mine stocks, gold options, futures, etc.?) at "such and such" price.

What so many failed to understand was that all of those old dollar gold values and their paper relationships were created during the dollar "near failure" of that time (70s?). Not the dollar failure that's coming (00s?). The great dollar inflation, back then in the USA and it's impact on our world was hardly an inflation by historic readings. Truly, what our Western minds saw as a colossal explosion in gold prices was only a "blip" of size and substance relative to the "blip" of inflation that occurred then! Again, the physical - to - paper context of today uses those same conditions and trading results to reach value conclusions and extrapolates these into our future paper gold substitute's prices. A process that I submit will find our paper gold traders running far behind the real price inflation that's coming. Yes, these paper gold plays may indeed go up, but they will not gain the way bullion does relative to the currency destruction that's ahead.

The only lasting impact the historic 70s dollar price inflation had was to set off a search to create a replacement for the world's greenback reserve system. A "political will" was created to hold this reserve system together at any and all cost and for whatever amount of time was needed to build said replacement. If the "will" was not strong enough or "time" not long enough, it was easy to see that gold would be the fall back reserve. Indeed, that would be quite a fall back, especially for those people (governments included) without gold.

We make the point for physical gold today because today is different! There is a huge difference between controlling an "ongoing price inflation" and battling an ongoing timeline failure of your currency. The first is controlled through printing restraint, while the second is managed to a bitter end. Some would sarcastically say "it's manipulated for it's longest lasting effects".

So, we walk this trail to build an understanding of "gold the savings" not "gold the dollar account multiplier"! Thinking as the "Giants" walking before us think;

"we don't want more dollars as a result of gold gaining permanent long term value that will last a lifetime, we want more gold"!

Onward!

Our Position -- Their Position ----- From Which Mountain Will You View The Valley Battle

Once again, I'll expand further while we walk so as to make our case more clear.

Last week I closed by saying; " " We do not expect the world to fail, rather (to) change. We see a transition where traders see the loss of an infrastructure (paper gold market place) that blocks their building of wealth." "!

It's a clear choice for anyone walking this trail; use paper gold derivatives to gain more dollars or hold physical gold to gain more wealth?

This is the presentation we offer. This is the wisdom you must decide upon.

Will our dollar show a strong price inflation as it did in the 70s? If it does and does so in a slowly building fashion, then the current paper gold market and pricing system should work. Allowing it's participants a chance to "cash out" into more dollars. Dollars, I might add that should gain somewhat in goods pricing value as the system cycles through one more price inflation phase.To date, this outdated trading strategy is not working, is it?

Truly, this is the race most paper gold players are betting on. They point to the fact that gold bugs have been calling for dollar destruction and hyperinflation for a long, long time. Yet, it never happened! I agree. Indeed, we (modern Physical Gold Advocates) never saw the dollar as ending it's reserve roll then, either. Nor did we figure that the USA or it's dollar empire would fall. We brought and held (long term) some gold, but mostly sold in and out of the cycles as best as possible.

But as time traveled on, dollar debt exploded in a fashion none of us could understand. Over this same period, my relationship with several world thinkers helped me to grasp the changing dynamics of our money system. Placing all of the "Oil for Gold" and "Political Games" in a lesser dimension, I learned where we were headed over the long term. Indeed, ongoing national financial strategies are only something to observe along the trail.

A transition away from our dollar reserve world went a long way to defining the process we witnessed over this last decade. There is simply no possible way the dollar debt load could have been expanded to it's present scale without a massive worldwide helping hand. Yet conversely, to help explode dollar assets was clearly and end time maneuver that would destroy everyone's assets. Unless some other system was on the wind, ready to take over.

This is really where our modern gold trail begins, the early 90s. Mostly because this is when the logic began to leak out from behind closed doors. We can see the influence of "Old World" hard money in this new fiat reserve creation, where gold can be the fall back if the system fails. We can now openly see the slow destruction of our dollar's mainstay in creating it's value illusion; "the dollar based, world paper gold system".

Clearly, this system had full international support for many years as our paper gold pricing helped to maintain dollar demand and use through it's illusion of dollar value. That mirage was always a steady to falling gold price that not only helped price oil, but strengthened dollar savings demand. Starting in the mid 90s, we began to see the very first cracks in this support as it became clear to us that paper gold market support would fall away as the Euro was born and grew. Once established and with

the Euro "walking on it's own legs" support for the dollar, in lower gold prices would fall ever more heavily upon our US financial structure. A structure that ironically is heavily built on the British LBMA. Perhaps explaining the struggle to keep England out of EMU for as long as possible.

Knowing full well that they could not sell US treasury gold into a BIS sanctioned currency reserve transition for fear that foreign CBs would simply consume all the gold, they opened the paper gold flood gates in a fashion similar to printing dollars prior to 1971. Today, our old disgraced system of non redeemable 70s dollars backed by insufficient vault gold has been replaced with "commodity market contract gold". Any increase in stress would require Paper gold to flood the markets in ever increasing amounts so as to stifle any rise in the system. A dollar gold paper system that sets the price of physical gold trading. Indeed, as our good poster on the USAGOLD FORUM (SteveH) (hello Steve, smile) notes it, they are using commodity gold markets to influence world monetary gold values and reserves.

Is all of this a surprise? No, at least not to Modern Physical Gold Advocates that have been watching "Events" these last few years, as Another asked. Clearly, this is the guide map for an ending currency system. You explode the currency substitutes (debt?) worldwide, to save your banking system for as long as traders will accept it. When international "political will" begins to walk away from your fiat, you take up the ball of last resort and run with it; "you inflate the gold issuance for all you are worth"! Indeed, you sell it into destruction!

Let's rest a minute and look around!

Now do you see why major players are buying physical gold as carefully as possible out of sight? Now do you see why they are also buying paper gold, in sight so as to make a market and slow it's destruction decent. The longer the system can work, right up to the end, the more small amounts of gold can be brought. Eventually, even a tiny amount of gold will more than balance all the loses in dollar gold contracts.

Further, do you see why even gold mines will suffer such a loss of share value as the paper price descends. Yet, once to it's (gold's) final destruction level (and the share prices follow it), the rise in physical will come in a full scale crisis that demands crisis nationalization of all paper trading. Not Physical trading, just paper contract trading! Paper market shut down for adjustments?

Because the new fiat competitor for our dollar system has based it's strength on a functioning free gold marketplace, every nation will be forced to do the same using bullion. To compete they will have no choice but to free gold for their citizens, even as they lock down in ground reserves with grandfather "windfall profits taxes"! All enacted while share trading and paper bullion trading is halted for months on end.

As I stand here, my view is:

I do not hate gold shares (I own some) or gold derivatives (I own three of those also as an experiment on the main forum).

My only offense to paper gold traders is that;

"I place these gold substitutes in their proper perspective in our changing world".

"Another" has challenged you to do the same.

More during our next get together,,,, a fireside chat.
FOA/ Your Trail Guide

Trail Guide (10/17/00; 06:31:36MT - usagold.com msg#: 39207)
comment

Hello SteveH,

I had time away from gardening this morning, so reading your directives and TownCrier's recent good thoughts gave me something to say.

I read your recent long post that organized (in your own mind) all the goings on in the currency / gold world. It is some mess, isn't it? A lot of the better understanding of all this has been hidden for years as it was covered up with "goldbug" oratorio from the broker / trader camp.

You see, our world of physical gold thinking has been influenced by these Western trader thoughts and convictions for many years. Physical gold advocates didn't know how much the "gold - is - wealth" story was being diluted until only recently.

Now as we watch reality sink in, events are distilling the gold story and burning off all their paper trading theories. Suddenly (for them it's suddenly) gold is not "to the world" what traders wanted it to be or played it for. Leveraged paper gold substitutes and their lot, such as mining shares are no longer as good as physical.

This is a hard truth for most Western hard money thinkers to accept. They predicated their investment position for years (and some still do) on the past record that is; "as long as paper gold multiplied my dollar account in more or equal fashion as bullion, then paper is as good as gold".

But the truth always was that a dollar account will never keep up with physical gold during a currency war where the fiat is defeated. This is the final outcome that hard money advocates have waited for and positioned themselves against for many years. Yet, when the game is at hand, they find themselves having taken a hard money position that advocates more paper trading (instead of riding physical). They brought the leverage story and it's suddenly become a leverage against them. All the while we knew that the most fantastic leverage available was really in holding physical.
After reviewing some of the posts on other forums it's clear they are drifting now. Traders (such as "uptick"?) entered this paper arena and operated in it most of their hard money lifetime. They analyzed it like it was a stock or commodity. They did this over the recent life of our semi free gold
market since it was born. Sometimes with success and sometimes not, but now that gold is entering it's real explosive stage their game plan cannot read it. Paper trades don't work when this thought comes out into the open; "gold - is - an - international - money - and - manipulated - in - fiat - warfare - just - like - currencies"------.

The gulf between those that have "physical and can stay and master the play" and " those that will be driven out with paper loses to great to bear" is widening now. The once confident trading opinions we all read are being burned out of our gold world

and truth is replacing them. In some
ways it's good to have these outdated thoughts still posted because even "new to the game" thinkers can see this is not the way to go. Even though sharfin is not a newcomer, he is smarter than than most. Here is part of his post:

Date: Tue Oct 17 2000 02:32
sharefin (The tent pegs come flyeth undone.....) ID#284255:

The comments weren't mine but from the other side. As to your last comment re paper gold.
I think exactly opposite.

There's no way I would touch paper gold till after this coming correction. All the signs are there that paper gold is slowly being destroyed. To commit assets to paper gold in front of a meltdown is a lunacy.

After the washout perchance it will be different. But to do so before is pure gambling.

Steve,
Our modern gold market is set to bankrupt itself. All the political options have been put in play now and it's showtime. We must grab all the physical possible without disrupting the price setting mechanism. Lean back and watch as the US (our) dollar / gold structure cooks away in it's own stew. "NOONE" is going to grab any gold at the bottom of the turn because it will not be for sale then for an extended workout time. Once the real dollar price emerges (many thousands) only physical will trade. Only at this time, at and after the turn will paper gold be fully discredited in a total default. Don't look for many posts saying this thinking was right, those traders will be too despondent to even think much less write. I don't feel to badly about saying this as most of these guys were never hard money advocates in the first place. Many of them never stood back and looked at what their actions really entailed. That being; they mostly wanted to use the physical gold
advocate's actions to make some leveraged money for themselves then move on. Owning real wealth was never their philosophy.

So, every investment era has it's beginning and end. We (I assume you are a bullion holder like myself) can stand back and watch this paper gold system dissolve while gold the real international currency moves on. Our wealth in gold , whether large or small will weather this storm and produce
some spectacular gains for our living standard. All because we made the hard choice to stand aside the misguided torrent that was an unavoidable river of Western thought.

To use an illustration from an old Robert Redford movie I state my own verse;

"the land is pure from peak to peak
it is we that must choose our gate
from where to view this nation's thoughts that flow
this river that runs through it will decide our fate"

thanks
Trail Guide

Trail Guide (10/17/00; 12:55:38MT - usagold.com msg#: 39235)
Reply / comment
Knallgold (10/17/00; 08:58:16MT - usagold.com msg#: 39216)

Hello Knallgold,

I will never finish my fresh herb garden if I continue to read these posts. Good health and a strong spirit from fine wine with food is much better than gold, you know (smile).

Yes, I also own some gold shares. It's quite an amount, even at these prices. But it is in a reasonable proportion to my other assets. Should have never said anything about it because I knew very few people would understand the rational at that time.

Brought the companies for their philosophy, not their current (at that time) share values. This was done with an eye on the future, on the other side of this battle. From the beginning, it was fully well understood that the paper price of gold would fall until some convulsion crushed it's credibility. Where on the dollar gold price range this would occur depended on the players at the chess board. But, the ongoing dollar price was never to be the gauge of success, anyway.

With this in mind, the very best shares were chosen (there are only a few good ones around the world). Both bullion (large amounts, still accumulating) and shares (small amount and one time buy) were brought with an expectation of a zero price in dollars. In other words; we brought shares for
their possible survival and we brought bullion to own ounces outright, not dollars per ounce. This is a far different and stronger mental position than you read from leveraged traders, no? If gold soars tomorrow, good! If it plunges tomorrow, good! I am on this trail for the destination, not the game. Even though, the sights along the way will be incredible to behold.

For better of worse, richer or poorer, in sickness and good health,,,,,, this is the path I follow. After reading that line, you are correct to assume I am married to this position (smile). I can tell you it is a very large ongoing wedding, because none of us ever walk this trail alone.

Further:

I have to say that had the mining industry promoted it's product as a wealth holding and pushed for investors to buy gold first, ahead of and in greater quantity than their common shares; there is a good chance the markets would have changed long before now. No different than watching Ford
push their vehicles and ending up with people owning and always buying more of their product. Never hear of anyone saying their ford shares can carry just as much as a new ranger (smile).

But, by promoting paper leverage (of all kinds) as being the same or better in value than what history taught us about gold, trader advocates played themselves and their investors right into the slaughter of open currency warfare.

It would be great if these markets would break, right now. Giving some type of paper run that allowed many regular people time to reallocate. It may, but political will is against it. As it is, many such as yourself (?) are striving mentally to adjust their diminished capitol so as not to risk it all.

By the way,,,,,, the very old investor I mentioned some time ago,,,,, the one that was slowly allocation a decades long ride in the dow into bullion. He is now completely out and in cash and bullion. He trusts gold and knows nothing about oil or the Euro. Yet, still strong in his feelings that a
big inflation may lift the dow further. I don't dare debate him because his record is flawless for some many many years,,,, and his wealth is truly great.

good luck
(now back to my hobby)
Trail Guide

Trail Guide (10/19/2000; 5:48:31MT - usagold.com msg#: 39387)
(No Subject)

Hello all!

I have a few replies / comments:

HA! HA! This is good! You know, there are only a hand full of people that know I post here and one of them just sent me this comment. I had to share some of it with everyone. It went like this

==========
auspec (10/18/2000; 17:27:06MT - usagold.com msg#: 39342)
WE'RE BAAAAACKK!/ Peter Asher
What say you fellow {half} wits??????????

His how his note to me was: What the hell? That auspec has some nerve. I spent years trying to move from 1/4 wit up to the 1/3 wit level! Now I have to orientate my goals to reach his 1/2 mark to enter that select group. Well they can stick it, I won't live long enough to get there!
==========

ALL: this is how some of these brainy people think when they are drinking a little. HA! HA! HA!(laughing hard) (smiling) Here is another one:

========
Aristotle (10/18/2000; 7:24:11MT - usagold.com msg#: 39302)
Chimps, Champs, and Chumps

Don't you think he was a little over on the Chimps? Good lord man, Darwin said they were here as part of the natural order of things!
=========

Aristotle, I'm slapping the leg and laughing again. Your post was a good one in more ways than one (smile).

OK. I'm going to comment later on some of the other good posts yesterday.

(smiling) Trail Guide

Trail Guide (10/19/00; 17:48:31MT - usagold.com msg#: 39425)
(No Subject)

I was going to post again, but am glad to have waited. Many more good items were presented that also deserved comment. I'm reading, thinking, exploring what must be said. I'll reply later.

Nice posts all
Trail Guide

Gold Trail Update (10/20/00; 14:00:09MDT - Msg ID:39500)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (10/20/00; 14:00:07MD - usagold.com msg#43)
A Fireside Chat

Let's settle by the outdoor hearth for heat and conversation. I even see Michael Kosares back there with a warm cup. The fire is aglow,,,,,, the talk is about the trail before us:

Aristotle, said this today:

Aristotle (10/19/2000; 5:44:45MT - usagold.com msg#: 39386)
Do you heed your own advice? Thoughts on Trade deficits--big and small

""""""As for the U.S., we are in a unique but temporary position in which we haven't yet had to pay the full price for our past trade deficits. Until that day arrives (with severe currency devaluation), we might be inclined to stand the old terms on their heads and describe our current trade deficit as a FAVORABLE trade position because we are receiving real goods and services from other countries with partial payment (required in excess of our own exports) made in typically depreciating paper of our own easy creation."""""""

Aristotle,

In this post you also made another very good point (see full post) by directing Hard Money Advocates to pursue their own often stated doctrine. I think that perception is a given; that when the crisis hits, everyone the world over will be buying gold for depreciating dollars! Indeed, if your *Chimps, Champs and Chumps* (see his #39302 on the main forum for definitions) are really forward thinking, they would be wise to follow their own strategy by buying physical gold now. Before the winds blow?

Further to ALL:
Following on Aristotle's above:

The dollar deficit is truly the main money destruction tool being forced to function in our modern "killing fields" of today! In the past we saw this trade deficit function operate for only short periods as it constricted growth in our US economy! Now, they have not only the US economy but also it's currency caught permanently in this long term trap. For the first time since we left the gold standard while making them play by our rules, they now have us. Once before, in 1985 (look at a dollar chart then) we were well on our way to the same problems, but the difference then was that "noone" had a potential alternative reserve currency system to run to when we induced a recession. Today they do and this "waiting in the wings system" is the hatchet tool in the hands of our world markets that will do us in. As the ECB says; """ it's not the Euro is too low, your dollar is too high ,,,,,,,, so go ahead, make my day and fix it"""! (smile)
Indeed, no intervention by the US now is a stab in the heart of the dollar economy.

The US has had the rest of the world in somewhat of a trap also. For a long, long time. Perhaps from when we told them that the world gold exchange standard bearer would no longer ship gold for dollars. From that point on we (USA, my country) could inflate our money without consequences.

In fact, we had to inflate in this "Darwin" fashion over all these years! Truly, if we did not inflate long term and ship liquidity (created dollars) outside the US, our dollar's value would always soar above other strong currencies. This is because of it's world settlement function. Notice I said soar over their value instead of they would fall away from our value. There is a difference. As in our recent hikes, we saw that the internal basket of goods prices for both dollars and Euros dictated that these currencies are at opposite extremes in value and should reverse. Further; I use Darwin because everyone came to think that our sending money overseas was part of the "natural order of things" (chimps (smile)). They thought and still do think that the world just craves our money! They will have a different opinion later.

We must reconcile with the truth of this process by looking at the dollar world from 1971; the one time the dollar soared too high for too long it began killing off our economy. Forcing us into the same printing policy other lesser nations must employ to keep their exchange rate level. Yes, even the USA must sell overseas to create jobs and profits at home. A huge trade deficit in a reserve currency nation, induced by an overvalued currency like we are seeing now, raises the currency's value even further above other strong fiats. This is the way such a reserve system naturally reacts when there is no local reduction in liquidity to check it.

A regular (non reserve currency) nation's money would suffer a different fate if they inflated the native currency the way we do. It's non trade settlement function begets a falling exchange rate. That in turn drives then into the same policy of hyper inflation but it's effects are felt in higher prices, immediately.

Again, conversely, a reserve currency always rises in exchange function from this forced "liquidity draining" trade settlement. Once on this trend, over time, the higher it's value goes the more people finance in other mediums (yen carry, gold carry, Euro carry, oil carry) This further dries up the fractional reserve created dollar reserves as the demand for dollars grows ever stronger from it's ever higher cost trade settlements. Settlements dictated because IMF / dollar protocols demand dollar

use as settlement.

In the past if the system began driving the dollar too high and forcing US trade deficits, the Fed would raise rates to throw us (USA) into an economic recession that broke the vicious deficit trade cycle. Knowing full well that it would be a short recession policy because "noone" would jump the dollar ship before the medicine could work. Looking around back then and we see there was no other reserve currency ship to jump to. We either lose jobs and profits from an "overvalued currency" or from an induced recession. The first can lead to a financial breakdown, the lasts corrects things after only a short while. Naturally, we embark on the quick fix of a fast recession.

This is why our times are so very different now. What the "chimps" came to know over this 20+ year period as a strong America in a high dollar, was always something our money creators were striving to fight against. We truly have always been inflating our currency for these many years in a attempt to keep the natural effects of the IMF reserve system from spiking the currency too high up. Again, if we had a regular currency, our policies would have been reflected in sky high prices for everything. What most of us "smart chimps" know as price inflation reflecting money supply inflation.

OK, let me sip some starbuck's:

Ever since the Euro was seen in by US policy makers as an eventual success, our treasury has tried to put it's best "New York Spin" on the ongoing process. Simply stated; from the early to mid 90s we are in favor of a strong dollar policy. In reality, with the advent of the Euro and the evolving stance of the BIS, this has made our "economy killing" strong dollar unavoidable.

There is no way the Fed can create a new recession now without everyone jumping ship for another currency reserve. There is no possible way the Euro Zone will suffer as big a downfall as the US in another policy induced recession. Just looking at their closed economy and debt structure tells that story by itself. Any US slowdown means a run for the Euro, yet weakness in the Euro means the US must inflate at a torrid rate. We now stand toe to toe and wait to see who will fall first. All the while our world dollar gold markets are caught in the cross fire!

This is where we have been for the last decade. This explains why the DOW and all it's paper cousins have enjoyed the effects of a massive, ongoing dollar expansion worldwide without any official policy interference. Right when we were to the point of changing policy to slow things down, the Euro was to be introduced in a year or two and risked taking away or sharing the dollar's standard.

The "lesser chimps", lost in Western thought keep waiting for the fed to induce their deflationary policy. (I was monkey - ing around in this area for a while myself) (grin) It is not coming. To do so now would commit the dollar to non reserve status in a hurry and produce a massive price inflation at home (right now) as all these unneeded dollar reserves come racing home. Remember, the ECB does not need dollar reserves! The Euro is a stand alone currency representing an in house trading block. They may have to buy dollars for oil, but others must also buy Euros for European produced goods. If the Euro went to .10 to the dollar the EuroZone economy would not stop. But all international dollar trade would grind to a halt. The USA could not sell anything internationally, at all! Every other nation would simply

abandon the IMF protocols and use their native currencies to trade directly with Europe. Even Arabia would break their SDR basket peg and trade oil for Euro goods, either using their currency or directly if needed.

Our outdoor fireplace is getting hot, lets step away.

The lesser of the two evils today (and this is the one the ECB / BIS enjoys watching) is our current frozen policy. We can no longer cut off the strong dollar / growing deficit circle by raising rates and invoking a recession as in the past. This time we must continue to pump the reserves at all costs in a process that only floods the world with more dollars. It's called a currency hyperinflation and is one we (as US people) have never witnessed in modern times. The pressure has built up full volume now as all escape valves are being closed. We are well on the way to a derivatives exploding event that will break into the open with a cascading dollar and full force US price inflation.

This is the "why" for the gold derivatives policy that Physical Gold Advocates are now enjoying. Also one that leveraged paper gold investors are being tortured with. In effect, we "gold buyers" are trading 1971 style dollar derivatives contracts for the physical gold we never could get then. And doing so before a 1971 style gold event that comes in the form of a denouncement of the contractual viability of all gold contracts. Let's call it "no gold for dollar derivatives"!

All the while, just like in 71 other "chUmps" (smile) are saving these same paper gold substitutes to protect themselves from this same crisis.
Further; many of them have sold their physical gold for use by the BBs. I think SteveH calls it OPG (other peoples gold). This is where the real supply that fills a Physical Gold Advocate nation's coffers (and mine) comes from. It's truly a good deal in light of what's coming. Let's not mess it up by talking about who is buying all that gold, rather just point everyone to watch how much is being sold!

The US cannot walk away from hiking our ""gold trail"" now. Because "this process" is one of the few tools available to them for keeping the dollar perception in a good light. In effect by slowing the currency transition process they are doing exactly what world dollar holders need the to do. They will inflate these derivatives until in effect; our modern gold market bankrupts itself as supply is exhausted. I say, good! (smile) But once we get to that stage, I expect that a super US economic downturn will ensue. Then the fed will go wide open and cover everything in sight to keep us going! The ongoing price inflation will be driving everything from physical gold to real estate through the roof.

I submit that many smart hard money thinkers like Traveler and Thai Gold (and many others) are walking forward but looking backward. I (myself) have tried this before but usually run into something I didn't see in front of me (smile). That something today, for modern hard money followers is in the form of an internationally induced transition away from the US dollar as a reserve currency. Such a policy evolution has the effects of driving the lead currency's creator into printing press mode as an only option to maintaining the viability of our economic and financial structures.

Yes, it eventually breaks everything! But this is nothing new for us gold history buffs and it's what has happen in countless modern national fiats around the world today. Nations that don't have a reserve currency to play with. We will do like their citizens

do, continue to use dollars but carry in our pockets whatever new reserve is in fashion, as a backup! Be it gold or Euros or both. In addition, our entire financial structure (like in these other nations) will change to operating in an inflation economy. Money will be lost, big time and made big time, but things will still be financed, brought and sold. Houses will double, triple then double again in price, even as financing rates approach 35%, 40% or whatever. We will also follow the (then) prevailing world policy concerning physical gold, solely because it will make economic sense to our officials.

As such; like today, everyone uses dollar reserves because it keeps us within accepted international policy. Across the currency warfare valley our "gold trail" is coming to, we will also use gold as a free reserve medium. Mostly because it's what the leading reserve policy of that time will dictate and that will keep us on good trading terms.

No, we will not confiscate gold again. Perhaps if it is designated as US legal tender and caught up in some kind of currency change, that will pose a risk! But that's just following the same fiat rollovers so many other countries now must employ and will have little impact on most gold owners. Besides, PGA's know how to avoid such a trap through physical gold ownership diversity! US Eagles held along with a diverse group of new and old coins fit my pocket just fine. I don't worry about the premium on any ounces I buy today. In the future, the total price we now pay will probably be the premium anyway (huge smile from ear to ear!)

Again, as international trends follow the use of physical gold into the free trading asset realm, no longer as an official money, then it's value and ownership will soar the world over. To date this is the future before us as the dollar fails it's function.

Truly, a relationship with an honest international physical gold dealer will no doubt place oneself at the center of this exciting new financial evolution. (I'm trying to think of a dealer that would fit that description? I know I just saw one on this page. Somewhere?) (smile)

Lastly:
Don't tell me an inflating dollar economy doesn't work this way! I have lived in many, many lands and have witnessed and used such inflating systems. Look around for yourself at how non reserve moneys are impacted by their native policy today and the effects of those policies on all real assets. There are few examples that do not follow this regular fiat price inflation mode. Our dollar use and function is about to revert to a lesser more common level, suffering it's drop away from reserve need. In doing so it will change as never before in our time. In fact, it's only the current gold pricing system that may experience a larger change. Not only in use but in Western gold value perception.

"""""We watch this new gold market together, yes?"""""""

Thank you one and all for sharing this time
Trail Guide

Aristotle (10/18/2000; 7:24:11MT - usagold.com msg#: 39302)

Chimps, Champs, and Chumps

I enjoyed the brief detour of the forum on Monday (and some previous days) into the realm of personality types -- with the Gold-related hypothesis that Gold advocates

are most likely of the *NT* type. Dabbling with a linked on-line testing page revealed me to be distinctly a type INTP --for whatever that's worth to anyone keeping score.

Which brings me to my point. Any population can be divided and subdivided yet further based on the presence or absence of any given trait. In one rough cut we can focus on those who think independently about monetary affairs, and the remainder will be those who just go along with the flow. I call this latter group the "chimps" in this post because they see no evil, hear no evil, and speak no evil regarding the dollar, and are contentedly guided by the credo "Monkey see, monkey do." They follow the directions of their neighbors, whom at this point in time have been conditioned to consider Gold in low esteem. Obviously, this post is not written for the chimps--they aren't visitors to this forum.

Of the group of thinkers who see the problems with the dollar and the special merits to be found in Gold, we can divide them further into the physical "champs" and the paper "chumps." The champs are the ones who stand behind their thoughts by acquiring the Metal that they support in principle. This post isn't written for the champs, either -- they're already on the right track.

Hello, chumps. You guys comprise the sad group that is "so close and yet so far." Your good independent thinking has steered you toward the merits of Gold, yet you have undermined yourself in an attempt to capture additional paper through leverage based on the proclivity of me and my fellow champs to drive up Gold prices through our wise demand for Metal. Sorry. It doesn't work that way--as I (and many others here) have explained time and again, and most recently this past weekend.

What you chumps fail to recognize is that the Gold itself is the objective and desirable monetary wealth--as a safe and meaningful alternative to dollars which are subject to devaluation and collapse. And most importantly, you also fail to recognize the true role of your leveraged paper gold (futures) within the Gold market. The crux of this entire post is contained in the next two sentences, so open your mind and think objectively, setting aside briefly your indignance that words on a computer monitor have called you a chump.

Long positions in paper gold are NOT used, as you might like to think, as a "fire insurance policy" among institutions having vested interests in the status quo, whereby such a long derivative position would be expected (by you) to compensate them for rising Gold prices and weaker dollars. Instead, these institutions use the offering of paper gold (and its influence on price discovery) as a WET BLANKET to keep Gold from catching fire in the first place.(!)

By allowing yourself to miss the big picture, you are being played for a chump. The tragedy is not that you are throwing your paper currency away on paper gold, but rather that you approached so close to the brink of truth, and yet will likely have nothing material to show for your journey and efforts. It's not too late to stop beating your dead horse and take your place on the growing bandwagon headed down the Gold trail--that is, if you're not too consumed by your own pride and determination to stay with your horse until it regains its breath. My prediction is that the vultures will have your flesh too, because you'll let them.

Gold. Get you some. ---Aristotle

Trail Guide (10/21/00; 08:50:07MT - usagold.com msg#: 39569)
Comment

SteveH (10/21/2000; 5:03:21MT - usagold.com msg#: 39550)
Stuff
http://www.the-privateer.com/gold6.html
Snippet from above link (even the-Privateer is getting on the Euro for gold band wagon now):

Hello Steve,

I'm hearing more and more where various commentators are allowing for a change in this direction. Most of them still do not think it's a real plausible event, but can at least see the pressures building in that way.

When I said a few days ago that it was showtime, several major moves came out of the woodwork.

Paris, Friday, October 6, 2000 ------- ECB Raises Key Rate ------ 'We see no threat to growth'' from this rate increase, Mr. Duisenberg said. He said the euro-zone economy was at ''cruising altitude.''----- "the forces underlying solid growth in the medium term remain in place"-----

also:

Dubai Monday, October 09, 2000 ---------
Mr Jacques Santer, former president of the European Commission, has called on Gulf Arab oil exporters to price their crude in the euro rather than the US dollar as a means
to stabilize the oil market --------- "It could be the instrument to consolidate oil markets" and would be less affected by US foreign policy, he told a Gulf-Euro conference in Dubai. ------ "Trust and partnership spirit between the Union and the GCC could well increase if we were to consider trading the barrel in the euro" instead of the
dollar,-------- the future will certainly offer us opportunities for a move in this direction," he said, describing Europe as the world's biggest oil importer. ----------
"My contention is that the euro will move again toward parity with the US dollar by gradual extension of
the euro in international transactions"--------

Also:

BAGHDAD (AFP) - - Iraq's central bank has begun to buy european currencies, following Baghdad's decision to stop using the dollar, the INA agency reported-------
Iraq's cabinet commissioned a team of economists on September 14 to prepare a study on the possibility of using the euro or any other currency in Iraq's trade instead of the Dollar.----

Steve,
These were powerful diplomatic thrusts and they received very little commentary in our media. Santer's proposal is "in the works" as we speak and will impact the dollar

now
and for a long time into the future. It has to be appealing to the producers in that region because the bulk of their supply goes to EuroZone countries. Why do you think
Duisenberg is playing his hands off policy so openly now? Market traders don't have a clue to the "whys" of his recent remarks. They think he is some fool. He's offering them (producers) a completely independent currency, exactly what they wanted and lobbied the ECB / BIS team for during pre Euro formation. We in the US are standing on our heads trying to explain how the Euro has fallen against the dollar. Stand on our feet and it's easy for anyone to see that the Euro is fine and in a strong position. It's the dollar that has risen far above other hard currencies lately.

This whole scene is playing out in a fashion that will allow producers (and ultimately many others) to shift (sell) out of dollar reserves while it's over valued. I cannot stress enough how important this development is or it's influence on American money policy in the months and years ahead.
Everyone thinks "showtime" means a spike in gold. In reality, it's all about a currency war that is setting the stage for a crushing failure in our gold pricing mechanism.

I remember when we used to get post after post of Middle East experts telling us how the US had all these producers under their thumb. We would never allow them to raise prices, they said! Again, that's walking forward while looking backwards. In the early 90s desert storm era, this was true to a degree. But, I point out that the Euro was not available then and most everyone said it wouldn't even be born. Today, it's a whole new political initiative because money always talked louder than guns.

Here we are with $30+ oil (who of these poster experts would have believed it, back then??? MK knew!) and the prospects are for it to go much much higher. So, what is our heavy handed, massive influence in the region doing to change this? Well, we take a serious, strong approach in the matter to show the world just how much our US military might can buy in production increases: "we release oil from our strategic oil reserve"!!! OK! That should send a signal that nothing has changed in the affairs, right??!! We rule that part of the world, right?!

Steve,
the whole notion that we would back out of any military conflict in that region because they dropped our dollar is ludicrous. We must defend their oil production at all costs, no matter what currency they use. We simply cannot afford to allow that supply to completely fund EuroZone development at a cheaper price than we can get it for. That is exactly what would happen if we do not continue to back their governments and economic systems. Without free military and funding for
their economic structure's longevity, we would ultimately lose all influence in the region. This is strategic planing not discussed in the open by any of our want to be experts. For us (USA), keeping all oil, worldwide, priced somewhat par (in any currency vs the dollar) is extremely important to US vital interest. Both military and economic.

So:

Today, all Euro oil supply is headed to being priced and settled in Euros. This change will greatly impact world perception as to the value of holding US dollar reserves. It is a change that is now "on the table" and producers are not taking the decision

lightly. Once the ball starts rolling, it's good buy dollar overvaluation,,,,, and hello US hyper inflation. Especially if we want to keep our DOW and
financial structure away from bookkeeping failure. Roaring prices for goods, yes, but bookkeeping failure, no! This is how a real inflation plays out!

ALL:

Again, ThaiGold, Traveler and others make good points, but these positions do not factor in the political will that's now in process. ThaiGold's argument that physical gold will be confiscated has been around for a long time. It has often been used as a reason to buy paper gold substitutes (mine
shares, ex?) because of their past response to such an action. But, today taking such a position is not working, is it? That's because it doesn't factor in the new "gold market direction" Another pointed to long ago. I only recently understood completely the ramifications of it. Anyone reading my Trails posts also understands it now. As far as to FreeGold and Legal Tender problems; our discussions about these items are numerous and date back to pre Thai days. Most of you long time readers have followed it as ORO, Aristotle and many others debated these issues.

Whether our paper price making markets take contract gold values higher or lower here is not the complete issue. The whole presentation is based on an utter failure of the entire dollar markets for gold as they now exist in paper form. The little physical gold that trades relative to the gargantuan paper trading today, will be completely overwhelmed as the dollar is transitioned from reserve
status. This "crushing of credibility" of paper gold will have an extreme impact on market valuations of all gold shares. "Semi hard money paper gold bulls" used to tell everyone that they would hold these shares through any crisis. Now we are finding out just hard their claim is in the face of the real ramifications of dollar destruction! The facts are that paper gold only functions well in "regular inflation's" like we saw in the 70s and 80s. When "real events" start marching our currencies into open warfare, paper gold is worthless. Unless you can hold them through a complete trading shutdown where their mark to the market value would be "ZERO"!

Many market watchers have always said that the battle was between the dollar and gold. That was true until another digital currency could take it's (dollars) place. We have been putting this private discussion in front of the public for a few years now. Recently with the help of Aristotle, SteveH, TownCrier, ORO and many others posters (too many to mention), Michael Kosares's USAGOLD forums are blazing the trail for all to see.

All of the many items ThaiGold posted today about government control of gold pertains to past policy in a different ""gold is official government money era"". The use of gold through that era is riddled with failure. In the future (see my latest Gold Trails) currency reserve competition will
require a country to keep gold free for private trade. Making price discovery a physical affair only. This will come about in a completely different atmosphere from today where gold is still manipulated as a world "official currency" asset. Mostly now manipulated by a failing IMF/dollar system. The next reserve currency, the Euro will not compete with gold and will require it to find it's
FreeGold value level. The US will have absolutely no incentive to controlling gold to defend it's currency in that era.

Traveler,

Hello sir! I certainly do respect your thinking and have agreed with some of it for some time. However, I believe that Another is very right in that "Events" are telling a different story than the one we are used to. I doubt we will ever see a real restrictive money policy in this country again. We shall see.

Sir, I know oil from it's "down hole operations" into and "far past" the influence of the old Texas Commerce Bank! If those" Cherry Wood" wall on the 40th(??) floor (if they are still there) could talk, some tail they would tell. Indeed!
But those days are long gone and far removed from today's
reality. I don't think we could have ever had a very private conversation at the petroleum club, it you did know me you would know exactly why. (smile) :)

Some people think I'm MK (hello Michael (smile)). Well, in my current time and stature of life, if two people saw a picture of Michael and myself, standing at "Roy's" for dinner,,,,,, You would most likely hear:

"OH! OH!, I know that one,,,, saw him on TV! He is in the movies!

"NO! NO! he's Michael Kosares, very famous and photogenic ,,,, but I don't think he's been in hollywood" ,,,,, Who's the other one ,,,,,, standing kind of in the shadow?"

OH! OH!, I know I've seen him before,,,,,, can't think of where,,,,,, Now I know,,,, saw him the other day ,,,,,,, He's Michael's ,,,,,,,,,,,,, gardener?????????????

HA HA, talk to everyone another day, on the trail.
Trail Guide

Trail Guide (10/22/00; 18:04:22MT - usagold.com msg#: 39664)
Reply

Apollo's golden chariot (10/21/2000; 17:57:20MT - usagold.com msg#: 39611)
Inquiry of Sir Trail Guide

---Specifically what I had in mind was the broader political economic implications from the decline of the US dollar as an international numeraire that you perceive will occur in the future.-------

=========

Hello and welcome to the golden vehicle upon which Apollo is the Charioteer!

Oh how much indeed does your driver's fame precede you, sir. Few here count a god of poetry, music and most importantly prophecy as their close advisor. (smile)

I enjoyed your post, as it's content showed no indolence of spirit. Certainly a quality inspired during your streaks across the constellation. Yes, we have all seen bright starlight before.

Apollo,
The political and social ramifications of the changes before us would take a large book of posts to discuss. Perhaps titled the History Of The World, vol. 6 thru 8. But

for the benefit of brevity can we just keep it down to something in the order of a James Chavell novel? I think Gai - Jin (foreigner) would do. OK, I'll work on it. Nice to talk with you.

Trail Guide

Trail Guide (10/23/00; 19:26:57MT - usagold.com msg#: 39745)
(No Subject)

My spelling and punctuation is not right? I don't know what you mean? (smile)

This reminds me of an old reply someone put to me when I asked him to clarify himself on a strong position. "What do you want, he asked? Good flavor or good taste? Because you can't have both from me at these wages! (Ha! Ha! What a guy!) He later took time to explain everything.

You know, hearing every comment today and with posters comparing my speech here:

I used to give talks at small meetings all the time and they never complained about my spelling! (laughing again)

You see, one of you was right, in that I have never tried to publish or write anything. My notes from meetings are what I work from and they are an outrageous hodgepodge of foreign writing no CIA agent or secretary could ever crack! (still laughing).

I'm much more of an eye to eye, face to face, quietly making my position known, kind of fella. Take MK or Mr. Turk; these men can write. Im not kidding when I say that in their presents or in the company of other smart / important people I would typically blend into the shadows.

First and foremost, my reasons here are to simply keep the path warm until the real play comes into view. If my poor writing skills don't make things clear enough, it's ok because soon enough events take a hand and clear the path enough to follow. True, talking to me in person, you would say the same thing others do; "Trail Guide, you don't sound anything like you write"! (smile)

Well, that reminds me of the guy with an extremely large nose. He went into a plastic surgeons office to get his leg burns fixed and they asked if they could also fix his nose? He said absolutely NOT! If you did that, I wouldn't be me!

So,,,,, in that light,,, if I gave these posts to someone to edit, or had someone else translate most of Another's thoughts to english, it wouldn't be me. (smile)

==========

Holtzman wrote a good piece some time ago and I lost it's location. In it he made the distinction about how we were arguing about the difference between paper gold and physical gold, along with all our other debates. I think he said that it was all useless and some of us risked embarrassing
ourselves if paper / real gold spiked together. We should just diversify and watch the show, he said. (I think that's what he said?)

To a degree I do exactly as he mentions, except that I don't trust paper gold at all when the going gets rough. Our differences is the same valley that separates PGAs (Physical Gold Advocates) from many modern hard money followers. It's a difference of "learning location".

You see, it all has to do with how one orients oneself in the world today. Indeed, understanding the word "orient" provides some of the answers. Interesting word, orient.

The old romans didn't have compasses and they depended on the position of the sun to gain location and direction each day. Every morning they would watch to see where it rose. They gave the name "oriens" to this location. In other words, the east. Later, "oriens" obviously a latin derivative, was slipped into english and it became orient. Not only was orient used to describe one's positioning in the world, it also referred to all the lands east of Europe. The Asians, etc..

In time, most of the world's thought could be broadly divided into Western and Eastern. How well one understood such thought and the people forces that created them, depended very much on how well we could orient our own thinking! Are you still with me? (smile)

For myself, I have placed my feet squarely on the ground that faces East to gain a better understanding. Because from here not only do the majority of the world's people live, there also resides most of the reserves of oil. Remember, "oriens" became "orient" and that traditionally was all the lands east of Europe. The Middle Eastern oil fields included!

Now, over time and across the space of human experience, Europe has become much better "orientated" to the "orient" way of trading and thinking than the West. To this end they will always meld better with them economically than the US can.

Indeed, this is something Mr. H had better "orientate" himself with because I suspect he is British. You see, I say this because only the Brits use "orientate" and that back - formation of a word has been in use there for about a century. Truly, plenty of time for him to understand why the Duke of Edinburgh once said,,,,,,, "the English are much more culturally and emotionally "orientated" towards Europe". Check it out for yourself? Perhaps that fine gentleman also knew the "oriens" from where oil did flow!

and that my friends is why their English paper gold is going to one day burn.

Now, did I get those letters and dots in the right places? (smile) I don't think so!

Trail Guide

Trail Guide (10/24/00; 10:58:56MT - usagold.com msg#: 39784)
comment

Hello Traveler,

Let's talk:

Your words first, then

====my words====more

The Traveler (10/24/2000; 0:25:21MT - usagold.com msg#: 39771) Deflation Scenario II
Greetings and warm regards to all.

Tonight, I will address the inflation or deflation debate that was highlighted this weekend by the formidable and never to be dismissed Trail Guide. Forgive me as I tell you my view from 30,000 feet. Much closer and the details would get in the way of full understanding by many here.

First, I thank Trail Guide for referring to me as a smart hard money thinker. His companion comment that I and many others walk forward down the gold trail but are looking backwards is similar to saying generals always fight the last war during a current conflict or that you can't see the
economic pot holes down the road if you are always looking in the rear view mirror. Fair enough.

I however reply with a well-known admonishment from Lord Acton. This Cambridge historian of the 19th century wrote that those who do not know history are doomed to repeat it. I have devoted a professional life and investing life to knowing "something" of economic history - both domestic and international history. My summary viewpoint as expressed @ 39423 is reproduced below.

$$$$$$$$$$$$$$$$$$$$$$$$$$$$$$

The economic lesson is ... ...

Deflation is everywhere and always a monetary phenomenon -- a lack of sufficient currency and CREDIT in the economy to support prices. When the growth in credit slows or turns negative due to higher interest rates and higher default rates, then the above illustration [about the collapse of real estate] plays out.

==========Mr. Traveler: conversely: the "real" inflation I point to is largely a cash phenomenon, where all the past massively over created credit instruments are brought up by the money making authorities and paid for with printed cash or allocations to the owners digital cash
accounts.========== more

Some wise ones here state inflation is the curse waiting for us over the horizon. I doubt it because we are already highly inflated. I point you to the NASDAQ's PE, home prices and auto prices for but three easy references.

========== Sir, your three examples are the beginning "price" results of our highly inflated financial credit structure. However, as I pointed out above, that structure today is in the form of "highly reproduced" (inflated) credit instruments. In addition add to that mix all the vast
paper derivatives in place and we can see how very different our present money inflation has been. Even as it only begins to raise prices.==========more

For hyperinflation to occur, even more credit would have to flow from Mr. Pump.

==========Not true, sir. As your own examples pointed out above, rising prices in your examples above indicate how we are already receiving the effects of a hyper inflated credit system. Again, these are only an advance example of price inflation that's beginning to reflect the "real" amount of "credit money" we have created over 20, 30, 40 years. ==========more

But to whom? The consumer is over leveraged already. The consumer has binged on easy credit to the point that debt service now takes more than 90% of disposable income for 80%
of consumers according to the St. Louis FED. See why the economy has soared. If the above illustration does play out, most consumers -- still anguished by their recent credit traumas - will avoid the credit trap and thus Mr. Pump will be "pushing against a string".

Remember, the consumer represents 65% or so of the GDP. As credit goes so goes the economy.

==========Good point! It's one we have used to explain why deflation in a credit inflation is always a real possibility. But, hyperinflation cannot happen in a credit society unless the credit starts being made into cash.. Our (yours and mine) "pushing on the string" scenario is
predicated on pumping more credit to those that don't need it.

However, in the real hyperinflation that's coming as it follows our current credit inflation phenomenon it's not the borrowing class that's liquefied, it's the lending class! Remember, out there in our vast dollar world, for every dollar a consumer has borrowed, some entity holds the other
side of the credit instrument. Our classic deflation begins when these holders are no longer being paid, resulting in the write down of their assets. Across the land, banks, credit unions, citizens with lend able funds and every other form of lender no longer own a credit instrument that's sellable at par. That's 100 cents on the dollar.

Hyperinflation begins when pushing on the string no longer is an option. As you pointed out; "the consumer is binged out"! But there is more (smile).

We would not embark into such an obvious currency destroying process if we could drag the rest of the world with us into a cleansing recession. Call it an "almost deflation" where we start the inflation / deflation circle over for one more credit cycle. This is our record from most the dollar's
life.

No country ever hyper inflates for the pleasure of the ruling class, as many want to believe. They / We inflate to keep the domestic system in use and do so because it's the last resort. In other words you are forced into it! Today, the advent of the Euro has created a currency competition that will allow world investors to run from any deflationary, restrictive policy the US can offer. Our
currency will be lowered to non reserve status no matter what route we take. Just as in many other historic examples and present examples around the world, nation states always choose hyperinflation when no other way out is offered. No nation on earth has ever cascaded themselves into deflation once they are off the gold money

system.

Below Traveler addresses some of the very aspects I detail in the above.========== More:

Our worthy Trail Guide declares in his fireside chat along the Gold Trail @ message 43 that it will be different this time. It may be but as Cavan Man, a Missouri resident, might say: "Show Me". In part, Trail Guide states:

The US cannot walk away from hiking our ""gold trail"" now. Because "this process" is one of the few tools available to them for keeping the dollar perception in a good light. In effect by slowing the currency transition process they are doing exactly what world dollar holders need the[m] to do.
They will inflate these derivatives until in effect; our modern gold market bankrupts itself as supply is exhausted. I say, good! (smile) But once we get to that stage, I expect that a super US economic downturn will ensue.[*] Then the fed will go wide open and cover everything in sight to keep us going! The ongoing price inflation will be driving everything from physical gold to real estate through
the roof.

[And a paragraph later... ... .]

Yes, it eventually breaks everything! But this is nothing new for us gold history buffs and it's what has happen in countless modern national fiats around the world today. Nations that don't have a reserve currency to play with. We will do like their citizens do, continue to use dollars but carry in our pockets whatever new reserve is in fashion, as a backup! Be it gold or Euros or both. In addition, our entire financial structure (like in these other nations) will change to operating in an inflation economy. Money will be lost, big time and made big time, but things will still be financed, brought and sold. Houses will double, triple then double again in price, even as financing rates
approach 35%, 40% or whatever. We will also follow the (then) prevailing world policy concerning physical gold, solely because it will make economic sense to our officials.

$$$$$$$$$$$$$$$$$$$$$$$$$$$$

Do read the complete message for a fuller context and more vivid understanding. Your wealth and your grandchildren demand this of you.

Perhaps the point of debate between us is: (A) Does severe deflation come next at [*] above followed sometime later by inflation and eventually hyperinflation, or (B) Does the US go directly to hyperinflation? This debate has many, many dimensions and is complicated to map. But let's give it
a whirl.

ORO @ 39481 has stated that the FED will do the bidding of its owners (the banks) if events don't get too far beyond their control. I agree. Do banks and other holders of debt instruments (loans, mortgages, gov't and corporate bonds) want their wealth withered by hyperinflation? I don't believe for a moment that the creditor class is this egalitarian.

==========No Traveler, I doubt the creditor class as a group is seeking to remove the financial inequalities that separate people through this coming process of hyperinflation. Far from it. As I stated above, the credit hyperinflation has already occurred. It's there, in place as we speak.

What is now faced by this non egalitarian lending crown is the choice of: having their debt instruments defaulted on and losing everything,,,,, or playing let the fastest runner win the game!

My friend this is the choice you get when the currency your assets are denominated in hits the end of it's "timeline".

Human nature has followed this path for thousands of years. You know the old joke about out running the bear? Well, these lenders will influence our financial policy as such. They will try to get their debt securities liquefied first, spend the fiat and in this process out run you and I. Leaving anyone they can beat to the mercy of the hyperinflation bear eating their remaining fiat assets.

Your point above about deflation and then inflation is still valid; if we cannot get the borrowers to borrow more and in doing so stop the economy from serviceing "OUR DEBT SECURITIES",,,, ! But we cannot risk the markets, in this particular time and place to make that decision.

Here, we and the world would for the first time make a "judgment call"; ---can the "dollar fiat system" our wealth is stored in endure the deflation / recession that must follow?---

To date, everyone stayed with the only reserve currency available. Tomorrow they will not because they have a choice.==========more

According to the IMF, foreign holders of dollars (including Central Banks) have a $6.5 trillion stake (roughly 60% in debt instruments) in protecting the value of their dollar holdings. Do they wish to see their purchasing power drop TO 25% or so under a hyperinflation adjustment

==========Again, dollar holdings by foreign CBs are worthless anyway when the nation issuing them does and must run a constant trade deficit. The money can never go home, only build further on digital account.

This is the reason most Hard Money Advocates fall so short in evaluating our present gold values using only the commodity use of gold. They completely miss the fact that current dollar pricing of gold vastly understates it's wealth asset value.

Especially to CBs if their dollar assets dissolve in bookkeeping form, the way they would do in a hyperinflation. No, the billions in assets they hold in dollar debt instruments would not disappear, only be transferred through a massive devaluation of the dollar against gold.
========== more

or increase TO 175% or so under a deflationary adjustment?

==========Again Traveler:
My above explained why a deflation cannot be in the cards. But if so, foreigners

holding even government guaranteed paper debt in a deflating currency is little more than bookkeeping wealth if the actual goods buying power of the currency is compromised.

Yes, our US would continue to print dollars to service it's debt, making the accounts look good. But, in such a deflation situation, foreign exchange controls are a 100% guarantee. Foreign held dollar assets would not come home, at least not at the same exchange rate one needs to become
financially whole!

When the world begins to abandon a currency at the end of it's reserve timeline, deflationary gains on debt instruments are an illusion of bookkeeping. There would be no 175% real purchasing power gains allowed.
==========more

If those wise monetary strategists and Euro creators thought that the dollar would go "up in smoke", why do they continue to hold on to the US$ at an INCREASING rate of accumulation?
The ECB holds nearly 80% of its assets in US Treasuries (with 15% more in gold and 5% more in Yen). Is this the position of a shrewd central banker or wealth builder who is nervous about the future purchasing power of the US dollar? Why have not foreign dollar holders transitioned more
rapidly away from the dollar and into the Euro, gold and other vehicles that would protect their wealth from the confiscation of inflation and later hyperinflation. Given that its "ShowTime", one would think that the transition would be more complete than still having $6.5 trillion "At Risk" of going up in smoke. (Actually, it is "ShowTime"but physical gold is a sideshow in the unfolding three-ring circus). I suspect all those foreign held dollars are still in the USA because of an explicit promise -- Your dollars will increase further in value as we deflate the debt bubble and you are able to buy hard assets for dimes on the dollar.

==========Traveler, I addressed this in the above. Still, their asset base is safe in any circumstance.Their gold sales are largely to each other and much of the very gold they are delivering to certain clients will return for Euros once a dollar transition begins. Indeed, there has
been massive ongoing physical gold buys the world over. Who do you think has been buying all the gold non official "Paper Gold Advocates" have been divesting themselves of? The key to understanding the scope of this is in seeing through the dollar paper gold pricing system. Had the
prices of paper gold been rising all these years, it would have indicated a continued support of the dollar based gold markets. As such, the world today expects this currency system to fail, taking it's paper bullion markets with it!

These "shrewd central bankers" are no fool to the economic world nor the political world. The US is still a major military and political force and will continue to be for some time. Allowing the US to destroy our own system and offering an avenue of escape for investors worldwide is a master political play. Why dump your dollar reserves when such an action would make you the bad guy? Buy some gold quietly, yes. But, better to let your dollars dissolve and have your assets transformed by a dollar / physical gold devaluation. FreeGold will do just that!
==========more

To RossL, Nickel 62 and others, your question is thus answered. Those dollars sent overseas by the trade deficit have ALREADY returned to the USA in the form of capital flows into debt instruments (60% or $4 trillion) and to a lesser extent equities and other assets. This gleeful
repatriation of dollars is historically unprecedented and has been done for a reason. Like those of "Giant" domestic wealth builders whose dollars are now sitting in debt instruments, these instruments will be converted - in the fullness of time - into currency to purchase hard assets ("old economy" companies with captive customers, positive operating cash flow, little debt and little remaining CAPEX, or trophy real estate or certain other proven factors of production) once the deflationary spiral has exhausted itself and driven the price of all these factors into the ground.

ORO stated that the banks want the gold mines and telecoms on the cheap. The above is the process for setting up the BUYS of the CENTURY. Perhaps a real time illustration would serve us well at this point.

========== Your presentation shows a lack of understanding about how exchange rate risk works during unsettled times. Failing nation states that have opted for a fully """"fiat currency""""" (the US dollar) do not simply stand by and allow ownership of everything in the country to be transferred to foreigners. Or even local creditors for that matter.

Truly, the vast bulk of overall debt assets standing against US credit extending institutions dwarfs our ability to service with real goods. Even at vastly deminished prices. These debt structures are held for further fiat accumulation only. Truly a Western Thought concerning wealth. Once an
economy begins to get into trouble, everyone flees these very instruments you stand by in your analysis. Truly, people understand political risk as it pertains to the fleecing of constituencies. It doesn't happen in powerful states and investors know it.==========more

A Denver ========="Traveler's example"====company at 40 cents.

In the late 80's and early 90's, some banks liquidated land at an average 24% of the then CURRENT appraised "Fair Market" value, incoming producing properties at 50% of replacement cost or about 60% of then CURRENT appraised value and residential homes at 81% of the then CURRENT appraised value. Less than a decade later, most properties had handsomely appreciated from the FED induced credit expansion. Boom then bust then boom is the age-old
cycle of wealth transfer TO the plutocracy.

========= These cycles end when the currency timeline ends!
==========more

Next, ...

Does the US Government want hyperinflation? A close call depending upon timing and how events unravel. It could silently default on its outstanding debt and contingent liabilities (such as EXIM and SBA loan guarantees, FDIC insurance, etc.) by passing out wheelbarrows of FRN ala Weimar Germany. On the other hand, so

many middle class welfare programs (the Big 5 are about 48% of total outlays) are indexed to inflation. They could never be met from the current tax code which has indexed rate brackets -- Thank you Ronald Reagan!

==========This is exactly what many people see and are preparing for!
==========more

Many models have =======more of Traveler's examples of possibilities=====apostles of Jenny, Jerry and Ophra.

Physical Gold Advocates fear not. Gold historically has done ITS BEST during a deflation! Yes deflation. When all other assets were spiraling down in value because defaults soared and collateral sales pressured the prices of all hard assets, gold alone increased its value. It has no liabilities (no one to default) and is portable to destinations without domestic deflation. See Professor Roy
Jastram's The Golden Constant (Wiley & Sons, 1978) for a 416 year history of gold under four major deflationary periods of the past. If you are a bit lazy or pressed for time, simply recall that gold in the 1930's went from $20 to $35 during that deflationary depression. One caveat: All four
were under some form of the gold standard.

========== OK, now you say: """"One caveat: All four were under some form of the gold standard."""""
Boy Traveler, that's some caveat! (smile)

Four hundred and sixteen years of history examples can be toppled by one little caveat. Truly, that little point is exactly "the point" for today's time!

Our modern dollar world has created a fiat debt structure money system of biblical proportions. Nothing like it has ever been produced in the annals of time. We got to this point because our money was gold in the beginning. Then we allowed our confidence in gold as wealth to grow into
the abilities of mankind to continue such a money system without gold. The result is a massive debt against every thing except gold! Every asset that exists in the USA is fully covered by such debt several times over. Either directly or indirectly through various official government debts.

There is simply no historic example in the history of mankind that shows where everyone surrendered their assets to satisfy such debt. Yet, this is the process you Traveler, fully well expects from a deflation. A deflation by the way, that no gold standard today says must happen?

Truly, had the dollar advocates allowed it to be devalued against gold long ago we would all know where we stand. Free trading Physical gold would have slowly risen in dollar prices in an ongoing process that would have taken gold prices into the heavens. But, it didn't happen and an imploding debt structure (caused by pushing on a string of consumer credit demand) will be "QUICKLY" countered with debt instrument purchases from the official level. The old 1980 monetary control act is already in place and allows our fed to buy everything down to your shoe laces in order to stop any debt defaults. ==========more

Is not deflation the very outcome that the Austrian economist Mises predicts

following periods of rampant credit excesses? Furthermore, if one has escaped indentured servitude (being a debtor)through hyperinflation, how likely is one to "re-up" by borrowing at floating rates of "35%, 40% or whatever". What could one invest in and reasonably hope to make a positive spread (return on investment) if this is your cost of capital?

==========Well Traveler, if you go to just about any third world country today, there are many extreme examples of what "re-uping" is all about.

Further, deflation's following the credit excesses Mises talked about only happen when people believe the currency system will last and opt to stay with it.--- OR -- They escape the bad credit risk inherent in remaining in such a deflating system by jumping to another system of younger
stature. Still, it leaves the choice of hyperinflation as the only route after a fiat expansion.

When such processes unfold today, people look for security in a fiat. One that will back itself with gold valuations conducted in an ongoing nature. Something the US fought so very hard to avoid all these years!==========more

With respect to Trail Guide's "living in many, many lands and have witnessed and used such inflating systems," I would point out theseom2Ä^Ý3yýThe above is1C process for setting up the BUYS of the CENTURY. Perhaps a real time illustration would serve us well at this point post @ 39276) at $3.38, backed it to $7 and now moans about it at 40 cents. The chances are good that the bondholders will own this company following a structured settlement that converts the debt into stock and retains current management with reset strikes on their options. Current shareholders indexed rate brackets -- Thank you Ronald Reagan!
<fcfc in 1C2ÄUƒ3yý and in the 1Cns. WHAT ARE RODS? Rods are cylindrical shaped objects that are appearing in the skies, in homes and in the oceans. WHAT ARE RODS? Rods are cylindrical shap

Trail Guide (10/24/00; 12:16:24MT - usagold.com msg#: 39794)
Let's try it again?

ALL:

HA! HA! Oh Boy!

I was just rolling up through the posts and came across the tail end of mine. I thought it was some kind of reply from someone else. I thought, what in the world is he talking
about with all that Rods business?????

Then I saw it was mine. Guess it was too long and got cut off. Don't know where the rods in the sky stuff came from? Must be those funny people in Colarado or is it Calf.? (big smile)

Oh well, here is the rest of it from where it went haywire:
****

With respect to Trail Guide's "living in many, many lands and have witnessed and used such inflating systems," I would point out these key differences in economic profiles.

Unless he was economically alert during the last time a reserve currency "fell from grace" (the pound sterling following WWI), then the experience of Mexico, Argentina, Russia and other commodity based economies are not on point.

==========Well, the pound opted to have the dollar back it's "transitioned" currency so the effects are not the same. Further, their debt structure had not come anywhere close to what we currently have. So they muddled through. The same could be said for the dollar if it took the Euro
as it's reserve backer. However, comparing the debt levels of Britain then and the dollar now is like comparing a baseball to the universe!==========more

Furthermore, hyperinflation is difficult to introduce when a country's government, businesses and citizens are already overly leveraged and are having trouble meeting debt service obligations ($2 trillion annually as recently posted by ORO). Total debt in America is often quoted in multiples of
record high GDP. It is one thing for the FED to pump money vigorously into the economy. It is another matter all together for the banks to find credit worthy or semi-credit worthy users of this fresh tidal wave of liquidity. By some estimates, corporate America has already leveraged up from
a conservative ratio of 25% debt to 75% equity to a precarious 75% debt to 25% equity ratio. That is almost a 10 fold (1,000%) increase in debt!

========== Traveler, every time you bring another log to our "Gold Trail" fire, I pour gasoline on it and burn it before it becomes of use. But keep trying, sooner or later I'll run out of fuel. (smile)

Again, hyperinflation in our economy will (as I demonstrated in the beginning) begin with our government buying the debt from creditors and changing the terms of it's payment for over leveraged citizens and businesses. Further, a rising price structure of an extreme nature, such as this, quickly raises all wages and income levels. Allowing everyone to service easily what seemed like a mountain of debt before. No different than looking back to when minimum wage was $1.00 and now is $5.00+/-. Only happening on a super accelerated scale.
==========more

In summary, he who has the gold makes the rules. The creditor class -- both the domestic plutocracy and their foreign cousins, has the gold -- both literally and in the form of debt claims. They would rather convert their paper claims into foreclosed hard assets following a deflation and
at worst loose a billion or two from poor collateral valuations while reaping trillions in new purchasing power. That beats passively loosing 20% - 40% - 60% of the value of the entire debt portfolio from hyperinflation.

========== Exactly who in the voting public do you think is going to sit still for this paper conversion? You,,,, me,,,,that man behind the tree? Ha! Ha! """NoONE""" leaves their debt claims laying around in a country where their citizens are being economically tortured by huge, all
consumeing debt claims! At least not without massive risk returns. That's why rates soar so high. You either run for it or take a big chance in staying,,,, most run if a stable medium exists. Providing that medium in either Euros or a Free Trading gold

market is where the ECB / BIS can play the
good guys==========more

Furthermore, if the word came out that hyperinflation was the policy of the USA, who would lend their funds for the prospect of receiving less purchasing power later? I for one would rather take my chips overseas to an economy that is stable and offered good returns for definable risks.
Domestic usury laws can only be raised so high and bankruptcy laws tightened so tight before the great unwashed revolt.

==========My feelings exactly!==========more

The major risk to the scheme of the plutocracy is a revolt of the masses -- whether politically through election of populists who pass legislation such as foreclosure moratoriums or violently though protests, strikes, lynchings, pogroms and the like. Thus inflation followed by hyperinflation will be instituted by the FED at the instruction of its masters once the fear of loosing it all exceeds the greed of gaining another prized asset on the cheap.

==========Very good!==========more

Lastly, consider this. Current wealth of creditors only increases during deflation as each dollar now held becomes more dear.

==========That used to be true before the volumes of debt securities began to dwarf the universe. Today, most asset holders are true to nature players of the trading mentality. If inflation becomes the risk, they will exit the door in an attempt to out trade you and me (and that man behind the tree (smile))! Most of them will simply run up the inflation ladder seeking the next higher return. In the process marking the market down in existing holdings until the government must also buy those items at par. ==========more

Inflation is a wild card for everyone. For example, my one ounce Maple may be worth $20,000 or $30,000 once deflation is turned into hyperinflation (and former creditors have switched to being net debtors). But what is that $30,000 worth in today's purchasing power - $3,000 for a 10 to 1
return or $300 for a big waste of time and energy?

==========ALL:

This is one of the major flaws in Western Hard Money thinking. We tend to view the dollar price of gold in a static purchasing power light just because it's bookeeping priced through paper accounting deals.

Lost in our perception of all this is the fact that current bullion prices must rise into the thousands just to reflect the US credit inflation that existed 20+ years ago! Much less reflect it's value relationship to the current trillions of debt.

Our modern dollar paper gold derivatives have masked the true gold values all this time. Start with a base of gold holding it's international wealth value at $3,000 to $10,000. Then extrapolate that to handle any future money printing to buy our

already hyper inflated debt! Now you have an idea why PGSs (Physical Gold Advocates) are so quiet as they buy bullion today.

The current marketplace has so understated it's true dollar value, physical gold must rise far beyond any price inflation that's in our future. Only Western commodity traders using a thought process that says; """the dollar market price of anything is correct because the dollar price says so""" think gold today is a "one - on - one to price inflation" proposition. Nothing could distort the picture more.
==========more

Truly, what waits for us economically just over the horizon will be calamitous and stunning for all but a few.

====""""We watch this new gold market together, yes?"""=====

Black Gold, Yellow Gold - the only wealth worth physically owning.

=======Absolutely, Sir Traveler, Absolutely!!!!==========

Thanks
Trail Guide

Trail Guide (10/24/00; 17:06:37MT - usagold.com msg#: 39811)
Comment
TownCrier,

Thanks for explaining about the long post cutoff limit. I think in the future I will address other posts with short clips of their items in mine. Then none of these will get so long.

TC, I'm going to read all of your recent clips as they do address a lot of the things happening now.

I also want to summarize my discussion with Traveler as it came across too broken. I do accept many of his points but am really trying to explain clearly what forces are in play now that will alter those same.

Thanks for all your work, Trail Guide

Hello TG,

I saw your msg#: 39809. No that is not entirely what I said. I think if you read the latest James Turk article here in the USAGOLD system you will see different. He does a nice job of explaining some of it. You see, assets can go up very big in an inflation but still come no where near to keeping their purchasing power. I'll cover this more when I post a summary on the Gold Trails.

Trail Guide

Trail Guide (10/25/00; 19:32:37MT - usagold.com msg#: 39927)
Comment

Two replies, then a story.

ALL:
I'm fighting a cold bug,,,,, trying to write a small novel of a reply to Appolo's #39611,,,, preparing a summary to Traveler,,,,,, and then I smell the stench of paper gold burning! So, I hurry up and look under my chair cushion (need a ladder to climb up and get in it now because of the mound under it) to see if it my gold bullion had also burned up in the flames,,,,,, it didn't. Boy, that was close (smile).

Mr. Holtzman, thank you for that reply and excellent explanation. I'm glad to see that you have "orientated" yourself into a position of understanding. My position in the currencies is a bit more thin in the diversity department.
I am now down to just the Dollar and Euros. Having recently changed the ratio far into the Euro's favor (around .88/.86). My advantage, of course is that I can just spend them there for any number of fine, much better valued assets if the dollar never goes south again. You know, in poker they say "anything is possible, it's just not probable". So, I do give the Dollar a .00000001% chance of never going down to Euro par again (smile).

I heard Eddie George is also becoming "orientated"! He went out of his way in Paris not to rock the dollar boat too much. Calling the Euro "substantially undervalued in terms of the medium-term 'fundamentals'. Oh boy, it must be killing them as the Pound is clearly in the same pickle the dollar is in and that trend is in motion.

Suddenly everyone must talk out of both sides of their political mouth and the ECB has got to love it. England / USA need to sell to Euro Zone or their already tiny profit margins are going to completely disappear. Not only that, the Euro exchange rates sets the competitive margins everyone else must mark against. Soon, if the dollar doesn't drop, taking the pound with it, we are going to have a very hollow backing behind an already sky high economic
structure.

To back up that contention, the same Reuters article said " Tuesday showed Britain enjoyed a trade surplus with the rest of the EU in August for the first time in almost five years, despite the strength of the pound versus the euro."! But then confirmed that "there is evidence that British
exporters have been cutting their prices in sterling terms to maintain their competitiveness in European markets in spite of the strength of the pound. That has hit corporate profits."

So, Americans openly display their strong dollar saying the Euro is week,,,, while knowing full well that EuroZone is outperforming on a long term basis and their currency is really strong in that fact. The pound is being drug up with the dollar, yet both countries know their money's overvaluation is a bad sign. Killing their markets.

It won't be long now and everyone will be talking out of only one side of their mouth,,,, and it will be saying drop those interest rates Alan, you must get that dollar down. Big inflation, here we come!

I bet the UK is into the Euro before we know it. They missed their chance (worried

about a little minor inflation) and now will come up with some ad-hock tracking system, you watch! Eddie is already throwing off hints; "For the time being our best bet, it seems to me, is for both the Eurozone and the UK to continue to pursue macro-economic -- both fiscal and monetary -- stability in parallel" Did you hear that one? Trail Guide

ORO,
you have placed so much fine information out here and I never go into as much of it as I would like. I saw your #39804 "Debt to equity, according to Noland, is at 83%". Not good, my friend!

I'm doing an abstract fiat money example and hope to use it as a base to construct some discussion with you. It' so hard to talk here with everyone using such closely related terms, we often don't get our point across. At least I don't.

Story:
Was traveling a while back. I stopped and tried to tell a fence post (there are a lot of those scattered across this great planet of ours) that there is a difference between "the price" and "the value" of things when fiat markets are involved.

I said that the efficient market theory is skewered
when there is an unending supply of new fiat credit for people to bid with. In such paper markets, the paper money price cannot represent the real value of things in the course of our lives. Take away the ever expanding paper pricing mechanisms and replace it with a fixed amount of bidding units and the real worth of things in our lives becomes known. Of course I'm not just talking about gold vs paper gold. It's most all things, except gold is the most extreme example today.

Know what? That post didn't say a word. Just stood there holding the fence up. Either I'm dumb as a "____ post" for talking at all or that sun-of-a-gun is smarter than it looked.

You see, I think it knew something was wrong below him that we couldn't see,,,, because next morning he was at a
phone booth calling Colorado about something. This really happened!

The moral of this story is:

"you can't turn a wood post into paper then gold,,,,when even "knot heads" know it's rotten two feet into the knoll"

(smile)
Stranger, yes?

Trail Guide

Trail Guide (10/25/00; 19:35:10MT - usagold.com msg#: 39928)
(No Subject)
SteveH,

Picture me with a big (SMILE) (EAR TO EAR)!

SHOWTIME!

SteveH (10/25/00; 19:28:27MT - usagold.com msg#: 39926)
How do you spell "disbelief -- two?"
Date: Wed Oct 25 2000 19:25
scorp54 (WOW!!!) ID#233298:
European central banks might increase gold reserves
Tokyo--Oct. 25--European central banks might increase their future gold reserves and reduce exposure to the "risk-free" assets available in the global market, Herve Ferhani, head of the foreign exchange division of Banque de France said on Wednesday at the Nikkei Gold Conference in Tokyo. He said he sees United States bonds and gold as global risk-free assets and added that gold is one of the few options available to replace the US bond, or even the only option.

Trail Guide (10/25/00; 20:28:42MT - usagold.com msg#: 39948)
Last Comment

Hello Steve,

Well, it's never as bad as it all seems. Remember, people, nations and empires have been doing this from the beginning. We are, as a people much stronger and tougher than we think ourselves to be. Us Americans and all North and South Americans will survive and be better for it. So the
Europeans may come out on top for a while? Good for them. They are good people too!

As I said long ago; most everyone takes our thoughts as major gloom and doom. That is totally wrong. I expect the US to change, not die my friend. Great doses of reality force us into a better life, a stronger life.

Again, the secret to navigating through changing times is in not allowing others to control you. Indeed, 90% of that power comes by controlling your own financial assets. None of us has to lose to experience change, but we must change not to experience loss!

This chess game is a long one and we will have time to discuss this further. Until then, consider following a conservitive trail that puts you in control.

Trail Guide

Trail Guide (10/26/2000; 14:06:09MT - usagold.com msg#: 40024)
Reply

A few comments:

----------Cavan Man (10/25/00; 20:41:58MT - usagold.com msg#: 39953)Trail Guide has left me behind along the dusty trail; left me in fact for the buzzards! ----------

Cavan Man, you know full well that neither I, you or anyone else can possibly talk with everyone here. I have a certain amount of time allocated for this. Some days more, some days less. There are other things to be taken care of and without limits,

one could stay here all day. (smile) As this forum
has grown and events progressed, there is even less one on one dialog between all of us. In the end, we will all be reduced to mostly reading and watching facts as they unfold.

to continue further:

---Canuck (10/25/00; 20:53:44MT - usagold.com msg#: 39954)
@ Trail Guide From your 'fence post' story,--------

Canuck, if I could deliver this message in 50 dialects, write 20 books on the subject and use every possible literary devise, it still may not spread the word in it's fullest understanding. There would always be people that must conduct a disquisition after reading and even then still never grasp it.

This is not said to disparage you, it's a recognition of the vast diversity of how our minds work. To reach a diverse group one must present their thoughts in diverse ways. You must already know this? In addition, some people and cultures grasp a riddle faster than plain speech!

The fence post story had many meanings, none of which were conveying a secret message to someone and certainly not inside info. The fence post analogy came to me naturally. In the past I have sat around campfires, under the stars, late into the night where the whole conversation involves the passing of riddles.

The use of "fence post" as in; "hard headed as an old post" or "dumb as a post", etc. is an old American wild west expression. Maybe even Euro/Asian, I don't know! It's often used today. During yesterday's discussions, I got the distinct impression in several of the exchanges that one of
them was acting like said post. The usage was done with that double meaning and also portrayed how wood is used to make paper and paper gold is traded for physical. Somewhere below the surface (post below ground,,, knoll) that which becomes paper (gold) was rotten to the core and even the (paper players, BBs, etc.) knot heads (as in knot in a tree or post) knew it. Stranger's only part in this was that I tied it to his "new fence" making he and everyone here talked about the other day.

Further:

So, you need to know my status in order for any of this to gel? Well I can tell you that a lot of high powered people through out the entire currency and gold world have had it all figured out for a long time. And they didn't mind telling you about how to play it with leverage, I might add! Yep, serious credentials, had they,,,, of a kind that one could just follow their thoughts without even a doubt. Know what it got them (followers)? Smack dab in the middle of a currency war and a very diminished portfolio to show for it.

Think of me as the garbage collector that you talk to every wed. over the back fence. That way I am sure you will not take what I say as an absolute. Like SteveH or Sharefin put it; they kept thinking (hopping) I was just a good story teller. You see, it's not knowing me or my level of
involvement in this that will make you any difference or do you any good. It's the process of turing around your thoughts to see all sides in this game,,,,,,, and that will place one in the best position to make decisions,,,,,in the end.

Trail Guide

Trail Guide (10/26/2000; 14:18:49MT - usagold.com msg#: 40028)
(No Subject)

ALL: I willnot in a nutshell just tell everyone; Hi, I'm Mr. Main Man and I know the King of England, Frank Sinatra, Ton Cruise and Jane Seymor (no I don't really know them!),,,,,, and I am buying gold bullion so don't you think you should too? Not much of a foundation building in that is there? That's right, it's just a bunch of unneeded buildup that hollows out ones credibility far more than building it.

So, on this forum, in this format we bounce from point to point along the way and try to explain our reasoning. This whole game has a thousand parts and everyone wants to see their least understood bit discussed. Now, there are a lot of talkers on this and other stages and everyone has their
position to explain. Good! But in the end, all this discussion will get more and more distilled down into just one,,,,,, the right one. The one Another said that time would eventually prove. Knowing my private life (or anyone else's) will add nothing to further this learning experience..

I (and much more so Another) said one should consider buying just gold bullion and only gold bullion for what is coming in our future. Not any of the white metals, not paper gold, not paper gold substitutes in the form of gold mines, not even leveraged gold contracts from dealers. But every time we (or anyone else) said gold would soar, most listeners just heard that one "bit", then used their own understanding from the past, to further invest for the future.

Another always said to buy bullion in proportion to your understanding of the changing market! And that learning became relative to unfolding events. For anyone not listening that was a "forward looking statement". We were supposed to watch and perceive and learn how our new gold market was evolving differently from how traditional hard money thinkers thought it should. People heard "thousands per ounce" and their brain stopped working right there. They immediately raced to buy the same outdated products used to track gold advances in the past. They didn't want to hear the rest of the story, preferring to invest first and ignoring the points we further made. Didn't want to hear about what could happen between "now" and that "thousands per ounce" later! Knowing my background now, is not going to change those mistakes.

Now many "Western Gold Bugs" are deep in the mud with no easy way to reconcile to the changes we said were coming? Who knows? Especially as things keep progressing right along these lines. In their position it's hard to reverse yourself. If one sells out all his paper for bullion now, then some spike guns the stocks and such you just sold,,,,,whether a meltdown later happens or not,,,,, it's a
killer for you mentally!

I don't know exactly where it will go from here, never said I did. This could be the lowest point, futures stay together and track an easy advance over a month or a year? Or, as we have been driving home for a long time,,,,,, the political situation may develop into a full blown currency war. Then we may find official institutions literally dumping margin money into paper gold so as to sell gold paper worldwide. What all the "fence posts" out there don't realize is that a few billion in short margin

can have the effect on derivatives of hundreds of billions,,,,,, and they just need cash to do it,,,,, no gold at all. Are they at risk of being called? HA! HA! You be the judge? If you got caught buying 2,000 contracts for example at $250 an ounce strike price (and even had the money to take it) would you stand strong for delivery if the price got hammered to $100 in two weeks or so? I don't think so! You would be like all the rest of the trading crown,,,,,, dumping your position and reestablishing,,,, over and over!

Further, at that point, everybody and their brother would know that a cash only fixed settlement was coming, because enough gold wouldn't exist to make everyone whole! That very thought would drive a premium into the bullion price that every paper trader in the world would swear was a conspiracy by the coin dealers (and bullion only dealers). I can hear it now on CNBC:

" Once again on Cemex, Landon and other major gold centers bullion trading (they won't say paper trading) was tightly controlled to limit the effects of what is believed to be manipulation of gold in Europe and by coin dealers worldwide. In an effort to help the market makers cope with the constriction of gold flows, trading is allowed for 30 minutes a week. During that time only some 300 contracts could be settled each day for cash at a fixed spot price . As a result of this limited trading, the premium on physical gold has been driven up well above it's real price designated on official markets. In some areas it's over $2,000 an ounce. Virtually shutting off all official center
gold trading,,,,,, on to other news!!!!!!

The above sounds like a joke doesn't it?

Lastly,

I have said this before and will again for the last time. I want all paper gold to soar. Such an outcome would be the very best thing that could happen. None of us hard money or gold industry advocates would lose with this. However, as a private individual I am not planing for that outcome. I am not, because of all the reasoning I have laid out in the past and will continue to do in the future.

Thanks
Trail Guide

Trail Guide (10/26/2000; 14:25:24MT - usagold.com msg#: 40029)
(No Subject)
Mr Gresham (10/26/00; 09:43:13MT - usagold.com msg#: 40002)
TrailGuide is our "insider"

Hello Mr. Grescham,

You're not helping me with what you are saying. In my world it lowers my credibility, not raise it.

Thanks
Trail Guide

Gold Trail Update (10/28/00; 10:40:53MDT - Msg ID:40160)
The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (10/28/00; 10:40:51MD - usagold.com msg#44)
There Is No Way Such A Currency Could Ever Last!

I'm glad to see everyone brought their overnight packs because we are going to take an extended walk this time. It's going to last over several days, so let's get going!

Onward:

There Is No Way Such A Currency Could Ever Last!

Here we have eleven completely different country's and each one operating under an independent government. They all still have their own internal currencies and banking systems but set most or all of their trade settlement and pricing in only one currency unit. With all the in fighting and at odds views, how could it be expected to last? To this end I completely agree with all the negative sentiment people today have! I completely agree,,,,,,,,,the dollar will never work! (smile)

Can you imagine any success at all when these nations try to use such a currency scheme? The countries of Canada, Mexico, Australia, Brazil, Britain, Japan, Peru, Argentina, Taiwan, Venezuela and Hon Kong all have operated for 20+ years under a Dollar system not much different in effect than the new Euro Project is birthing today. In fact, most of the world has used this ad-hock dollar reserve system for a long, long time!

So when we hear all the stories and reasoning about how the Euro will never last, just remember, the very same reasoning was applied to the dollar's future a long time ago. It's still here.

On the main USAGOLD forum I saw a post by Salmon (he must be hiking with us today) that asked a very relevant question I want to expand on; "People conveniently have short memory. I remember not that long ago $US were trading 80 on the US Dollar index."!

Boy Salmon, I agree some of these people must have been too young to have fully financially participated in the great dollar scares of the past. Either that, or your are right that their memories are short. I remember endless articles, discussions and books that all pronounced the death of the Dollar as we knew it. Each and every thinker all saw that the dollar would fail and their forceful commentary made today's Euro bashing look like sweet cream!

Yet, the dollar made it anyway and for all it's incredible misuse and global hatred is still the most widely used unit in the world. Over time all the dollar bears had to simply "be quiet" or risk being totally discredited as it's value climbed endlessly. Remember the mid 80s when the dollar was off the charts, making today's strength look week in comparison? What happened people? Dollar debt, money growth, price inflation all never stopped. Slowed down off and on, yes, but stop, no way! Every reason why the dollar should have stopped was / is still in force, nothing changed.

The very same people that voice their views against the Euro today would have, using the same criteria, said the dollar is toast at half the debt level and political

contention it now holds. But it didn't toast well did it? That's because the world's "political will" all came together and supported the Dollar's use for better or worse until something else could be formed. You can turn this "notion" upside down, sideways and throw it against a concrete wall and still not present a sound argument that can topple this as the fullest explanation of the matter. All the grand US economic explanations only sidestep explaining the negative monetary issues that have traveled hand and hand with the dollar through it's ups and downs.

Besides, listen to the bashers for their reasons as to why their own native currencies are still in use? Even after watching some of their local moneys change even more than the Euro. Kind of silent commentary in that sector, isn't it? They hate the prospects of the Euro and say their (Europeans) people will dump it, but I ask why do you still use the Canadian dollar for example? Why is that money still in your pocket but your discussion precludes that others (Europeans) will dump theirs. Use their reasoning against the Euro and one must conclude that no fiat currency today can last.

Our reasoning in advancing Euro success is based on what is happening, not what must not happen according to fiat trading theory. To use the position that the Euro will fall because the dollar has risen so high against it begs the question: why did not all of the European currencies fail in the mid 1980s when the Dollar soared against them then? Indeed, so much higher than even today?

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The Euro Story May Be Offering Something A Lot Of Paper Gold Investors Don't Want To Hear!

The Euro Project is changing the outlook for gold in a way many gold industry investor didn't play the game for. Not one of them ever factored in just how a reserve currency transition would impact "not only physical gold", rather the gold market itself as it exists today in dollar contract form.

It seems everyone was in complete agreement that any fall in the dollar would be bluish for physical gold, including myself. Yes, one day the dollar price inflation would return and bring with it the need for investors to once again buy all kinds of gold vehicles. However, as late as the mid 90s none of the hard money advocates thought of the Euro Project as a system that would change gold thought, use or valuation. The new currency was seen as just some new currency that would be tried out in another part of the world. Like a new Peso in Mexico?

But, Western traders had fallen asleep in their basic understanding of gold and certainly paper gold substitutes. Over the years, the very dollar system they expected to fail had been slowly transforming the pricing mechanism and the nature of world gold holdings. As contract gold was inflated to meet the needs of ever more sophisticated traders and hedgers, paper gold was seen as having a physical gold tracking longevity every bit as good as the dollar. No one expected the dollar to be displaced, so leveraging non physical gold in the form of dollar based contracts must be an easier, cheaper, more highly leveraged ticket. Sure, the dollar would be taken down a bit and price inflation will return, but the world was never going to leave this reserve system. In this stupor type reasoning, it made no difference whether real gold was behind the paper so long as it tracked the physical price. For confirmation of this reasoning, just visit some of the gold forums and listen to the traders. Even

some on our forum are completely unbiased toward paper gold's worth. Is it no wonder that, in time paper trading grew until it became the physical price.

Again, no one considered what would happen if the dollar was transitioned away from being the reserve. Well, they must have thought; if it was to happen, what ever new reserve that came along would just offer the same paper system and we would all trade over into it. Wrong! Suddenly, the ECB has in it's charter the marking of gold to market, at what ever it's worldly price would reach and in Euros no less.

But, here, we have the entire American dollar based contract gold market predicated on a limited commodity price range policy, pushed by the US, that kept gold in a pocket of dollar valuation. Not allowing it to leave this range allowed the growth of paper only gold because the outside extremes of price risk (both bottom and top) was known. Now we have a real threat that the Euro could unseat the dollar and allow gold to seek what ever level physical demand may allow. Can you say, "unlimited risk"?

A complete breakdown of the worlds only current contract gold market would slam the dollar very hard, indeed. It would also completely disrupt and financially fail the entire gold industry. Most every player that is "playing for a move in gold" will lose his playing vehicle in a currency transition the system is not structured for "limited price moves"! Hence the reasoning for our "physical gold" only approach during the rough period ahead!

I'll close now, as we walk a little further. Then we can discuss what currency is "in abstract form". You have heard us say many time that the price inflation is already built into the Dollar, well, this will help you understand why.

Onward: next stop in a little while

Trail Guide

Gold Trail Update (10/28/00; 11:05:38MDT - Msg ID:40162)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (10/28/00; 11:05:36MD - usagold.com msg#45)
Quick Correction!
In the last part, please read as: "UN limited price moves"

--the system is not structured for "unlimited price moves"! Hence the reasoning for our "physical gold" only approach during the rough period ahead!------

thanks

Gold Trail Update (10/28/00; 18:12:20MDT - Msg ID:40175)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (10/28/00; 18:12:18MD - usagold.com msg#46)
The inflation is already around us!

ALL:

Let's stop walking and begin here by using one of Traveler's thoughts (USAGOLD poster).

"Deflation is everywhere and always a monetary phenomenon."

The "Traveler" was absolutely right with the above remark. This perspective has been around for some time and describes to an extent our paper money dilemma. However, reading from a different angle would require another question; what kind of "monetary" are we dealing in"? Even better to ask; do credits in any monetary system always try to deflate?

Well, in most kinds of fractional gold money systems there is an absolute end to the amount of credits (debt) that can be extended. Even when banks are allowed to make loans at some multiple beyond their gold holdings, eventually the relatively fixed gold stores in their vaults stop all new credit creation. Usually this process is quick to react as a shut off valve and creates somewhat of a deflation before the credit expansion impacts the economy too broadly.

So here we can say that "deflation most likely is waiting around everywhere, all the time", but it becomes most apparent just as soon as banks begin lending too far beyond the fractional limits that gold places on them. Somewhere between point A "gross amount of debt created" and point B "gross amount of debt created", physical restrictions force a stop to further credit creation. That forces the economy to begins it's failure response to service some of said debt. Deflation is then in the air. Most of you hard money buffs have heard this explained before in several variations.

Today, fiat money systems operate outside gold's control and do it on two levels to destroy savings. Both of these levels work to pull wealth away from you in a way that's out of sight and out of your control . Further, the matter in which these processes are discussed tends to hide the wealth destruction by placing it's eventual effects as always happening more in a future tense. That's not the case and much of our presentation for physical gold now, is based on understanding how much a currency owner has lost already to said money wealth destruction.

So, try to place yourself in a different position, using a somewhat abstract view that may allow you to see what is happening "underneath". In an off take from Traveler's above, let's try to look at a different kind of "monetary" to see if anything changes with it's use. First, we consider the fiat as it is in use now.

Once we leave a fractional gold system, nothing changes all that much. In place of

gold, banks are given strict percentages of credit creation that in some ways follows the same rules gold imparts. In a very basic sense banks can only create so much credit unless the central banking authority sanctions more bookkeeping reserves for them to lend against. In many respects, if those in authority kept to their strict rules, our fractional reserve paper currency system would work just like the above gold system would. We would indeed experience "deflation in the air" as soon as said lending limits are reached.

But in a fractional reserve fiat system, people make and break these money rules and use whatever advantage gained to overlord others. Some of us explain this by saying it's this faction or that faction doing it to all us in another faction. But power groups-are-us and indeed our whole political process is but the playing of factions against each other. So, I leave out the blame placing, preferring to see our actions as a people's will. Or political will in the end.

It seems that in our human experience, there is no end of reason why we should not avoid most losses and expand credit just a little more. War, special circumstances, social need, emergencies all add up to a constantly expanding debt system and changing the debt creation limits to meet those special needs. Simply put, a fiat system run by humans will not cut off the arm of single dynamic group when it (the system) can be engineered to cut off the finger of everyone! This is the monetary loss phenomenon we must understand and deal with today. It's the only deck of cards we can play with if staying in the game is a desire.

Every time excess credit is created it robs one of us of a finger of our wealth. Even though we cannot immediately see the general price increases such a money expansion creates, it's dilution of our own wealth is all the same and very real. As an example:

==========
Work with me on this?

Say you owned a plot of land free and clear with a barn on it. You even had a deed to show it. That deed was a paper derivative of your real wealth holding, the Barn (and land). Worth at least $100,000. Now you may say that the Barn was yours and it alone represented your assets, paper deed or not. But just try (under current laws) to sell that land without said deed? No go, right?

Now lean back, close your eyes and imagine that deed as a type of fiat currency you own. Then, one day you try to sell the Barn at auction. You come to the auction house, deed in hand and offer it for sale. Suddenly, you find out that the county clerk has created nine other deeds against your land, placed them in the hands of others and those other deeds are also for sale by said holders. The auction takes place and instead of your one deed bringing 100K, the extra ownership forces your sale down to a real value you never knew existed. That being $10,000 as it represents your diluted derivative's share of the Barn pie.
==========

So what happened here? Examine not only the facts but your misguided emotions as well. You, as a fiat currency owner may for years own a currency (deed) that you know has a buying power or worth equal to 100K. Yet, all the while you were saving this money for later use, other money deeds were being issued by the officials. An observant watcher of the financial scene would know that other money was always

being created, but even the best of us never fully feel that those other deeds apply to our portion of the Barn pie. In other words, from the beginning and over some 20 or 30 years, our savings were diluted away by the continued issuance of new money. We always feel, emotionally that we can sell our barn near full price. That we can spend our money for something that brings in our perception of that $100K in purchasing power. But in reality, once we enter the marketplace in mass, rushed on by a sudden recognition of what the county clerk has done, we find our wealth was diluted away long ago.

This is what Another meant when he said, "your wealth, it not what your money say it be"!

Now open your eyes and think in currency terms. Why shouldn't we think our money is not holding it's value? The fact that prices are not rising only confirms that our part in the market economy (represented by Barn ownership) is not being subdivided, yes? No, the fact is that your wealth has already been inflated away by past currency inflation. You see, currency inflationist want you to perceive that your savings balance against equivalent buying power in the future, not today. The fact is that your deeds are being inflated and the value is lost, today! Never to be regained by gaining additional account balances in the future. The very extra balances you count on to keep you ahead, only dilute the pie that much further.

Are you with me?

The secret behind the over creation of fiat currency is in the fact that most of the holders have no way of knowing how much their wealth or buying power is being diluted. Except at auction! The auction that is the marketplace for all goods produced and sold.

Again, as long as the MAJORITY of owners hold the deeds without taking them to auction, the loss of value never shows up in the real market auction place we call "spending"! This is how a huge credit expansion in a fiat system hides the dilution. It entices owners to hold the deeds as near money in the form of interest bearing credit instruments. In this process everyone can lose a bit of a finger every so often and never know it. With all this background in mind I continue our discussion:

==========

Once our regular fiat system expands debt well beyond a point where gold reserves would have forced it to deflate, our economy demands that we enter a constant slow debt expansion that stops deflation from taking hold. In this sense, deflation is always "in the air" the moment we stop adding reserves. The system slows down whenever new credit flow stops. At this point Travelers statement takes on more meaning and has an expanded context. "Deflation is everywhere and always a monetary phenomenon because; we create the monetary ourselves and do it with no controls over our desires not to lose as a group". The dilution of all our money holdings is constant and real, yet none of us wants the system to tally up as long as we can slowly share the pain. Suddenly, monetary phenomenon is really a social phenomenon when Fiat is used.

At this point, one the dollar world has been past for some time, deflation is no longer

the consequence of over debt creation. Deflation is now determined by our hand as we adjust the fiat reserve supply. Often, in order to slow things just a little before we start again the fed stops it's manufacture of deeds (err,,,,,, currency reserves). It becomes a cycle that many have identified as the inflation / deflation cycle. It seems to have no limits to it's life in our modern world.

But it does. At some point, deflation becomes a socially impossible event because the credibility of the money system is rendered second behind recognition of real wealth loss. Here, we will lose the wealth anyway, but our books will still balance. This is our future in a currency at the end of it's timeline.

Consider this a while.

Then I will summarize my reply to Traveler, using the above.

Thank You
FOA/ your Trail Guide

Gold Trail Update (10/30/00; 08:31:19MDT - Msg ID:40261)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (10/30/00; 08:31:18MD - usagold.com msg#47)
Real Inflation

Good Morning ALL,

It's nice to wake up on the trail for a change. In fact, change is in the air on this morning so rare,,, do you feel the wind beginning to blow? I do.

The other day (back in town) I responded to one of a series of The Traveler's posts. His was offered on 10/24 #39771 Deflation Scenario II. My reply was on the same day #39784 and (because it was broken off) #39794.

Before carrying my reply further, I wanted to establish a base of thought for reference. This was done in the last two talks (see below) of this extended hike.

So let's begin today, Onward:

Early on in that discussion I said:

==========Mr. Traveler: conversely: the "real" inflation I point to is largely a cash phenomenon, where all the past massively over created credit instruments are brought up by the money making authorities and paid for with printed cash or allocations to the owners digital cash accounts.==========

This above comment should clearly point out what we see coming on the horizon. Over the last 20 or 30 years analyst have always explained our US inflation process as being one of continued credit expansion. If the economy began to contract from too few credits being created, we speeded up the credit making machine. This has

been true and is something I agree with. But after so many years and cycles of this process it has largely become a continuing operation that never stops or any longer slows. Such an evolution into constant money inflation has and does slowly change and condition our perception of it's dynamics.

Back then, many years ago, slowing the money pump may have entailed actually bringing the paper creation down to zero or even into a negative creation condition. But, in keeping with the explanations I have pointed out on the Gold Trail; currencies have "timelines" that upon close examination are really just an expression of the changing social expectations of the society that uses said currencies. Earlier on this extended hike we heard:

========It becomes a cycle that many have identified as the inflation / deflation cycle. It seems to have no limits to it's life in our modern world. But it does. At some point, deflation becomes a socially impossible event because the credibility of the money system is rendered second behind recognition of real wealth loss. Here, we will lose thewealth anyway, but our books will still balance. This is our future in a currency at the end of it's timeline.=========

This ending process becomes a natural "next event", not only in our minds but in our culture's actions. We no longer think of the currencies credibility as being at stake or even an issue. Now, well into an expectation that "expanding credit" is natural and acceptable because the world (and ourselves) needs more of it; just the act of slowing the increase is enough to trigger deflation talk and thoughts of economic slowdown. The whole process of what we once knew as "real inflation" the monster, becomes an acceptable, wanted event.

Yes, we lose the wealth into price inflation anyway, but our accounting tells us we are keeping up, so everything is ok. Gently, the notion of a slowing of credit creation is good, evolves into a constant rising expansion of credit that is not moving fast enough! This is the realm we have been in for most of this decade even as it has been masked by an overvalued dollar. Now we begin to move into the next stage, "real inflation". From my Traveler reply:

=====However, in the real hyperinflation that's coming, as it follows our current credit inflation phenomenon it's not the borrowing class that's liquefied, it's the lending class!========

Because so far it's only the financial structure that's been inflated, the rise in real good prices is just a partial reflection of the "account inflation that's all around us". Already it's built into our rising accounts and denominated in digital currencies. Yes, we have been beating price inflation on the books, but only beating the portion that's been reflected against our partially liquefied super inflated financial structure.

I the dollar falls, and prices start to rise, we will demand that our accounts continue to beat price inflation. The officials will grant our request by making sure none of this nations financial assets fail. Because our money has been built as a debt money system, if you only just carry or use dollars, you are part of the "lending class". The very class most point out that will demand deflation. Clearly, our holdings out vote the perceived evil "world order" that we fear will collect! A world order that is really just a reflection of ourselves in the money pond.

Maintaining our perceived wealth, if only in bookkeeping form will require these

officials to liquefy everything. The recent derivatives bill now being passed in congress is only another step in this cashing out process. A process for us, that can best be described as; someone standing in an elevator while the building around them moves downward. In our eyes, our accounts (as the floors around us wiz by) seem to be going up as they beat a new rising price inflation, in reality the entire financial structure is going down as all the credit instruments from our past are cashed out by the printing press.

Further

This is why people run from what was once perceived as a strong currency and the social system that created it. This transition from "credit expansion" to "credit buy outs" acts to place real numbers into the economy and those real digital numbers will start bidding in the marketplace. Suddenly, as in my "Barn Deeds" explanation; everyone is forced to reconcile the fact that their previous buying power, held in various "credits in account form" never could equate to real buying in our truly limited goods marketplace. Their loss to money inflation was always with them over many years, just never quantified at auction.

In such a process, even foreigners, important people, bankers and such, do not retain their debt claims on society. They join in the mad scramble to sell out because they are just as unable to change the process as is anyone else. Deflationary gains never come to anyone that waits. From my reply:

=======foreigners holding even government guaranteed paper debt in a deflating currency is little more than bookkeeping wealth if the actual goods buying power of the currency is compromised. Yes, our US would continue to print dollars to service it's debt, making the accounts look good. But, in such a deflation situation, foreign exchange controls are a 100% guarantee. Foreign held dollar assets would not come home, at least not at the same exchange rate one needs to become financially whole! When the world begins to abandon a currency at the end of it's reserve timeline, deflationary gains on debt instruments are an illusion of bookkeeping.==========

Further

This is why we don't watch traditional banking numbers or official money supply Ms for future directions. These will become reactionary items, reflecting the coming changes well after the cashing out event begins to unfold. ORO pointed out in what I view as a good description of how out system will spiral in such an event. Over and over, credit will be liquefied in an unending circle. Parts of his post:

====ORO (10/24/00; 23:00:45MT - usagold.com msg#: 39827)
Trail Guide and Traveler - bankers liquidity

The banks themselves can not survive a credit crunch where more than 10% of debt is unrecoverable. That would wipe out the whole of the banking system.

In order to save the banks, the Fed must print enough funds to bring back the banks to a point where they are at least liquid, if not solvent. Meaning that as banks sell surviving assets to meet withdrawals

The market value of these assets from distressed sale will fall substantially below

what it otherwise would have been. In order for the banks to survive, the Fed must pay above market prices for bank assets till bad bank assets are at a low enough level that they cover remainingliabilities.

Since the market value of bank assets (not the fictitious book value) under current circumstances (higher general interest rates and high spreads) is falling, while bank liabilities are still growing at an interest rate similar to that of treasuries, Bank capital is falling at 10 times the rate at which bank assets are falling==========

Even though ORO was describing a deflationary event response, once a real price inflation is accepted and expected by people at large, the rising rate levels force the government into this same circle of events.

Looking at all we can see today, "inflation is in the air" as never before. Expecting traditional credit cycle events to save our financial structure this time will be asking the system to do what no one wants it to do. The very best and clearest early indicator that a super inflation is upon us, will be seen in the next "one way" fall of the dollar from it's overvalued level.

Our system of hiding past dollar currency inflation within a falsely valued credit structure is about to break wide open from a falling exchange rate. In the era before us, understanding the failure of our dollar at the end of it's timeline will require little more than knowing the price of bread at a grocery store. High finance is about to be "distilled" down to it's true worth; knowing the physical gold price an honest bullion dealer that can deliver at the same.

Now, let's hike back into town to continue on the USAGOLD forum.

Thank You
FOA/ Your Trail Guide

Trail Guide (10/30/00; 13:29:32MT - usagold.com msg#: 40272)
Reply

Hello Mr. Gresham,

Your $40263:

-----you are basically saying that the official targeting of a gold price was a game that could be played only until the remaining "goldbugs" woke up to the shell game, and stopped playing the Comex/LBMA markets. Betting their margins against officially-sanctioned and guaranteed margin money.----------

You know, a certain amount of the action in these markets is very real and based on the give and take of actual legitimate metal trading. I think this is what gives so many of the convinced (paper = physical) paper traders fits in understanding how the other parts are little more than cash against cash bets. They don't see any of it going wrong just because someone is legally bound to deliver the goods. Yet, if push came to shove, there isn't enough material existing in the world to cover all this betting. The only way these guys will grasp it is when it all shuts down and settles at

some forced fixed level while people outside the betting game bid physical prices through the roof. But, by then
these paper boys, along with everyone they talked into this game, will be out side, looking in.

In this process, large institutions can literally and very legally sell the daylights out of our paper arena with no gold at all. Hell, it's free money as long as the game has a currency to mark itself in. Mr. G, when you have a market that (relative to volume) almost none of the players execute against (take delivery), even when they are way ahead, it's a dead give-a-way that they won't execute when they are under water! You agree, right?

My goodness, even a lot of the mines settle their short commitments for cash and roll over to keep the game going. And they mine the actual gold! Some of the biggest (most vocal) Western Gold Bugs, run like mad to sell any bullion they get held up for in a delivery. They get stopped after last notice day, and unless the metal is for a commercial use, it's sold right then and there.

In this environment, one that has existed for some time, is it no wonder the major "political will" (in favor of the dollar) has such an easy time drafting paper sellers? Is it any wonder that with every player alive using their tools to dig this hole as deep as possible
(for the good old Red- White- and- Blue!), the ECB/BIS is standing back as long as able. Watching to see just how far (deep) we'll dig ourselves?

I have to smile when thinking how; one day, a few CBs and other dollar holders are going to place a serious bid on physical. Don't worry, at your age you'll live plenty long enough to see it (smile). They'll say, we want a little gold now. No, no paper, just all you got in your little warehouse. That's all you got? Good, take it all! Right now!
Ha! HA! Soo-Long entire dollar gold derivatives market, forever!

You point out: -----Until this moment, I just assumed the paper gold market was a normalphenomenon of markets instead of a recent put-up job just to absorb physical demand, but now Ican't recall actually hearing of any other locations for it.----------

Good item Mr. G.! Stop and think and ask anyone that same thing. Truth is, the entire gold market on this planet is a huge derivative of just the LBMA! Even our Comex. They all mark themselves to dollar settled contracts and prices out of London. Just like oil. You want to know something
Another told me? The moment oil pricing begins it's full shift away from total dollar pricing, that very same moment, gold will do the same! Because oil and gold don't flow in the same direction, they can't settle in different reserves!
And if Euros become the predominate fix for gold, it will be based on predominately physical trade. What a change this is going to be, ha, ha!

----------(Hmmm... What a choice!) I should learn more about art works,collectible coins etc,----------

Mr. G., you read about the great German inflation's, read also about what they took when in Paris. When huge transitions of power mediums happen, money becomes

things. Violins, paintings and antiques are good, but gold coins rule the roost! This idea about rare and almost rare old gold coins was not invented by MK or anyone else, the market made it so and will do so again.

----------The boom in some real estate markets----------

Well, I expect that once "real inflation" comes to town, no one is going to have any problem holding onto their residential real estate. All other forms????? But individual houses will zoom right with the money meltdown and stay right with it all it's failing days. How long? Could take years.

But, remember, Real Estate will be hard to keep leveraged. You risk having the banking rules change as the whole economy switches into an inflation mode. Sure, houses will go up, but you may have to sell or refinance if it isn't paid up, full. In addition, houses will not come anywhere close to making you money once this starts. They will only keep up. Bullion, on the other hand must roar way way ahead, just to come up to the starting line! This is the real reason so many paper players cannot understand the leverage in physical gold today. But, boy, I'll tell ya,,,,,,, there are a few other quiet people out there that understand it.

So tell me, do you think I'm bullish on physical gold? Ha! Ha! (smile)
OK, enough for me, time for important things, gardening!

Good Luck, my friend

Trail Guide

Trail Guide (10/31/00; 05:10:28MT - usagold.com msg#: 40300)
Euros here to stay
http://www.telegraph.co.uk/et?ac=003718264633038&rtmo=aq9XJ6dJ&atmo=tttttttd&pg=/et/00/10/30/wger30.html

My points are:

Professor Hankel argues that the currency has failed to meet the key constitutional criterion of stability
--------but-------- Professor Hankel --------(is the same gadfly)----- who lost a court case to delay membership to the single currency two years ago,
----------so----------While embarrassing for the government, his case is unlikely to succeed.

Consider these good points:

The German government has recently insisted that the euro was bringing stability and growth to the economy, in sharp contrast with the instability of America. ----------

Hans Eichel, the Finance Minister, told MPs in the Reichstag that the situation was

the best it had been for a long time. He said: Economic growth remains strong, unemployment will fall and inflation will stay under control." ----------

Mr Eichel suggested that the real problems for the world economy lay across the Atlantic. He said that growth rates in America were unsustainable. The danger was of an American "hard landing" that would bruise the global economy.----------

Mr Eichel said: "You cannot have sustained economic growth with such a high balance of payments deficit and such a low savings rate. I hope this problem for the world economy reaches a gentle resolution.----------

As Mr Eichel spoke, ======= Washington was preparing to announce a rapid fall in economic growth from 5.6 to 2.7 per cent in the third quarter of this year.

==German growth is expected to average three per cent. !!!=

(it's the dollat that's too high,not the Euro too low!!!!)

ALSO:

Wim Duisenberg, president of the European Central Bank, called on Germany to do more to end "structural rigidities" during a visit to Berlin last week.

----------so----------

Chancellor Gerhard Schröder and Mr Eichel said they are reforming already. In July, they forced through the biggest package of tax cuts in German history. Changes to the notoriously costly German pension system are in the pipeline.----------

Leigh, a comment in a min. (how is your foot / leg?,, broken still?)

thanks
Trail Guide

Trail Guide (10/31/00; 05:43:16MT - usagold.com msg#: 40301)
Comment

Leigh (10/31/00; 04:50:26MT - usagold.com msg#: 40299)
Quick (but dumb) Question

Hi Leigh,
I'm kind of dumb, so guess that question fits my level (smile)!

You know,,, the world is awash in derivatives,,,,,,one of the biggest gambling paper schemes of all time,,,,,,and it's all based on the continued use and stability of the dollar! In fact, that is the one area no one ever questioned when derivative stability considered.

Now, suddenly we have a perfect setup and presentation of a Euro / oil trial balloon,,,,, using a country no one would fault for doing it (Iraq),,,,, and the US literally walks all over the heads of Congress,,,,,,,,,,, leaving shoe prints on their backs in the process,,,,, to get HR4541 passed????

Like Zenidea says,,, just couldn't have nothing to do with each other, right? ,,,, silly huh????

I think Zenidea smells the same thing quite a few others smell,,,, a rat.

Then we have smart Western thinking players like Goldhunter lining up support for investors to buy even more losing paper trades! Hello Goldhunter! (smile) Keep talking sir, this is all setting up very nicely. Yes, I still have those 3 December contracts for our experiment. Before this is all over, I'll be using your oratory just like some other people are using Iraq,,,, laying the groundwork for a big surprise. Bet I play the game of chess better than you,,, specially political chess! (grin)

Now, if I can just get my French Sorrel to perk up in the herb garden, everything will be perfect. (smile)

more in a bit

Trail Guide

Trail Guide (10/31/00; 06:21:10MT - usagold.com msg#: 40304)

Comment

Chris Powell (10/30/2000; 23:03:14MT - usagold.com msg#: 40295)
Iraq gets OK for euro account
Iraq Gets UN OK for Euro Account

Hello Chris,

I hope you guys keep following this because it's eventually going to open the books of more failed derivatives than any law suit ever could. This is it, right here,,,,, the whole play being laid out in the open. How fast this moves dictates how fast paper gold manipulation is destroyed as dollar use shifts.

Did you notice that little blip in the Euro,,,,, almost the exact same time the HR bill was passed and the reality of UN passage in Iraq's favor. Not much, just a little tremor in the ground marking the floor of the exchange rates. Actually, the HR bill may also mark the lowest point paper gold can trade. At least there may be very little pressure on the downside from new supply. In fact, the much more ominous side of all this may now begin to take effect. That being where real,, serious,,,, gold bulls that really wanted
the exposure to demand physical gold, find themselves holding HR paper instead. If they start dumping contract paper into a demand void, the price will suddenly plummet into a trading suspension.

On a larger view, this could happen the world over in any derivative that was created as a proxy for other items of real use. Not just cash settlement. Tell Bill to keep talking, I know it sounds thin to say this but he has already broke their credibility backs just by doing what he has.

On a lighter note:

I wish you guys could buy physical as you unfold this story (smile). A little of that

alone would pay the bills and make up for all the aggravation. Ha! HA! Next time you're face to face with some of the paper boys, hold a gold coin up and say "when this hits HR 10,000 we'll be even". Oh, they will laugh at you, but watch em out of the corner of your eye as they run to the bathroom after you are gone!
Ho! Ho! Ho! (big grin)

Trail Guide

Trail Guide (10/31/00; 06:54:02MT - usagold.com msg#: 40307)
Comment

Cavan Man (10/31/00; 06:10:37MT - usagold.com msg#: 40303)
BIS/FED/Mr. Howe Revelations

Hi Cavan Man,

You make a good point. I thought a shift in American gold policy was in process summer before last, 1999. The fact is gold is still in somewhat of a range. Look at the (now old) IMF ploy, using gold at a market to market (marked to market) price and using it as a real currency asset. Can you
imagine, the IMF accepting gold as a currency payment while gold is not an international official currency anywhere? Now I hear they may do it again.

You are right, the US could be shifting itself towards the inevitable, a Euro / gold world.

I don't worry too much about the BIS being on the Anglo side of things. You know, boards all have factions within them and just because the US has two seats means nothing. The dollar ability to expand and represent all world commerce has limits and that board has know this for a long time. Long before Alan came on. They never wanted a "neutron bomb" transition, rather a recognition that it was time to go. The way our J. Welch is leaving GE. Nice and controlled.

But. the players have all taken the last stages of maintaining dollar use too far. They took the trend and ran it into the ground, especially gold. Now the only way to work it out will be some sort of cash settlement, but that is becoming sticky as most of that will be in dollars and dollars now look to be at risk.

The next stage of this will most likely come when the fed lowers rates in the face of our overheated economy and sets off a big dollar slide. Then watch oil line up, first behind partial Euro pricing, later followed with full pricing.

What a mess, yes? What an interesting event to follow.

Thanks
Trail Guide

Trail Guide (10/31/2000; 7:17:31MT - usagold.com msg#: 40309)
Comment
LeSin,

Thanks for the tip and invite. I didn't know you people knew anything about French cooking down there! (huge grin)

Watch those miners, they are really in a pickle now. If your dollar stays down as gold spikes they will be in a vise grip. The more time goes by the more I think good mine investing in the future will involve identifying solid reserves, selling equity, then never mining it. Just sit on it. Give us your thoughts and experience when back on line.

Thanks

Trail Guide

Trail Guide (10/31/2000; 8:43:51MT - usagold.com msg#: 40316)
Reply

Canuck Gold (10/31/2000; 7:15:13MT - usagold.com msg#: 40308)
Request for clarification from Trail Guide/FOA

Hello Canuck Gold,

I think your handle is new here, so welcome. I can't keep track of everyone anymore, nor answer all posts.

In a very humorous way I must say: ---- It took me a while to scrape the thoughts surrounding your question off the floor. You see, we pounded that subject into mush on several occasions. (smile)

OK, your words:

-----1. The first paragraph above appears to assume ********** their prices do not appear to need much encouragement to rise. ----------

CG, It's my understanding that most every miner the world over uses various official and semi private financial institutions for ongoing business. They use regular banks, bullion banks, investment banks and government banks to sell and finance their gold trade on both sides of the transactions.

In many cases, their freedom to sidestep their gold sale contracts are severely limited. In fact, I bet just about every form of loan contract against them, whether in currency, gold or equity based, has covenants and restrictions that tie all the mines assets up in any form of financial dislocation.

Now, a dislocation can occur on the banks side as well as the mines side. If some of these BBs or other financial players get into trouble and must call their loans / financing arrangements for renegotiation, it can back-play into all the other tie-ins on a mines books. Most everyone thinks that in an emergency, with physical gold soaring, the mines will just be able to snatch their gold up and peddle it into whatever market they choose. Don't count on it. In a crisis, the banks will snatch the gold and they will peddle it into whatever direction they choose. And more importantly, they may force the gold to cover derivatives at what will be officially sanctioned settlement prices. Paper
prices that is. Because in the fine print, most coventants express what market is the right one to identify an accepted price! We shall see if my thinking is right?

You see, in addition to that thought, we also fully well expect that initially a locked paper gold price will be touted as the real price for bullion, while the free physical traded price will be labeled as having "premium robbery". In other words, paper may show $300 in a very limited (locked and controlled workout) trading enviornment while physical will be reported to be selling at $300 plus a
$2,000 premium.

Are you with me? Not a good situation for any form of paper gold substitutes, mines included. Will this happen, exactly? Good odds, my friend. We shall see.

---2. Windfall taxes have not been introduced following the recent jump in oil prices. Why do you assume that governments will impose grand fathered windfall taxes on gold profits? --------

CG, go back and read all the stuff about the Texas Railroad Commission. OPEC was modeled after them. The recent runup in oil was nothing compared to the huge rise that happened in the 70s. (price adjusted). Besides, let oil gun past $60 or $70 and see what happens. It ain't over yet.

Further, the value jump in gold we discuss is off your radar screen, I'm sure. The amount of rise will be huge and certainly drive a lock down on traditional mine to market sales. Yes, the free market in existence then will trade. But it will trade mostly existing gold and trade it because international competitive trade settlements will require gold to act as a non officially decreed currency. The US
will be forced to open gold for this purpose. But it says nothing about gaining the windfall of newly produces gold as a taxable asset. Sure, such a tax would mean nothing now, at today's prices. But then with gold in the many, many thousands, rigidly controlled mine production the world over will produce some mighty fine taxes. And don't say they (officials) can't do it. Oil production and price was very well controlled in US for a long time. It can be done with any asset that's ground based and fixed.

-------3. After suffering years of depressed gold prices, do you think that shareholders will stand idly by while governments confiscate their investments? -----
--

CG,,,,,,,No, I expect them to stand idly by while governments "tax" their investments! Hey, they do it all the time, what's new about it now?

---------Most of these people have suffered enormous losses and would rightly expect to be rewarded for their years of patience and loyalty to, and support of, the mining companies.----

CG, while I am sorry for their loss, this story has played out in countless industries from the beginning. My only comment is that had management promoted their product (gold) as something to hold in a 9:1 ratio above mine stock investment, the gold world may not have been able to arrive
at this moment. The paper gold game may not have ever got off the ground!

-----4. I just cannot foresee Michael Kosares continuing to trade gold in a quickly falling market because he would go out of business. ---------

Clearly, you underestimate the political will of having a physical market to survive. Truly, MK would do more business under these conditions. (Just my thoughts Michael, I do not pretend to speak for CPM)

-----The end game of your scenario would surely occur within a very short time frame and at some point, all gold dealers would suspend business until the dust settled with the expectation of enormous windfall profits to come. ------

Short time frame? Could be yes, or no! All gold dealers stopping trade? Some yes. Enormous windfall profits to come? Most private citizens are not in the business of mining a product. Owning gold is not a business venture so taxes are not an issue here. They are holding private property that
is no longer official money. Therefore, there is no incentive for the US to again treat gold as money again, like it once did. Private asset, yes! Money no! Perhaps the Legal Tender Eagle could be a problem, but it's not a big deal.

-------However, if a windfall tax was imposed on mining companies, how could a government politically avoid imposing a similar tax on gold dealers and individuals?--
-----See above!

ALL: One of the big roadblocks in the minds of Western investor is in the perception of gold as an asset in and of itself. They have seen it remain in a political value pocket for so long that they can only view the trading of gold as a means to an end.

This too shall change!

Thanks
Trail Guide

Trail Guide (11/01/00; 08:05:27MT - usagold.com msg#: 40377)
Reply

elevator guy (10/31/00; 21:21:58MT - usagold.com msg#: 40344)Leigh's 40299

Hi elevator guy,
I told you I was dumb and you go and make a point of it? Ha! Ha! (smile)

No, I didn't directly answer Leigh's question and if reading closely one can see I don't directly answer most questions. Yet, I somehow think my "subject title: Comment" got Leigh and others to thinking real hard.

Mr. Turl got it (hello turl): Trurl (10/31/2000; 9:16:51MT - usagold.com msg#: 40318)

Here is some clear wording:

The HR bill confirms a lot of what we have been pointing to: that all the massive paper derivatives created over this past decade are little more than leveraged bets of accounting.

All done to simulate a defensive position so people can operate in our dollar world. Therefore, supporting the view that dollar value and the world trade that depends on it will continue without entailing much currency risk.

Our position always was that:

Their (derivatives) value will go up in a cloud of smoke just as soon as some financial crisis demands their conversion into useable cash retaining it's value or end product. Yes, they will be liquidated for said cash, but this accounting cash they are turned into, will lose it's value to super inflation faster than you can blink or spend which ever comes first.

Within this mass of trillions in digital creations are our gold derivatives. Though much smaller in number than their currency cousins, their risk is "unlimited" in a real inflation crisis and could literally bring the dollar banking world to it's knees. These little items are the real object of the HR bill.

Why?

Because a real crisis in today's world will entail a dollar breakdown and loss of it's trade use that comes with such a breakdown. During this transition of currencies, the thinking world outside "Western financial perception" (much of Europe and Asia) will want physical gold, not just an
accounting lock on it's rising dollar price level.

Why?

They know "American Political Will" and how it reacts to real inflationary crisis events that appear on the horizon. Our HR bill is exactly such a reaction. It appears well ahead of the actual event it is replying to and is usually not understood by most investors.

Such a bill allows "hard money" positions to be liquidated into "cash only money positions" thereby delivering the owners directly into any paper inflationary fire without physical holdings that divert international exchange rate risk.

That means:

Your dollar holding values plummet, taking all their contract cousins down the same exchange rate river. While everyone defaults on gold deliveries because gold holders say "so sue me, I'm keeping the gold"! It's the only money asset you can't print.

The result is an ongoing official recalibrating of paper contracts that HR makes viable and is but one more confirmation that paper gold derivatives today do not equal and are not a substitute for physical gold.

Quite clearly one should conclude that paper gold will burn and physical gold will soar during the next crisis. I know because I now have Mr. G, Mr. S and Mr. R all on my side saying derivatives were never what we thought they were.

Are you with me, now? (smile)

Trail Guide

Trail Guide (11/01/00; 08:08:13MT - usagold.com msg#: 40378)
Reply

Chris Powell (10/31/00; 17:58:05MT - usagold.com msg#: 40333)Iraq, the euro, and physical

---------I'm just trying to figure out exactly how the S.O.B.'s will try to expropriate me once the price of gold breaks out of its paper stranglehold!----------

Leigh (10/31/2000; 11:48:45MT - usagold.com msg#: 40325)

-----If, let's say, I wanted to pay a plumber or school tuition or some other bill, could I offer gold and it be readily accepted? And would there likely be no tax on the transaction?--------

Hello Chris, Leigh,

You know, if I wanted to pay anyone today or in the future, I could offer just about any medium. Gold, silver, bearer bonds, cash, stock certificates, car, truck, boats or chairs would all work.

Gains taxes would be due and we all would report it. But you have to ask yourself; in our world tomorrow, with inflation running away wouldn't it be the lesser of two evils to have and use major assets that held value against currencies than not to have them?

Our whole argument today isn't about anything new to gold bugs. It's just about realigning our holdings so the paper money inflators do not take us any further into their paper gold trap.

Yes, physical gold will trade at super values, but stocks trade at super values today too and our life doesn't change all that much. If new capital is needed, we sell some appreciated stocks and use the proceeds. Today and tomorrow will be no different as we use the fiat for trade and hold the asset for savings. Ages old game with an new twist, at least it's new to us; use real gold for savings! So, what if one gram of gold is worth $300 dollars (or whatever) tomorrow, this same game is played out the world over using failing currencies every day.

Again, the great battle now is in seeing how Western understanding of Hard Money issues was convoluted by getting us into using an industry and it's paper product as an inflatable substitute for the real thing. A lot of people lost in this and are still losing. My point is that there is a way to catch up, square the books and get back as this all unfolds.

It's not glamorous, but then again winning a game isn't always about being in style. Look at me? Hell, I still have all my leveraged Western friends, even though I beat them all. They just don't know it yet.

Very sociable of me, don't you think? (smile)

Trail Guide

Trail Guide (11/01/00; 08:27:39MT - usagold.com msg#: 40379)
Reply

Canuck Gold (10/31/2000; 10:00:39MT - usagold.com msg#: 40320)Reply to Trail Guide 40316

------With such a dislocation taking place, the price of physical would explode further. And if governments can get away with taxing the investors, what makes you think that they won't introduce onerous capital gains taxes or other 'fees' on gold transactions? Could you please expand on your final paragraph to 'ALL'. How will it change?----------

CG, From my #40316:

---ALL: One of the big roadblocks in the minds of Western investor is in the perception of gold as an asset in and of itself. They have seen it remain in a political value pocket for so long that they can only view the trading of gold as a means to an end. This too shall change!------

CG, Governments aren't "getting away" with taxing anything. First of all, they do today and will tomorrow tax companies as needed. What assets are left over after the government taxes a company is what you brought in value as your stock holding, nothing more. Their gold in the ground can never be yours as all you own is the cash derivative residue left at the end of them conducting a business operation.

Every company in this country is invested "in" with this clear understanding. Real assets are nothing more than the cash they can produce "after taxes". The fact that traders bid stocks for takeover prospects or some notion that they are worth more than what they can ever return in real after tax earnings has nothing to do with real wealth. Remember, in a fiat economy, the market for anything cannot represent an assets true value, only it's inflated trading bid!

So, they tax gold mines X times. What's new? Suddenly, sometime in the future gold becomes a real international asset (not a currency) as it recovers all the years of it's paper price understatement,,,, and governments want to impose a tax on this new reality.

But, then international trade protocols change and requires gold to be freely traded, demanding it's worldly citizens can trade it on equal footing with all other invest able assets (only just not leverage able). So, they tax and control it's production. OK, we all paid too much for the end assets of most mines, based on this new structure? Well so too did investors in the oil industry once oil shot up in the 70s. They paid fat premiums on the expectation that reserves could be pumped at increasing amounts and at higher prices. But they never factored in how governments would through the TRC would impact their stock's PEs. Almost the very same thing gold stock investors did, recently.

Did they prevent our access to oil? No, global competition and protocol cut off most government initiatives in this area. Even today we find there is a limit to oil tax amounts so as not to prevent free competition. I know this is not a real or valid comparison, but it does give you think food, no?

Further,

When the Western world returns to thinking and using gold in a savings perception,,,,, the way it was for a thousand years and the way major players think today,,,,,,,, and stops waiting for governments to ordain it as money before it can be saved,,,,,,,, the sooner we will be free the
shackles of fiat money control. Keep using fiat digital for trade, yes! Keep trading assets so as to keep up with fiat's depreciation,, no longer needed!

thanks
Trail Guide

Trail Guide (11/01/00; 09:19:37MT - usagold.com msg#: 40382)
Comment
gidsek (11/01/00; 03:40:40MT - usagold.com msg#: 40364)
Rockgrabber Questions

Hello gidsek,
Nice work in working through the Rock's questions. I have one off the cuff point to inject.

My observations:
Why is it so many points are made referring to the Euro (or any other currency) not literally being backed by gold? Usually it's implied through the structure of the question or statement that somewhere, somehow, investors are buying Euros or expecting Euros to be strong again because it's "backed" by gold. Further, that backing description is meant as a throwback to official gold being exchangeable into the currency at a fixed rate.

Now, come on? That term "backing" is never meant to be taken that way. In that tense I know of no fiat backed by gold today. We all know fiat is not backed by gold today. The whole world knows that fiat is not backed by gold today. In fact, I have it on good authority that most of the
universe knows that fiat is not backed in that way by gold today (smile)!

So,,,,, exactly who or what group of people is this reference of "backing" perception pertaining to?

The truth is,,,,, no one! None of us see it in that light and none of us buy any currency thinking it is in some way offering a fixed gold return,,,,,, or even a limited fixed gold return!

How is it really seen?

If a military general is at war and walks to the middle of the battlefield to talk turkey with another general,,,,,,, his men usually stand with him. In the course of conversation he will point to his tanks on the hill as "backing" his men in battle.

--------and----------

No different than if you just lost all your money in a business venture and the banks are after your now broke self. Needing a little breathing room, you produce a certificate of account that indicates you have 60,000 ounces of gold bullion in a

private vault in Argentina (or whatever) and ask if this gold "backing" me is worth anything to the banker?

Are you with me? I thought so. I knew so. (smile)

Thanks
Trail Guide

Trail Guide (11/01/00; 09:36:27MT - usagold.com msg#: 40384)
Reply / Comment

Thanks -------Topaz msg#: 40367)----- for asking that question?

ThaiGold (10/31/00; 18:24:05MT - usagold.com msg#: 40337)
Freudian Slip.?.

---Freudian Slips?------

I don't know ThaiG, is that a dock where one ties his yach named "Freudian"? (smile)

No? Then what is the contradiction you see?

Trail Guide

Trail Guide (11/01/00; 10:10:52MT - usagold.com msg#: 40386)
Last post, got to run, thanks all!

LeSin (11/01/00; 03:49:57MT - usagold.com msg#: 40365)
Sir Trail Guide @ "Aussie Miner's Pickle in Vise Grips"

LeSin,
Thank you for the URL. I book marked it and will study. Have a huge Herb garden and regular garden for all types of gourmet cooking. We entertain a lot. Always brought sorrel, never grew it.

Gold Miners

You know, I own some miners and so do a lot of big physical gold advocates. What separates us from most other mine investors is our long term view. Actually this (our views) is something the CEO worship us for. We pick them carefully, don't trade and hold for their rebirth value after the
dust settles. All the cock sure traders never would accept this before but now they are listening.

Eventually, even with all the destruction most mine stock values will have, their new value will rest on the profits they gain over and above production controls and taxation. Yes, gold will go so high that the mines will still be left with some slice off this super high top. And that slice will be big!

But, before running out and loading up, we have to remember that these are not savings or hard physical holdings. They are business risks. Right from the beginning

we buy and expect their values to drop. How far I didn't know then and don't know now, maybe this is their bottom. At least for
the super strong unhedged ones? Yet, to maintain this strong holding concept and deflect the risk that was coming I hold in a correct "very low" percentage of assets and expect a zero valuation for a time.

If they run tomorrow, good. If they run from zero, good. I don't care. Now you see why most hard money paper advocates cannot stand the pressure when the real blow off arrives (as it may be now). The real event always was much larger and different in scope than the 70s precedent we all learned how to play from. Success in this hard money stuff is for real savers, not shoot the moon rocket riders.

I think most average people will be very surprised at how bullion reacts to the coming party. It has an excellent chance of keeping up with any mine holding or paper bet. It has an even better chance of gunning well past both of them. In the end, most people will lean back and ask, "why did I work so hard at this". You see, old Saud knew how to count his chips and let the paper boys wear themselves out. So do I, so should you. (smile)

Thanks
Trail Guide

Trail Guide (11/02/00; 06:03:22MT - usagold.com msg#: 40442)
Comment

LeSin,
Want to help the miners? Want to help people? Send this message to every person in the gold business! Promote it's use as a product slogan to the WGC and ask every miner to plaster it on their trucks, offices and billboards. Ask every bullion and coin dealer to use it if they want your
business. Promote gold for it's main primary use for over the last thousand years;
-------something to own and save ---------

Endear this message into the minds of average people and watch the world change! For the better!

==========
Gold: a real savings as natural as the earth itself
Doing so will support the world's gold miners;
good people that work to bring us a wealth that never goes out of style.

Physical Gold Advocates 2000 - "saving your efforts today, for their use tomorrow"
==========

It would make a real difference in the perception of a lot of people. But I doubt it would ever be accepted by the industry. (frown)

Trail Guide

Trail Guide (11/02/00; 08:07:42MT - usagold.com msg#: 40451)
Comment

Tree of Life (11/01/00; 22:02:53MT - usagold.com msg#: 40415)

Hello Tree of Life, and welcome!

Nice posts. I have a few points to comment on.

------Now how did gold get involved in all these. You may say. I believe the gold carry trade took on new meaning in 1995. Originally, it was the European banks legitimate way to earn some income from gold leasing but to ----------

ToL, there are all kinds of explanation making the rounds as to why the CBs lend their gold. I agree that they did and do participate in some lending. But that was only in the beginning. It helped precipitate a market for other motives to hide in. We must look at the nature of the beast to
understand why it's just a smoke screen.

From the very beginnings of capital markets, no one lends their assets for free. Actually, I say it's from the beginning of time, but there is some argument against that one. Some people have even gone so far as to say that the banks lend gold based on it's booking value, around $50/oz (pick any low number if you will). Then, the 1% or 2% they get, based on the selling price looks good.

Then some tell me that gold is like holding Yen reserves and that 1% is about the same? Indeed, I know some of them do lend with this perspective, but that analogy is based on a very, very small reserve comparison and only a tiny amount of gold would be used to balance this.

Well again, none of these guys lend anything for free and that is what 1% is when lending in at least a 4% world. It just doesn't happen

The original "gold deal" as it first came into play involved lending the gold, the borrowers (BBs) selling it for cash and then they (the BBs not the mines) pooled that cash in a holding account. There it was held in interest bearing instruments, not delivered as financing to the gold mines. That pot of cash grew with it's added interest and became the ever increasing per ounce price the mines sold their production to in later years. Fulfilling their contract.

Having entered into these contracts that guaranteed a pot of cash to buy their gold production, the mines could use these contracts as fixing their profit margins to borrow money against and expand their operations. OK;, so this is how it started. I think American Barrick was the pioneer of this
back in 1986??

But, as I opened with above, this was just a lead-on sanctioned by the governments to create a market for paper gold dealings. All the rest that followed we have discussed endlessly. However, my main thrust in this is that the CB did have a political return to gain by starting this, it wasn't done for free.

Now, if this was a real lending operation with the intent to get some return on their idle bullion, they could have easily structured it far differently. As it is they lent the gold into a contract scheme that gained them far less then the actual rate returned. The mines would have been happy to create the deal even if it fetched a static guaranteed gold purchase for them. Thus giving the CBs a much higher return. You see, the mines motive was not to receive a higher than market price for gold, rather

receive a stable price for gold so financing could be arranged. The fact that gold prices fell made Barrick (and many others) look real good and their staff stood for all the praise. When in fact
they didn't know it would work this way (back then).

Today, and over the last few years, with gold ever falling, all sorts of gold deals have bee worked out that have no connection to the CBs. A lot of it is completely outside the mine industry too. It's been carried so far that much of the stuff is just naked financing based on gold's price. The real return was in playing the official stance that gold must fall a little every chance it had to encourage
dollar settlements for trade. It's that simple. Drawing up a gold contract didn't have to have but a little gold selling involved and could be done just lending mostly fractional cash, borrowed at close market rates. The falling gold price did the rest. That's why so much of the value in a lot of current paper is worthless if gold rises. There is no physical to cover it! Why do you think they can trade
more paper in Britain than actually exists? What a mess, huh?

I'll tell you something else and this applies to Farrel's earlier post. All you have to do is dig real deep in that miner's papers to find where they must post more margin to back their deals if gold rises over $600. This isn't just my little guess, so ask them to see if I'm wrong (smile)? I bet that thing is back worded to include equal treatment for all creditors in a crisis and has an escalator clause in it that could take that whole co out if gold gunned to $2,000 in a week? Of course no gold delivery, just an accounting adjustment that would change some ownership. You see, they (and all the other hedgers) bet big time that the IMF/Dollar group could keep gold in it's paper price pocket forever. They never thought about what would happen if gold got priced in Another medium, a Physical only Medium!

HO! HO! HR 10,000 here we come! (smile)

Thanks
Trail Guide

Trail Guide (11/02/00; 08:29:42MT - usagold.com msg#: 40452)
Comment
Foolsgold51,

I bet even my little saying in #40442 would get knocked off. Looking back at it they would probably think it was a slur against miners. It wasn't.

Mine investors slam the only people that can help then (physical buyers) while encouraging leverage traders to take short term plays in their favorite stocks. They say they invest in the industry for all it's positive fundamentals, then laugh at the fundamentalist for buying such a slow investment???

They want everyone (governments included) to stop selling gold, but when these gold holders decide to leverage up (instead of owning gold) the traders cry at how stupid the sellers actions are.

Trail Guide

Trail Guide (11/02/00; 08:33:44MT - usagold.com msg#: 40453)
Gone for a while!

ALL:
I've been sick with a bug for the last few days (been in and out)and am over it now. Have a lot to catch up on so will be gone a while.

Let's talk later

Trail Guide

Gold Trail Update (11/6/2000; 11:53:22MDT - Msg ID:40689)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (11/6/2000; 11:53:21MD - usagold.com msg#48)
(No Subject)
ALL:

Just a quick note to mention that a major family problem has come up. I will return to regular hiking just as soon as able. As usual, someone will try to save most of the main forum discussion for me while away.

Also: TownCrier, good to see you back.

Thank You
FOA

Trail Guide (11/19/2000; 19:31:16MT - usagold.com msg#: 41777)
One quick post
Hello all,
I'm still working through a few private things. But, rest assured that I'll be back before this election is over.
I think (smile)?
You know, both Bush and Gore are good guys. I bet they are at least equal to the best members of your family "in laws" (huge grin)!

Below, I'm perhaps saying the same things in several different ways. Give it some thought?

All of us are them,,,,, those two guys!

Looking out across this national stadium, filled with millions of people, I ask myself; "does everyone here, expressing their views publicly, understand that "they & we" are this society as a whole"?
Mostly, I think that deep down we do and our brash accusations are a form of posturing for our own self interest.

But, when some negative people speak or write the same challenges over and over we can't help not to place their private sincere position as being the same as their divisive public stance.
If that's true, then fortunately for the rest of us, large societies do act as a mass and the finality of their
political choice always drowns out these vocal few "trying their hearts out" to speak

for "US ALL".

The citizens of this great land are far smarter than the media or many private speakers make us all out to be. I know, because I hear and talk to our "regular people" all the time, just like they were family. Ha! Ha! Many of them are (smile).

We "regular people" know a thing or two about real life and how it works---------
Truly, in western democracies, no one controls group think, even as many would have us fear that some power players can. We, like the great herds of buffalo of yesterday - year, move in a way that makes observers think a shepherd directs us. But just watch them media boys dive for cover when we go that way instead of their way!

So here I am,,,,, here we are,,,,, right in the middle of this, the largest mass of opinion in our human group. Feels good and safe here, doesn't it?. I'm happy here and think most all of you readers feel the same.
We all move together, sink together, swim and sometimes succeed together as a nation,,,,, for better or worse. Thank goodness we have so many around us that our strength is so
strong. In this light I always say; "god bless America but heaven help the world"! (smile)

This evil society?----------
Why, it's us, we know it! So please, sir don't keep repeating Gore's and Bush's bad traits so loudly? You're talking about "us". you know.

Does anyone writing here think we as a political people are not an awful bunch of self centered manipulators? Ha! Ha! I didn't think so,,,,,, so what's the problem? We take our own little self interest as far as possible until the larger mass puts a stop to it. Good! Because then we all become governed by the larger mass's self interest ,,,,,, and that becomes the strongest trail we can follow ,,,,, as a group ,,,, for better or worse. At least they create "our" lawful order, as bad as that may be. And in that structure we live "kind of" peaceably, even if it's not the same moral choice for all of us.
Still,,,,, bless this nation from sea to shining sea!

In most modern western societies political power has no strength without wealth and that's good. So it takes us off our usual course of chasing money for a while. That's ok because their control of public wealth is not conceded to them without a good fight and a good fight comes second behind this winning the majority of human support first. So, during these brief power transfers, the nature of, control of and longevity of any particular nations wealth assets is subjugated to lower status while winning the greatest number of votes comes in on top. Not winning the support of the most moral, mind you, just getting the votes any way one can. It's a terrible way of doing things, but that's ok,,,,,,,, it's us! We accept that privately when no one is looking, right? I thought so. You newcomers to this, that think it's all so unlawful, remember, we been doing it for over 200 years.

Taking this high ground for a firm footing----------

I now point out and ask; "no leader can ever do everything promised, nor can they accomplish our agenda while being everything moral for the greatest mass of this self centered nation,,,, So why do we place them upon a platform that not one of us

can stand on ourselves"?
Yea, I know,,,, you already knew it's the best we can do and the best they can do. I thought you grasp that.

But, reverse the tables in our current presidential election and ask yourself; "would Mr. Bush not do the exact same thing Mr. Gore is doing? Don't answer that out loud or someone will hear it in the other room (smile). If he (Bush) didn't, then he would not be fighting his best to represent the best thrust of our national will. Right? So why can't Gore scratch and claw for all he is worth?

You see, we expect, demand and need a leader that is most like us. So don't be presenting Gore or Bush as something they cannot be to the mass that eventually places them in power. If you do, then your opinion does not represent the greatest strength of our nation. That being;

"the power of a people to govern themselves by finding a leader strong enough to win this no holds bared fight, for the support of most of us good people".

Ruthless? You bet! But knew that already, didn't you?

Crooked? Yes! But knew that already, didn't you?
Moral? Probably not! But knew that already, didn't you?

Honest? Only to the extent that our desires will allow him to be!

So, myself and the greatest majority of Americans I stand in the middle and say;-----
"let the best person win the hardest fight over the longest mile. We demand it because we are one tough bunch to govern. So be it and good for us"!!

Further:
As a national family we choose to shake the walls of our house as we please and damn the outsiders looking in! General Patton said it best: " Americans love a winner and won't tolerate a loser"! Indeed, when this is all over we'll all be winners, like it or not.

Closing---------
I say to my fellow Americans,,, my good friends and bad;

"put up your dukes and let's go for it,,,, after all I'm the best neighbor you ever had or ever fought with ,,,,,, Oh, by the way ,,, how are the kids,,,, God bless you and yours ,,,,, and do you need anything from the store,,,, I'm going that way?

---from one of "us" that's just like "them"---

thank you all for reading and happy thanksgiving
Trail Guide

Also;
Thanks for the thoughts Michael! (big smile)

Gold Trail Update (12/02/00; 11:40:03MDT - Msg ID:42692)
The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (12/02/00; 11:40:02MD - usagold.com msg#49)
An analysis for the time ahead.

The Perspective------

The world is not going back in time for a repeat of gold's historic money function. The future of gold is before us and that future holds it as an asset of great wealth, not a currency for everyday spending. Indeed, it will be more than money, perhaps a wealth beyond money!

Hello friends and readers:

For many long years I have been following this new evolution in gold. I have also been following how that evolution is changing Western hard money thought. It seems that our new gold market has only now started forcing hard wealth investors to reconsider their long held beliefs about bullion vs. substitute gold. Many of you, have also followed the Thoughts of Another from the beginning and have recently concluded that this evolution was not only a long term process, but as much political as it is financial. With years of those early writings under belt, it's easier to now see where "the events" Another spoke of, always were "fluid in political dynamics" and their impact upon the gold market's structure left little firm ground for "historic investors" to stand.

We are, today, still standing on moving ground as a new monetary dynamic works it's way through world financial opinion. Not yet completely understood nor is it often spoken of in proper context, it's effects are, all the same, very real. Half of that dynamic is the ongoing destruction of the paper currency system our entire house of wealth is measured with, dollars. The other half of this evolution is within the "transition to" and "development of" the next paper measuring system our trading economies will use. Yes, as this process is played out in our time, it seems that the Euro will perhaps be the system we will all one day use. This transition will have a tremendous impact, not only on physical gold value, it will dismantle the way gold is traded for decades to come.

Our part in understanding this--------

For the casual observer and participator in this evolution everything around us, that is financial in nature, will seem to blur as events write new rules into our once static money history. I believe this storm will become worse as many paper assets are buffeted by it's destructive winds. During this time the transition of currencies will place a more proper price on all the paper values we now hold to be so true.

In this light we should know that our real things in life will not change all that much. Your tools, chairs, cloths and cars will remain yours. Houses and land, TVs and boats, all will retain the exact same "value" they always had. What will change is our ability to use our currency and paper assets as a medium to measure the "real value" that's always so inherent in these items, yet so well hidden in our perception of today. Yes, the currency price of things will greatly change, even as their "use value" moves little. Such is the nature of dying paper money systems. Such is the

ending of a currency timeline!

We of Western thoughts and values---------

The world of "Western thought", of all things financial, that we have lived in and with for so many years, was slow to evolve into it's current state. Over time we came to accept that; because "paper assets" were so often used to measure and price the "trading value" of real goods, that these paper items must be equal in "use value" to these same real goods. Holding one's wealth in CDs, contracts of delivery, stock ownership and IOUs of most every form; all constitute owning "trading value", not real ownership value. Never were they equal to the real wealth itself, for only during long-term, major inflationary expansions of money substitutes could such a fraud be hidden. Further, it could
be better said that the "trading value" our fiat money system places on these paper assets is more of an illusion immersed in "conceptual economic value", not the "use value" real ownership implies.

Yes, it's true that accounting books say we can convert all these various paper holdings into their "use value" by just selling them and buying real things. But accounting standards fail to evaluate what a "world money medium change" has done in the past and will do in the future to the holders ability to "convert and buy". As in the past, the world will deliver "real things" against "paper trading assets" as long as the medium is accepted at par with "use value".

But once a nation's medium of exchange is placed in transition to Another nations medium, and subject to revaluation, wealth denominated in the failing over expanded paper mediums must be delivered as "more of the same currency" in place of real asset settlement. This is the true face of hyperinflation.

Behind years of massive paper wealth creation, there is never enough domestic production capacity to settle "in kind"! Relief in the courts from the fraud of real goods settlements reverting into paper settlements is rare in hyperinflation; as "fair value" is often seen as also being the same as "a fair value in legal tender". During such periods, legal tender can buy equal "use value" if only the real ever changing world values would just hold still. It never does because the more intense the transition becomes, the more intense the exchange crisis and the more quickly real world values (costs of goods) will move away from the paper holder.

Reading Western Thoughts---------

Truly, there is a big difference today in Western views of holding wealth, from the "gold coins in your pocket era" from the past. The longer it has taken the marketplace to challenge these differences the more human opinion mutated them into one in the same. We see this perception firmly grounded in written opinions today. The security of holding gold substitutes in leu of physical gold has never been stronger. After 30+ years of children growing into adults in a Western paper world, only delivery default and gold industry bankruptcy will change such paper minds.

The new future of gold is directly before us as our changing money dynamic will find paper wealth illusions running in circles. Paper assets will continue to set the price of things even as the currency price of things rises faster than paper wealth can reprice the same. Round and round we will go as our system outruns itself and strains to match the illusion of past paper wealth creations against the real world of taking

delivery. Stranded on the money trail of past precedents, millions of investors will lose fortunes by holding what they thought were gold substitute assets.

Nowhere will this process be more vividly seen than in our physical gold markets as they reemerge from a total paper default. During the initial default stage, the entire gold industry as we know it, both paper trading and mining, will utterly fail to perform it's function of tracking the real value of physical gold.. But once the smoke is cleared, physical gold will first soar beyond every other asset medium, both precious and not precious, then it will be at the starting gate with all other real things. Then it will again run the fastest race against the onslaught of hyperinflation.

Nothing will change the trail we are now on----------

Today, at the end of a long history of dollar use, we say that this currency's timeline is ending. We repel from the popular thought, perhaps common thought, that some foreign political order is killing the dollar. It's easy to use war like terms to describe the dollar battle as one side losing the fight against another. I, myself, use it often to make a clear point. But, in truth, it's out of context to present the transition that way. Truly, the dollar is dying from it's own old age and it's debt burden is the final disease.

The arrival of a new system to take it's place will eventually take on all the appearance of a victor plundering the vanquished. Perhaps this is the way it will be played out in our media. Indeed, the stories will be ripe for telling as investors caught holding "dollar system" dependent paper assets will no doubt paint this transition as unlawful. Perhaps even avoidable, if only somehow the right team was at the helm. Yet, reversing this timeline change will be like stopping a surging river at it's historic height of flood. Still, history is perfect in showing that no government, team or individual has ever controlled a transfer of wealth measuring power on a scale such as this. Never has and never will.

So the evolution of hard money opinion will continue and much of that change will be witnessed as the timeline ends and people learn from watching and talking. Much of that evolution will be presented on forums such as this. Some on each side will line up with their wealth bet on their best perceptions of the outcome. Perceptions built on the solid ground of history, but riding our "fluid political events" of today. It will sweep us all down the same river of evolving money history. Down the surge we go, some drowning as they cling to paper based hard wealth illusions, others surviving the trip with the heavy weigh of physical gold for ballast. All in all just continuing the interesting journey we call life.

Thoughts spoken with a background of coming hyperinflation--

It's almost impossible to compare our (FOA & Another) outcome of all this to other opinions because we have built our actions and testimony upon the one-way flow of this timeline transition.

We say "one way and one way only" and waver not! Own physical gold and position one's other
interest with regards to a changing reserve currency dynamic.

Most every commentary written that is somewhat at odds with us, uses a foundation of a continued sound dollar financial structure as it's base. Be it; deflation alone and

/ or deflation with some return to a gold exchange standard OR a total failure of other world bodies to reach for other acceptable alternative structures. Some say a little inflation will arrive and lift all boats within a "more of the same" dollar world. Indeed, their boats include a paper gold system and it's ongoing use by the gold producing industry. All of these concepts are yesterday's outcomes and will be washed away in this great storm.

We say the timeline is ending and will do so in a great transition of dollar use. None of these other opinion's positions can reconcile the dollars inability to compensate it's debt load at par based on it's exchange for the goods of daily life. Truly the economic structure of the US cannot now, nor ever can in the future pay the costs of supplying real goods as payment for it's debt. We, as a financial nation, have gone that far over the cliff.

Even the most unsophisticated player on the world financial scene will agree that their wealth would be subjugated to a lower par of matching the US's output ability. Today's paper wealth, if held during any pay down period of deflation or the further debt expansion a "little more inflation" would require, will be substantially destroyed. I allowed to happen, the dollar would be dumped in an accelerated fashion as a world trading medium. Indeed, the world today may float in the same economic trading ocean and our goods exchanges may depend on a somewhat level sea for movement; but we no longer all float in the same "medium of exchange" boat.

Yes, it's to everyone's advantage to see the dollar transitioned with the least disruption, but to think that our international governing power structures are all in bed together begs the rhetorical question; governments only represent a following when their private constituency's debts can be settled? I submit that the power structure that offers the best dollar debt transition settlement will receive the most support and use of it's currency bed.

A new reserve currency with gold valued at super high levels will support debt transition into that next currency system far better than a restructure of real US economic production repayment ever will. Such an avenue of escape for investors and world traders completely cuts off any attempt by the US of engineering a deflationary landing. Such a landing can be explained and distilled into many esoteric forms that bear little resemblance to a classic deflation. But all, in the final measure, require deflation and a lesser settlement of debts. It will not happen.

In our time and for the first time in the modern US dollar history, the US will embark into a classic hyperinflation for the sake of retaining it's own lessened dollar for trade use. As destructive as that might be to players in this financial house, it is better than immediate total economic failure. It will evolve in a form much like the course of any other third world country, if it's currency too was suddenly deprived of world reserve status. We will, like people the world over, learn to live with it and live in it. Truly, our dollar and economy will not go away, but it's function, use and value will change dramatically.
Thank you

FOA/ your Trail Guide

Trail Guide (12/02/00; 17:57:22MT - usagold.com msg#: 42706)

Comments

Hello all!

No, I'm not fully back yet but will try to make time. I have a lot to say and update on and will try to slowly fill it in over the next few weeks.

Randy@ the Tower, so nice to see you here. Don't let Goldhunter off the hook (smile). I'm coming in with my best shot a little further down the road. You may have to hold him while I swing, he's a hard one to pin down? (big smile) Come on Goldhunter, it's only money (bigger smile)!

Cavan Man, Mr. Gresham, Auspec,,,,,, I'll try to infill against your comments. Perhaps tomorrow?

Nice discussions and reporting Black Blade,,,,ORO,,, everyone!

Thanks all
Trail Guide

Trail Guide (01/01/01; 19:31:16MT - usagold.com msg#: 44832)

U.S. and EU Economies May Be Moving in Separate Directions

http://www.iht.com/articles/5686.htm

Hello Everyone,

A while back I had to stop writing. Several important things have taken most of my time and continue to do so. I let MK know of the uncertain nature of my continuing these discussions at the same volume level as in the past. But, as time presents itself I will update as able. I hope to bring up to speed several past discussions that were left cut off.
To do this, I'll have to conserve what writing time available by posting on the Gold Trail "as able".

Here is a very good writer that has offered an excellent update of the Euro situation. Please enjoy his clarity. Link is above and a portion below.

U.S. and EU Economies May Be Moving in Separate Directions
William Pfaff International Herald Tribune
Friday, December 29, 2000

" " The explanation for this emergent autonomy of the European economy would appear to be the creation and coming of age of the common currency, the euro. Before monetary union, European exchange and interest-rate policies were largely dictated by the defense of relatively weak
currencies.

This usually meant maintaining national interest rates at levels that depressed overall European domestic activity and growth. The EU countries' economic policies were indirectly determined by reaction to U.S. policy on the dollar, formulated with reference to U.S., not European, conditions.

A pluralism of economic power has been on the way to restoration since the Europeans established their single market in 1992. Its achievement would mean that the world economy has two strong and autonomous supports, and that now seems

nearer than ever before." "

Thanks Trail Guide

Trail Guide (01/01/01; 19:35:03MT - usagold.com msg#: 44833)
One more thing
Happy 2001 to all!

The year of change.

Trail Guide (1/2/2001; 17:27:46MT - usagold.com msg#: 44894)
one needed comment
escapethematrix (1/2/2001; 16:41:45MT - usagold.com msg#: 44888)

Hello escapethematrix, thank you and welcome.

I was just sent today's postings, saw your piece and am very happy you found this item. It's good that this is public now. It is my intent to engage the direction of your post along with using much of the groundwork laid by MK's and Randy's solid efforts. Truly, these men have seen through the fog for some long time. This year that fog should clear for all to see. If only I had more time and energy. But, it shall be done.

A trail walk is coming, oh yes, it's coming! (smile)

TrailGuide

escapethematrix (1/2/2001; 16:41:45MT - usagold.com msg#: 44888)
USA Today Blurb.....
Greetings and salutations to all posters and lurkers of the best Gold site on the entire Net.....Many thanks to everybody for all the great posts, with a special thanks to FOA/Trailguide for sharing his monumental mental acumen with all of us.....Anyway, I nearly spewed out my coffee this morning as I read.....

GULF COUNTRIES TO CREATE COMMON CURRENCY

Leaders of six oil-rich states Sunday approved steps to issue a unified currency. The move is part of a plan by Saudi Arabia, Kuwait, Oman, Bahrain and the United Arab Emirates for a regional currency and a unified trade zone.
It is designed to help speed up free-trade talks with the regions biggest trading partner, the European Union. Currencies of all the countries, with the exception of Kuwait, are pegged to the U.S. Dollar.

As the old song goes...."Signs, signs, everywhere are signs".....I thought I had read somewhere that top EU officials were in the Mid-East over the weekend....2001 is off to a Golden start....

Gold Trail Update (01/03/01; 08:50:38MDT - Msg ID:44933)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (01/03/01; 08:50:37MD - usagold.com msg#50)
Euros: -- the breaking of dollar derivative gold! ---

Randy,

Thank you for the comment yesterday on USAGOLD's main forum.

I have to say that everything is working out well as the new "Power Euro" begins it's displacement of our dollar. Right on que, the gold derivatives are taking a beating as that portion of the dollar market is dismantled. Hyperinflation, in most dollar economic zones will eventually gun gold much higher. But, not until gold has out-run everything on the planet so as to get to that inflation price starting gate!

It seems people will learn about "this new gold market" in two fashions; they buy gold and await the dollar / derivative failure or they buy substitute gold (mines and derivatives) and watch this entire dollar gold structure sector get destroyed. Either way understanding will be gained.

I know you have opted to own real gold while watching this all unfold. Truly, physical gold will explode in an unbelievable fashion once the Euro has supplanted derivative gold trading with physical gold trading. A process that allows us little time to buy more gold as derivatives descend. The wash out of trading in paper gold could take their paper values to depths unseen. While a virtual explosion in physical buying, happening at the same time, will make the physical run-up un-buy-able during the first several hundred percent.

If it unfolds more slowly than this and starts from these levels, "good for physical gold advocates". But, as I understand what is happening and the political preasures in force, physical gold is about to become the only portion of the gold sector that will perform,,,,, and perform as no other asset in history ever has!

Oil producers / backing Euro Zone development / backing super high physical gold / will change the trading dynamics and gold perception as never before. Between then and now, those gold substitute players, who are waiting for past historical paper performance to lead the way, will be forced into financial oblivion. All the while betting on a paper horse they thought was a Golden Arabian.

I'll have more as able, on this trail, our trail into the future.

Michael and Randy, today is a very good day! A very good day, indeed! (smile)

TrailGuide

Trail Guide (01/03/01; 15:54:16MT - usagold.com msg#: 44966)
Comment
Randy (@ The Tower) 13:32:16MT - usagold.com msg#: 44957)
-- surprise rate cut was in the works. Any other rabbits up your sleeve?------

Hi Randy,
Your post made me comment!

Ha! Ha! Allan blinked first and a small few knew it! Picture him and the ECB standing

head to head, not moving an inch. He moved and now the dollar is lost. With all the quick short covering on the stock and currency markets, "noone" noticed how much the long bond got smashed.

------ A 30-year bond fell a whopping 2 10/32 to 111 2/32 to yield 5.48 percent -----

Now our strong dollar support system is fracturing away. This year the dollar will lose it's reserve status to the Euro. Or at the very least share it. Nothing is going to fall again as a "Real" inflationary bias begins to build in our dollar world. Stocks, real estate and even basic economic activity will all feel the effects of a super dollar expansion. Done only to keep the dollar status somewhat in the game. Deflation will not be allowed. Nor will the gold derivatives markets be sustainable in dollar terms. Everyone in the world will be selling paper gold short in an effort to make some hay as it's structure crashes. It's called piling on!

This move by Allan is as important as the Washington Agreement because it marks the first time we are forced to action by a "competing" financial system. This game is well known to some and it's outcome is being positioned for. The Gulf producers, Europe and the BIS have been doing so for many years.

TrailGuide

Gold Trail Update (01/05/01; 14:20:41MDT - Msg ID:45126)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (01/05/01; 14:20:40MD - usagold.com msg#51)
Back to Trail Marker #1

Hello ALL

Before starting our hike, let's review an old trade.

A while back, I left a marker on the Gold Trail so we could one day return to examine some old footprints:
FOA(5/25/2000;2:54:39MD- usagold.com msg#23)Trail Marker #1

For the record, as I posted several times, I'm not a trader. Nor am I a futures trader, even though I have traded almost everything there is and done so before many of you were born. With this perspective of me, not being a naive newcomer, lets recount the trade.

A one time poster here made a bet to show that paper gold was better than real gold:

BTD (5/23/2000; 16:01:57MT - usagold.com msg#: 31098)
""I just sold my Krugerrands and bought futures contracts""

Well BTD,

Because so many of these "bets" are done and never openly followed up on, I

thought I would copy his actions in real time with real money. I did, as reading my msg#23 above explains. I dumped a portion of gold in one quick sale. I must have got unlucky, because my offer of 300 Krands hit a down moment and sold at $270oz. that day. Some called me out on this and said I was building this example unfairly. But, you know, in real life, in real trading, often unfair things happen as many of you can understand. The rosey paper bets never do in real time what they do over an after dinner wine! (smile)

I used the sale proceeds and brought appx. $81,000 of t-bills as margin, then brought (went long) three (3) Dec. gold contracts at $283.30. (I mis typed this as 383 in my post, but most of you reading would have known this). I got around 6% on the bills while waiting.

About six months (Fri. Dec. 01) later I traded out (sold) my 3 contracts before being delivered against them (stopped, in broker jargon). They were "sold on close" at $268.60. I saw no point in buying 300 ozs. of warehouse receipts for $283.30oz when an order for 300 Krands could be had for around $271 at the time. Ironic that they were only around a dollar above what I had sold them for????

Anyway, the math (I hope I type this right?) works out roughly this way:

After liquidating my margin account, I had lost:
$14.70 oz on the futures (283.30 - $268.60 = $14.70)X 300oz = (loss of $4410.00).

Then my interest on the 81K amounted to $2,430. +/-

which made my loss appx. ($1,980.00) (less all commissions we can easily round it out to ($2,000)).

SO,,,,,,, I sold 300 krands for $270,,,, after a few months my $81,000 had become $79,000,,,,,

of that I couldn't buy back the 300 rands at the new price of $271.

Wait a min! I would be short some 8 ounces and all for what?//

Boy, the convienence of holding paper gold is sure expensive! I didn't want to roll this over again by buying another out month!

The truth of the deal is that if one must trade, it's often better to just trade physical with a good dealer (I know I saw one somewhere on this page?).

The commissions are in the physical prices already. At least you don't get hit with a paper blitz that amounts to nothing but added loses. All you newcomers remember that a lot of the bark about paper trading is just that ,,,,,, bark.

The guy telling you how to do it couldn't do it himself so he want's you to pay a commission so he can play a game (with your money) that beat him long ago.

Besides, as the evolution in gold moves on, just owning physical will do it all without any trading and the gains in wealth will be staggering.

Here a few quotes from BTD's post that can now be seen in a different light:

----Two weeks ago I sold 300 Krugerrands and transferred the funds into my commodity trading account and bought 3 gold futures contracts. This is my preferred way to hold gold. In my trading account, I invested the margin funds in 6-month treasuries (earning 6.05% interest), and used these treasuries as margin to buy 3 gold contracts (unleveraged).------

---In this way, I earn interest on my money, yet still retain full exposure to movement in the gold price (I have my cake and I'm eating it too).----------

(TrailGuide note: HA! HA!)

-----In fact, in some ways, one can consider this as lower risk than holding physical gold: futures contracts require a low commission (with the right broker) while physical purchases and sales cost a high premium charged by the dealer;---------

----I earn interest on my treasuries, while the holder of physical "loses" the interest he could have earned.------

------The reason I'm telling you all this is to provide an alternative perspective to the bulk of the posters on this forum.--------- Well, I AM a trader, and I don't believe FOA/Trail Guide can foretell the future any more that the $5.00/minute psychics on late night TV. Trail Guide is a very articulate and thoughtful commentator, but his ideas are just theories like everyone else's.----

Well, all I can say to all the BTDs in the world, is that your big trades lost you (and anyone else that followed it,,,, me too) a few ounces of gold. I could have just kept my krands and not been any the worse off. In fact, I would have had a couple extra thousand of wealth in my pocket.

Like Another, my Thoughts are "free as the wind". In fact, $5 bucks a minute is cheap compared to the loses the BTD paper boys sell you.

OK,,, now it's time to head for the Gold Trail,,,,, the Physical Gold Trail,,,, that is (big smile)!

Either today or tomorrow, with comments on the last several days and the new currency directions of the Gulf States,,,,,,,

as able!

TrailGuide

Gold Trail Update (1/6/2001; 9:49:52MDT - Msg ID:45166)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (1/6/2001; 9:49:51MD - usagold.com msg#52)

The Perception Of Gold

Hello everyone!

It's been a while, so let's build a fire and plan the walk.

Long ago I was given a stay at the Paradise Lodge, up on Mt. Ranier. During the summer this volcano, outside Seattle, is a favorite for mountain climbers training for other big European and Asian mountains. Many other day hikers also take the high trail above 10,000, just to say they did it. Some go much higher!

On a clear day you can pick a nice spot close to the Lodge and watch the climbers work their way along the trail. Way ---- waaayyyy --- up there, they look just like ants. Often, clouds bellow in and envelop the troops for a while as they disappear from your lower view. It often becomes scary as we can see when they are disoriented and start off in the wrong direction. Sometimes only a few steps separate them from a chasm of disaster.

This is also the way I feel watching us walk the Gold Trail. Just like from Paradise Lodge, I have a different view than many of you. From where I stand, I understand much of what is ahead. Yes, a lot of us have been up this trail before, but this time, evolution is moving the mountain and bending our common path.

This time my friends, I tell you, the risks are ten times greater and the drop-off much more sudden. Indeed, we are but ants on the financial mound from where others can see us. Like the mountain walkers, thick fog also fills our thin air. So gather close to the fire as we check this worn map and mark the changes I know are ahead. But remember, before knowledge there must be understanding and before understanding there is perception.

Truly, as peoples, we can know nothing if perception cannot separate "real" from "illusion".

Hello PH in LA, I read your #45071. PH, nice construction of the way it works. However, roads do curve. Here are a few of your items so as to extend current perception:

----- However, last I heard, there still existed something called "delivery notice"; the day on which holders of contracts must declare their intention to stand for delivery. -
---

------ I declare my intention to accept delivery. At this juncture, (as the system is presently functioning) I would eventually receive my gold.-------

------Now, for a physical market to open up separately as FOA forecasts, the paper based futures market would have to vaporize instantly. Otherwise, anyone noticing that prices were higher on the physical market, would merely opt to stand for delivery and sell the delivered gold there. Far from causing the futures market to fall farther, it would merely explode higher as investors took delivery at Comex and sold it on the new Euro physical market.----------

---

PH,
A financial structure, such as our old 20+ year paper gold market, is changed by the force of currency traders reevaluating their use habits. Such structures do not rearrange themselves on their own. People use a large economic backdrop to create their perceptions of the worth of paper contracts. At this point our current gold pricing structure is built on physical values constructed on our currency's viability as it functions in it's current economic structure. The inability of contract performance is not "priced" into this structure, yet. From gold mine sales to bullion bank dealings, paper gold is accepted as physical even if it changes hands a hundred times before it's zeroed out in paper exchange. All done without bullion conversion.

It will be our changing "economic backdrop" and "it's restructure" under an evolving reserve currency that shifts our and our institution's beliefs past the point of "contract viability". Dollar price inflation, while impacting gold prices later, will not be the initial trigger that guns gold into the thousands. Many are waiting for this new dollar drop to kick off the next gold bull market.

It will, but Another dynamic will happen first.

It will be the inability to reconstruct the present volume of paper gold into a new reserve currency, the Euro, that breaks the gold pricing system. It is at that point, where the inability of our dollar biased gold structure to perform a currency reprice or make delivery at all, prior to transition, that will cause us to discount the value of all "future gold" against "instance performance". In other words, "on sight spot purchase and possesion".

What all that means is that physical gold, "on sight", will start trading at a much higher price than any form of contract gold. From Comex to Hong Kong to London, workouts will be required prior to real delivery. Even the normal "contango" of interest, built into these contracts as higher prices for further out months, will not begin to overcome the new "price discount" on paper contracts. That pricing discount will at first be in perception only. But later, as the fear of non-performance builds, bids will reflect this perception. Once the massive OTC gold markets begin to demand various dollar to Euro workouts, prolonging delivery times by offering cash extenders, "perception discounts" will gain legitimacy and become "factual discounts" based on "understanding".

As I said before, in other posts, this whole act will be presented in the media in different lights. The first priority in dollar land, will be to promote the legitimacy of the dollar paper pricing dynamic, no matter if gold is delivered or not. It will be labeled as; "dealers are making huge profits on physical gold by trading it with premiums far above the london markets". Long after most of the paper rules have been modified to shift the majority of contract gold into cash settlement, the paper prices will still be reported as the "real prices". Not the other way around.

PH, when you say: --- anyone noticing that prices were higher on the physical market, would merely opt to stand for delivery and sell the delivered gold there-----:

No, in our real life currency evolution, it's the other way around. When the

perception builds that all gold trading and contract structure is shifting to another reserve currency, all of us know the derivatives will not / cannot be converted at par. Mostly because the extended dollar is debted and expanded far beyond it's current usage. The real world dollar assets dwarf andy comparison to a new currency system. The only way to "par" your exposure is by doing the well known impossible, taking delivery. That is a dynamic all of us have been positioning for for years. The only paper owners that are not worried are the ones with an economic good that demands satisfaction, in gold if needed. Oil! The rest of us must bolt towards the closest "par" conversion first. Real gold.

Indeed, "Big gold Traders" don't stand for delivery when there is a possibility (certainty) of cash settlement. Especially in the near future, when the big big bullion banks and exchanges must set in motion a "trade for liquidation only" rule. A rule that basic physics will demand and the courts will back as long as the settlement currency is "legal tender". They will and it is!

To get physical gold in such an enviornment, you must sell for cash and do your buying on the physical markets. But, as we all know, noone will "par" their transfer when even cash settlement is at a 1,000% discount to physical trading. Welcome to the real world of a currency crisis no government can control.

Note: PH, did you think we were playing for peanuts (smile).

My friend, truly, this is but one portion of a huge international dynamic, in place, that will change our perception and understanding of gold. Even change it into knowledge. Truly, gold will once again become "The Wealth Of Ages".

The aftermath of this will leave us in a physical gold trading world for the rest of out time. It will, by default be mostly done in Euros. Mr. G. (one of USAGOLD's good posters) noted that his perception was that we could all just buy Euros. Well, I have, and the Euro will be the next digital transactional currency holding reserve status ,,,,,, and it will eventually be much higher than the dollar ($10.00 = E1.00??).

But most of that exchange rate will be a function of both an inflating reserve Euro against a hyper inflating dollar removed from reserve status. Prices will rise in all currency systems around the world as the Euro eventually expands it's coverage everywhere. There simply is no way to undo 50+ years of dollar inflation without unwinding some of that into our real economic price structure. The price of folly does not go away. This is where gold was planned to return and to be part of a wealth structure without being a currency,

This big difference from our present dollar /non gold recognition reserve, is that nation states and individuals can / will contain their lost wealth in an official free market in gold. Gold production, everywhere will eventually be extremely controlled with citizens reporting unofficial mining in much the same way as people report each other to the IRS. But, make no mistake, miners and citizens will all benifit. All mines, both big and tiny will make huge profits on the limited production allowed because the price will be so high. ($30,000+ in dollars (big smile) But, the road between here and there will more than likely price mine owners close to zero, first.

You see, gold will be a major wealth / saving asset to just about everyone. Not a currency. Make no mistake, $30,000 dollar gold divided by ($10,00 to E1.00) Euros = E10,000 in Euro gold. Gold moving to this level over the next number of years will

allow the Euro reserves to cover it's issuance in a duel asset world. We will all save both Euros for interest and spending and gold as permanent wealth.

"Noone", not even our oil producers will control gold wealth, it will be sold and lent as a wealth medium, no different than Real Estate or Factories. Just not lent and spent by bankers as currency. Gold will never again be able to act as a trading currency in our modern digital world. We have tried that on various gold standards and even presently using this failing paper gold market. After the default that's comming, no nation or people will not accept such a deceit again.

Yes, corrupt governments will still have their way with fiat money. But, for our immediate future we will go this rout first. Truly, even the dollar took 50+ years to kill itself. So too will the Euro.

Remember PH, yesterday you could live a good life in Spain (smile) even considering all their money troubles, using their currency and saving dollars. Tomorrow we will also live a good life here in the USA. From Florida to Oregon, we will use a declining dollar and, just like in other nations today, own gold and Euros. Why, I bet life will be better than in our youth. At least for those who know a good gold dealer (big smile).

The perception that you can not "afford" gold at higher prices will give way to the understanding that we "earn" the "wealth of ages" at any value. Trading excess dollars for gold at, say $5,000 will meet no more concern than paying $25,000 for a car. Just wealth in a different form.

Now, see what you have done? I am out of time and must finish these other comments later.

PH, Michael, Randy, Everyone,,,,,,,,
Yes, Jan 04 was a good day!

Fires out, Zip up, while the stars are still bright

(smile to all)

TrailGuide

Trail Guide (1/9/2001; 17:25:47MT - usagold.com msg#: 45352)
Comment
Hello ALL!

I hope to post again tomorrow. Will then comment on several posts given over the last few days.

USAGOLD (Michael) (or Randy),,,,, I could give some names of banks that offer Euros? But I think CPM could/should advise most any client as they do gold business in Europe.

For Americans that are non-residents (or simply don't have a place there)of the Euroland Zone or England, an Offshore savings account in Jersey (Channel Islands)or Isle Of Man would do fine, I think? But there is far more to cover with this than I

would ever get into in public. Again, CPM is the place to ask these questions and seek direction.

TrailGuide

Gold Trail Update (01/10/01; 17:50:31MDT - Msg ID:45424)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (01/10/01; 17:50:30MD - usagold.com msg#53)

24 hour hike.

OK,,,, everyone is here!

Light packs this trip, because we are moving fast. It's finally time to take the curve and see that "unseen view"!

Let's go,,,,, keep close because I'll be talking as we hike,,,, commenting on a number of views others have mentioned. Then we will stop and have a grand look.

Silver, you ask?

Same old song for a brand new generation, all ready to hear those wore out verses being sung once again. It seems it doesn't make any difference that silver has failed every MODERN human attempt to include it in hard money use and thought. Yes, just like the various failed gold standards, we keep trying to convince people that silver is better than fiat money, even as good as gold. Perhaps, a poor man's gold, no?

Ha! Ha! The last thing a poor man (or woman) needs is silver. Actually, any metal could be a poor man's gold, even iron! One ounce of iron is more affordable than silver and has just as good a chance at outrunning gold,,, percentage wise of course. Isn't that right Randy? I saw your face back there in the group (smile).

The only real argument all the silver pushers have is based on it someday outperforming gold and holding that gain for good,,, again percentage wise. This is the same old worn out logic all the various paper gold substitute players also use. Throw it into the same waste basket with options, futures, leveraged gold contracts, delta hedging both long and short paper positions,,,,, even gold mines, silver mines and the like. All of it is pushed because of the same thought; "why own physical gold when these items will go up faster in the next move"!

Yea,,,, somebody forgot to mention that the next move in gold may be of a nature like "noone" has ever seen before. Oh, you didn't hear that this time the entire paper gold marketplace may crash and burn,,,, taking all those above leverage vehicles down with them? Exposing silver for the play it always truly was,,,,, just another leveraged metal being pushed to poor people standing next to gamblers?? Yea, poor people shouldn't use gold,,,, that's only reserved for rich people hedging their big wealth. Ha! I ever there was a way to increase the gap between have and have

nots,,,,, just sell the nots silver while the haves keep gold.

Try this "Thought" on for size:

--- In the beginning, the earth and Western style gold trading was created (smile). All we had were these big 5,000 ounce gold bars moving around. At say, $5 an ounce one of those bars cost $25,000. But one day, as the years went by and use / need pushed it's price ever higher, $100 an ounce became the norm. Oh my, what will we do, who could possibly afford a bar that cost $$1,000,000? I have an idea, said a smart woman (us guys didn't get it), let's melt the bar down into one ounce units and everyone can afford (use) them. Especially now with an ounce being $100. We can call it "poor man's gold money" or "poor man's gold wealth"!

-----Then the price went to $800 an ounce and once again, the poor man couldn't effectively use gold as money. Once again someone had an idea, let's melt the ounces down into 1/10 ounce coins so they will be $80 each. Once again it will be "poor man's money". Boy, we can even build on this logic and add alloys to the gold! Making one gram coins that are the same size and feel as a full ounce. Great day, now gold will always be the "every persons gold";

-----because it can always take the place of paper fiat,,, no matter how much any currency inflation drives up the conversion value of paper money into gold!-----

The point made here is that gold has no set currency price and never has. In fact, we don't even need any more gold produced! All the gold in the world could easily convert all the currency, bank accounts and wealth in existence into gold value,,,,,,, at some currency price. As pointed out above, it will always be available for wealth replacement even if we have to put just one atom of gold in a one ounce coin. Don't laugh, it may happen (big logical smile)!

Further:

All the commodity players, gamblers, mine operators and silver pushers try to sell the public this story; that gold can't rise too high because it's just a industrial use commodity. Therefore, it will never go too high and thus the need for other vehicles to compensate for currency inflation.

Boy, what reasoning about gold's future, resulting in a conclusion that a need exists for leveraged products. But, imagine if gold went up so high no one would buy it and the mines would all go broke???? Ha! This reasoning flies in the face of the fact that gold always eventually rises to match fiat inflation and it doesn't get to such a price because """NOONE""" is buying it!!!!

The proposition is:

-----Hey, nobody is going to buy any jewelry if gold rises too much?---

No wonder so many miners are in such a fix with brain power like that at the helm.

So:
When the next real price inflation begins, silver and every other hard asset will indeed, rise in price. But, for it to become the "poor man's gold" that bridges the wealth gap, silver buyers will have to reconcile a major value rise in gold first. The

result of the breakup of paper gold leverage. Only then will gold at the gate of the great inflation race,,, a race that, at best, silver follows gold!

---Gold my friends, not a story of riches to come,,,, real wealth for all modern people today----

The USA may have robbed local and foreign dollar holders of gold in the 30s, but it could not rob the poor of the world of their physical gold ,,,, not then,,,, not tomorrow,, not ever.

As the song goes "ohhh nooooo,,,,, they can't take that away from meee"! (smile)

A drink of water and,,,,,,Onward:

Black Gold?
If I understand the reasoning, some people think there is a mass of physical gold out there and it's being used as underground money. This is what explains the low price of gold today, as all that black market gold surfaces?

Well, that may not be the proposition, but if any of you want to know; none of our evil outlaws are so stupid as to use gold for trading when there is literally "TONNES" of cash circulating around the world. Please, give all of us a "logic break" for a minute? Why would I, as a crook, carry even one ounce of gold when three crisp $100 bills can take it's place? Even ten $100 bills are easier than gold priced at, say $1000. And there is no shortage of that cash stuff around! Hell, I bet there really is more tonnage of "Black Market Cash" in the world than all the gold still in the ground. Cash for ounce,,,,, gold still priced in the thousands! Believe it!

OK, now we are coming to the grand curve. But first a few more comments. I'll rest a bit here and present the rest around 8:00 or 9:00 mountain time (if my time conversions are correct)

Thanks for reading
TrailGuide

Trail Guide (01/11/01; 06:22:11MT - usagold.com msg#: 45462)
Why are all these people here?
Oh NO!

I just closed my laptop, crawled out of the tent and found all these gold trail hikers ready to go? Before I check everyone's park entry tickets (and National park service golden pass cards for people over 60, (smile)) I must see my schedule.
Oh No! I forgot to place an AM after the meeting time in my last hike post. Oh Boy! I'll be back. Let me get some coffee and a pastry. Any French bread shops out here (small grin).

TrailGuide

Gold Trail Update (1/11/2001; 11:35:13MDT - Msg ID:45487)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (1/11/2001; 11:35:06MD - usagold.com msg#54)

The Curve!

OK,,, I had my coffee and morning walk in the woods to see the wildlife,,,,, packs on,,, let's go.
It's always great to spend time out here,,,, away from the city,,,, out on the Gold Trail.

One more point on Black Gold as we walk:

All that gold, more than triple what we think is out there, would have been in existence for some time prior to our life spans,,,,,, given the timeline required to produce the stuff. Remember, Black Market production could not have existed prior to, say 1971, as even public mines were not making cash profits. Also, it takes real cash and investment to produce both White Gold as well as Black gold.

Indeed, simple extension of physics concludes that nowhere near that much "EXCESS" gold could have been dug over the last 25 years. It didn't happen, even with slave labor. Because, as in above, even lawbreakers have to sell most of the gold in the open just to cover the illegal "Cash" they invested in digging the ore in the first place. These guys don't do such a "wash" business when their cash works just as well in the first place?? Get my point?

Also, the gold would have been moved into the open as the majority of goods and services brought with illegal money, to create their evil lifestyle, must involve the White Market Economy too. Black market wealth is mostly in cash, it's just too easy to move and spend. So, there is no reason to go through gold first, just to buy in the real marketplace.

Further;
With all that gold out there, the Dollar powers would not need to create paper gold debits to placate strong dollar backers. In fact, I suspect they would have created channels to flush all that gold into the market. Illegal or not, this action would have suited their end result.

No, the natural trend of easy money humans, both good and bad would be to spend said gold for other consumable wealth and keep cash in the background. Indeed, this is truly what has been happening as regular investors trade physical for non-physical substitute gold. The small amount of physical supply vs the monstrous paper trading denotes how such existing gold has bridged the industrial use gap. It didn't take a vast new unaccounted supply to make paper seem real, just moving the existing into new hands did the trick. OK, we finished burning that story in the fire.

Let's build another fire.

Mr. Weaver, my god you are all the way out here too?

I did check my trail markers and sure enough, as you said, someone placed a little silver on them,,,, on top of the gold plate that is. It seems that over the last decades of western hard money thought, people have always been trying to ride silver on gold, nothing changes (smile).

That day, when gold first hits $5,000,,,, we will all see something "not as before". You see, price inflation will not be the initial driving factor for gold. No, it will be a realignment of the gold price discovery system. There,,,, in that destruction of paper,,,,, anything with leveraged perception attached will tarnish,,,, silver included (smile). Then,,,, after that value adjustment,,,,, all hard and real assets like gold, silver, real estate, oil, natural gas, soap, etc.,,,,,,,, will be at the starting gate of the great dollar inflation race. The gun will fire and we will all run the trail. In that environment, none of us will "AFFORD" anything of hard value. We will, however trade for what holds value the best,,,, not what gains currency price the fastest or the most-est. Gold, with the greatest history of holding the highest numerical value of world wealth in lieu of assets,,,, will outrun any and all contenders. And do so from a new higher level.

At the flea market, you will, along with others bring boxes of silver and wallets of currency for trade. But, the least discount for real trading value against "real use economic goods" will belong, always, to gold.

Once the trading is done, before walking away from the flea barn, we will square the books by trading any left over silver and currency for ("single atom" if needed) gold coins that have then become the world's secondary saving accounts. Indeed, people will have to accept a discount on silver and or cash to exchange it's excess back to gold. The Free Gold marketplace will do what no government ever could; make gold a savings wealth, not a medium of exchange.

My friend, for a free life, choose gold!

-- Gold, natural wealth, a history of kings, but ess than a holding in these days of our life --

---

Why even discuss or buy the Euro?

Someone very smart once E-mailed me that "you must somehow impress upon them that the Euro is but a means to an end, not the end in itself". How very true, even though it sometimes appears that I am a big Euro backer. Or even that I am European! HA! HA! I would not wish such a terrible association on my friends and relatives in EuroLand (smile)

Even so, the day after our Fed lowered rates, the ECB did an equal thing of importance; they stayed still! Our Euro friends are in the drivers seat now.

If you have hiked this trail for a while, it's common that the next gold adventure will transpire with a shift in world currency design first, then affected again from world currency values. Yes, gold will react twice, once against the hyper increase in

American domestic economic goods pricing,,,, but before that against the demise of dollar use in most international financial structures.

Most hard money players have expected for some time, that gold will rise in dollars as the dollar falls against other currencies. To date; the dollar has begun to exhibit it's initial fall in exchange rates, but gold has not risen. Don't worry, because it won't rise until a further reduction in dollar "use" has become the trend. Presently, under current international currency structure, the dollar could fall considerably and even ignite slight local price inflation,,,, and gold still would not rise. This goes against the grain of your 70s style money history teachings, correct? I knew so.

You see,,, "this market is not as before". I heard that somewhere years ago? But, it's true. Only a reduction in "dollar use", worldwide, will fracture the current paper gold markets into discount against physical. Then, any further fall in our dollar's exchange value will trigger both major price inflation and a continued huge rise in physical gold prices. But why is it this way?

I'm glad you asked, because we are just rounding the curve. Make room for everyone,watch and listen as I describe this magnificent view! Oh my goodness, it is good!

Gold, it has no market price!

Some long time ago a group of us came to an understanding that would eventually shake the financial gold world. It seemed that, then, for over twenty years physical gold could be had without the currency markets placing a correct price on it. This made fertile ground for all the special gold dealings that took place over the next decade or so.

Background and foreground for reference:

Lord Keys:
was and is always thought of as the father of modern currency inflation. Whenever prices rose, it was because the treasury was following poor old Keys thoughts on official money policy. But, in truth, we only accepted and acted on half his directives, then proceeded to label our 1/2 use of his stuff as "his socialist process". In truth, he promoted that we expand fiat during times of trouble, then contract during times of less trouble. In the end the world slanted toward a non gold fiat money expansion only and reaped the result.

----Us humans acted on the part that suited our drives while placing the failure of our actions on the whole of Lord Keys's thoughts-------

California Electric:
is a big problem today. But, once again we use only half a process and label it as whole. We created a somewhat fractured deregulation of that state's electric system but called it a full deregulation. Just like Keys above, humans used what part of the process we liked and when it failed, called it a "whole failure" of deregulation.

------ this is the natural way we perceive our social and legal interaction, "and we been doing it a longggg time"------

1970s dollars:
Before the USA took the dollar off of gold, many dollar proponents openly stated that gold would tumble if it had no dollars behind it. Again, the Western mind had conditioned itself to knowing and embracing only half the concept. Again, it seems that we have a way of acknowledging the half of a concept that produces the most liberal response for us while ignoring the half that promotes the most long term good.

We didn't just conveniently forget the truths of what money was, rather we abandoned the knowledge that our dollars were a warehouse receipt for gold. Gold being a real economic good that, for centuries circulated as money, but now ,was suddenly reversed and seen as a receipt for dollars? Something of a major reverse, no?

Indeed, we accepted that dollars were more of a warehouse receipt for "goods exchanged in our economy". Once again we expected everyone to accept "this half" of the process. The half that benefited us the most. Yet, if it failed to work, it was the whole gold process that failed.

----- This, my friends is the legend of gold use in our modern society. Like so much of our flawed thinking, we embrace what is trendy for our personal singular perception while rejecting what is best for the whole.-----

BIS's paper gold:
While extolling all the virtues of gold in an official money system, we ourselves shun the non leverage of physical gold. Indeed, we buy,,, among various gold deeds,,,,, paper gold in the form of BIS shares. Once again we blame the official system because this paper receipt finds it's value defaulted on.

Prior, we proclaim to anyone that will listen that a share receipt of "X" amount of retained gold value is a good deal because we can buy it for 1/2X. X being the the physical gold price. Then, when the humans on the other side of that transaction try to do to us what we were trying to do to them, that is gain the full thrust of gold value we purchased for 1/2 full thrust, and we lose our gain ,,,,,,,, something is wrong with the gold market.

This is but one more fine example of paper gold, like pre 70s dollars, not being able to perform it's perceived function of marching to physical gold's value. Again, as in all above, we as an economic society try to reduce these instruments into non organic concept of receipts that carry no flavor of human function in their distant performance.

----- We brought gold, but if the paper gold market fails to perform to our expectations,,,, then the whole gold market,,,, including physical gold is considered not right for our ownership. We invest in half the process but expect the whole process to work.----------

---

The Grand view:

Whether we as hard money people knew it or not, our society, governments and yes,

even cabals,,,,, all influenced the structure of modern gold markets and did it in a way so that no one could know or trade on the true worth of gold.

Because gold became entwined in modern fiat money function, it suffered all the same effects fiat received from the expansion of banking in our economy. In that arena gold could not help but be paperized and even labeled "the physical gold market".

In truth, anyone understanding this dynamic early on, would see that over time a real currency price for gold would disappear. As we embraced this banking component of the whole gold picture, true to the various examples above, we discarded the need to know what physical gold "alone" would buy. Physical gold was no longer needed as a "receipt for commerce", like our modern dollar. Therefore, it's value in the economy would be degenerated toward our perception of it's commodity value. As long as the banking price, that is the paper price, stayed within this jewelry commodity range, we accepted it as the real price of physical gold.

Indeed, once again, we were destine to experience the gut wrenching results of using half a concept until the whole concept failed. We are at that point today, with gold.

The result of all this was to allow physical gold accumulators (physical gold advocates) to buy gold at an unknown constant discount to it's real wealth value. No matter what the paper trading derivatives would say over the years, any gold delivered through the 90s could be counted on to contain a massive, colossal, value above any past attained paper price.

----Truly, as we talk, there is no known market price for physical gold! A market price for physical gold does not exist!---------

As Another tried to explain and I tried to refine,,,,, gold has historically represented it value as a function of the total world wealth and economic activity. Over time, our known gold supply has grown by leaps and bounds, but our economic structure and goods creation ability has literally exploded a thousand times that gold creation.

In doing so our wealth relationship with gold has seen it's ratio degraded to a tiny fraction of where it would be in a physical only market. Paper gold and the examples above of the human dynamic, have played an incredible roll in creating a mismatch of wealth value unknown in man's time.

I would guess that Michael Kosares, the owner of this gold site, has traded tonnes of gold over his lifetime. Yet, from the time of his start he has never sold gold coins for their physical worth. Truly, he has only sold them for the supply and demand market price of paper gold banking.

Further, as Mr. Paul Eaden's (spelling?) research piece in USAGOLD's opinion site shows, the derivatives market makes the price of gold. Using his view to look over the Gold Trail, we can see that paper dervatives can not reflect the "value" of gold that Another said was comming.

It is from here that we can understand the awesome leverage contained in holding but one ounce of gold. Here, on this ledge overlooking the entire golden valley, we can see this truth! Yet, it is a revelation to gold buyers as much as a curse on gold

industry and leveraged paper investors. They spend their days, consuming their wealth, betting on a price that cannot represent gold until it fails. Destroying all they wait for.

From here, we understand why the current prices for gold do not have any bearing on the buying habits of the major players that walk this trail. As Another has said " The price you know, it be your price, not my price".

It is true, we are buying gold, not to trade for a paper value created today. Rather, to hold it beyond the paper destruction that must come tomorrow. Gamblers, traders and gold substitute players will all witness a colossal shift in world wealth that degrades their holdings. Even as their bet on half the process is proven as a folly very typical in human nature. Only unseeable as it exists.

Let's make camp and wake in this new position a while. It will be proven as well worth the hike
(smile).

Fires lit, the stares are out and stories are near:

The price of gold need not be known
it's value cannot be seen
fire in the fields will make truth be shown
in such light it's worth will be redeemed
so on this ledge we make our stand
and no evil will reach this air
real wealth becomes nectar it's taste as cream
by our lips this reason is fair

Good night all, the best days are ahead!

TrailGuide

Trail Guide (1/11/2001; 14:58:34MT - usagold.com msg#: 45507)

Comments

Well. I'm stuck here for a while and updates are still coming through, so:

Paul van Eeden,
Sorry I couldn't place your name correctly when I used it at the Gold Trails. From where I am, I could not access the Gilded Opinion at the time for clarification. Nice thinking, sir.

Randy@ The Tower,
You are right, our dollar and the Yen sure are joined at the hip. Yes, that whole system is going down with us and they will inflate just as much. Can happen no other way. I remember that just a short time ago (or was it a year?) someone here was pushing the Japan market as the place to be. Ha! HA! In short order they beat a hasty retreat from that stance, having sold out first and telling us all after the fact.

No, I'm "on trend" and following Japan down the path and owning bullion and Euros in good proportion to other assets. Everyone here will know when I start allocating out of this mess; that's when West Texas oil fields will start pumping orange juice

because $200 oil won't make them any money in our super inflationary environment (smile).

Yes, the HKMA are in line with several other nations as they waver between unloading dollars and keeping them. All the Asians are looking to each other for another reserve, but none of them can afford the impact a regional system would give them. These guys don't trade with each other the way EuroLand does, so they are drifting into Euros kicking and screaming all the way. Once China discloses openly what they are doing privately, all the other Asian Block will run into Euro Zone. China will do the largest tradeing with Europe ever known. Did you see the C1 piece in the WSJ today. Oh yes, "" Europe is the Place to be""!

I want to see where Alan puts all those foreign held treasuries as they come running home. Our bond market is sure to get the shakes, even as the Fed guns the money production. Some change of perception. By the way, that old "super wealthy" fella I mentioned sometime ago,,,,, that he
placed all his 25+ years of gains from big mutual funds,,,,, Yes, he put most of it in physical gold and still thinks the stock markets will go higher. Indeed, his Mutuals, he sold did not take much of a hit. He's right so far in that almost all the US market gains were built on money inflation and he
thinks they will drift even higher as it all unwinds into real price inflation. Only he says gold will boom well past all that once the dollar structure cracks. This is his 80++ year old thinking and doesn't know anything about our reasoning. Small world.

More replies coming.

Trail Guide (1/11/2001; 16:15:06MT - usagold.com msg#: 45511)
Comments

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Cavan Man,

----It's time to consummate the marriage-----

Ha! Ha! I'm not going to tough that one, my friend. But as to "progress"? Well, if you are watching my position you see someone with most of his unneeded cash in Euros drawing interest.

Yes, I still have dollars because I need those darn digital currencies to buy garden seeds and pay the help. Funny, how those fiat system don't go away no matter how worthless they become. Hell, in Brazil they still use the same money. Some people I knew were living there during the 1,000% days. Oh boy, and they still use the stuff. Yes, real life has a habit of proving my point that we are not going back to any gold based currency again. It's just the way we are.

I own physical gold in serious proportion to assets and don't care what the paper price goes to. As long as it's lower, I will buy more over time. Current gold falling in price offers some evidence of pilling on by sellers of paper contracts. But once the gold banking system cracks, I know there will be no physical offered during the next several hundred percent rise. Soooo, I got mine.

I own some gold stocks that I expect to ground to almost zero if the system does not crack first. So far, right on target. Again I'm holding for the profit they will make on

the last $1,000 an ounce above massive taxes and production controls. All done after this transition. Yes, controls and taxes will keep the first $9,000 but I make plenty on the last bunch. No, I do not expect them to keep up with bullion.

Time wise, the WA was the first real shot that the BIS, ECB and others were willing to see the demise of our dollar gold block. To date, they are selling it down the drain. Besides all this, I guess nothing much is happening (smile).

==========
Silvercollector,

---The 'monetary' play of gold Sir becomes more speculative by the day.-----

You are right there. The new EuroLand initiative is phasing out monetary gold in lieu of asset gold. Look closely and you will see this is in essence the entire GoldTrail and the BIS / ECB are on our side.

---The 'commodity' play of gold is good (supply shortfall vs. demand) IF one concedes the fact THAT officaldom will hold or increase gold forever.------

No my friend, the commodity play for gold is dead in the water. The game is how much can the paper gold market expand until it loses all credibility and fails. This sudden shift in our US economy is the result of several factors coming into focus at the same time. Oil, Euro credibility, dollar's
timeline end and our own expansion of gold banking to prolong the dollar. It's all havind an impact on curent gold dealings. As for officialdom holding gold? Again look closely and you will find that none of their gold has been lost, it's just been sold as a currency pairing asset (smile). This is nothing new as it's been going on a long time.

---However, it is a fact that official sector gold has and is decreasing because THEY do not see the monetary role of gold as once was.-----

Absolutely!

---The 'commodity' play of silver presently and I will quote Ted Butler on this one 'Is the best risk/reward in the last 100 years."--------

My friend, today is absolutely the worst time in history to buy yourself into anything labeled a commodity that carries leverage. Because, most every commodity market is swollen in dollar expansion, they will all crack badly when the dollar world fails it's debt. Silver is good, I own some and have said so before. But I also carry $100 dollar bills as assets along with $1.00 bills to spend. In the same light I don't expect those $1.00 bills to ever take the place of or gain on my $100s. Silver is in the same boat, we will trade it but it will not gain the wealth credibility of gold. Further, just as in Brazil, silver will have to compete tomorrow with circulating dollar cash as a currency.
Yes, digital, inflating currency will be everywhere and be used everywhere. In such an environment "I don't need that much silver because I got cash and gold".

Also, I think it was Golden Truth that I last posted to here,,,,,,,,,, some long time ago that I would buy some platinum and Palladium. I did then and still own it. But, it is just an investment, not a wealth savings replacement. It's done well but, in fact, some other investments have done better than these metals.

==========
White Hills

---"Go to the Moon , Alice!!---

Ha! Ha! That's right, my friend!

==========
Knew-bee

Welcome! Yes, own a little of all of it, but as Dirty Harry said "know your limitations". I say understand the difference between diversified world class savings and narrow investment risk.

==========

silvercollector,

----On a monetary front there is no currency backed by gold, the endless, circular discussion of such is speculative. --------

No currency should be backed by gold because all such systems fail from human intervention. That is why we are proceeding to an asset based system based on the real fundamentals of a true supply /demand dynamic. All performing in a Free Gold marketplace.

--IF, there is such a monumental storm whereby gold does in fact reach many thousands per once, then dollars would be worth 'dimes'.--------

Absolutely.

----In such an event gold would be confiscated, there IS precedence of this my friend.----

Now that is a "circular discussion". I say, Legal Tender gold held by US residents could be at risk.

------Silver on the other hand, IHMO, would ride on the back of gold (as would all PM's) but would not be confiscated for two reasons; a) sheer bulk------

Yes, that is good logic. It's also the reason investors will not give up using paper currency in exchange for silver. The real precedent here is that governments like Brazil will print whatever denominations are necessary to keep currency use going. We, likewise will save gold and Euros but spend cash. Silver will be on the outside looking in.

-----b) there is no precedent of such.----

Well, there was no precedent for gold taking before they did it,,,,, was there (smile)

------- In speaking with several large silver dealers in the last couple weeks, one oz. silver is non-existant, 5, 10 and 20 onze bars are non-existant and rarely a 50 oz. is

available. Most dealers are selling 100oz.and upwards. Is this true of gold lately------
---

I bet it's true of steel. That stuff is just flying off the shelves,,,(big grin)! My friend, these silver stories are as old as the hills. Wait 30 years, they will make the rounds again in Europe.

more later

Trail Guide (1/11/2001; 16:41:47MT - usagold.com msg#: 45514)
Comment

Cavan Man,

--- What do you mean by "allocating out"? Thanks.-----

Perhaps buy some companies or other assets. But, that will be "in the thick of it" and by no means a total sell out. For most of us, that's me, the coming storm may last most of our remaining days.

ALL: Please don't mis read me. My long running point is to show the nature of things outside our Western View. Every day, around the world, people deal and cope with failing, changing financial life. We all, too, can deal with what is coming as long as we stay open and informed to world
events. Presently, our world is in the grips of a New York broker perception.

It seems to them that everything about wealth can be handled with an option, future or mutual fund allocation. You want to save some Euros as a diversity? Never mind that it's a real functioning currency for a collective nation bigger than ours,,,,,, the NY advice it to buy some Euro options.
You want to back your meager dollar savings with some solid gold, the NY answer is to buy some Bre-X. Or, whatever.

Across this nation, I see a people hardly ready to spiritually and family wise cope with a "real downturn and serious inflation",,,,, and they are leveraged to the end. Yet, trying to use their credit cards to buy some silver mine stock. Oh yes, they owe five times their net worth, but hope that 100 ounces of silver and some $2,000 in a mine will pull them up even with the big boys.

People, that is a crying shame. The advise should be to change your lifestyle "Radically" and get out of debt ASAP. Then save some of our nasty digital currency. Then diversify into things that will never fail to hold value. A poor person, and that is many of the people that are currently being scared enough to think about hard assets, must consider buying the best first and the least last. Paid
up in full as able! Because you can hardly afford to take a chance when the chips turn down.

Sorry, I'm just waiting for time to pass and I'm jumping on a high horse.

more

Trail Guide (1/11/2001; 16:59:17MT - usagold.com msg#: 45516)
(No Subject)
OK, I can go now.

Thanks all

See you next time on the GoldTrail

Trail Guide (1/12/2001; 7:33:54MT - usagold.com msg#: 45541)
Dots

Once again, I find myself waiting for a travel connection. Thank goodness for USAGOLD.

==========
RossL,

Well, my first reply is; As Mr. Fleckenstein often say, "you are not connecting the dots".

I am giving Black Gold the same association as Black Market Gold dealings. This broad name gathers up all gold produced, refined in some reasonable fashion and used in commerce or black barter. It also covers what would have supplied excess, unreported official holdings.

The main points for us to consider when digesting Mr. Guyatt's work is:

Much of the past world gold production both White Market and Black market, prior to say late 60s early 70s, went into paper currencies. That is to say it was sold for industrial use (for paper money), sold to governments for reserves or coinage (for paper money), or refined into worldly recognized and tradable bars (again later sold for paper money). The amount of this pre-71ish gold production that was mined, refined and retained was very small compared to the off record amounts channeled into secret places as described.

The reason this perception is correct in negating our author is that all the gold, Mr. G. speaks of, is in some vault, somewhere,,,, it is not in raw ore form. The process of refining, at that time cost as much as the gold was worth.

Soooo, in order to build these vast stores of gold, not recorded before, would have cost the owners, at the time, more capital to retain it than to sell it for cash and just keep the cash. Further, as our bright Randy points out, during the period that this volume of Black Gold had to be built up, world production could not have come anywhere close to supplying it (dug on the side and out of sight) as any major profitable ore bodies were closely followed by everyone in the business, including governments. Remember, it's only the modern advent of Heap leach and the recent run over $100oz in the 70s that created the ability to mine cheap bodies.

I agree, there is a lot of gold out there in circulation and it is large. But, that gold does exactly what private gold does best; it circulates as is. No one in their right or wrong mind would use that gold to issue derivatives against in the way Mr. G. suggests. Yes, recent bullion owners can and do sell their holdings for cash and the BB then leverage that bullion into x paper. But, that is the same process I have

pointed out for some long time now. Such circulating gold has been used to fill the demand gap as it's owners become single derivative holders. But, more to the point, the derivative printing is leveraged 100 times this actual physical inflow by the BBs. If indeed, the supply was balanced, there would be no reason to leverage with paper supply, they would just sell the gold outright and drive the price.

Further,
Yes, the gold may have been stolen and put into storage. But it could not have been in the excess amounts described, beyond worldly knowledge, because of the above production realities at that time. Hell, even small time outlaws, taking and selling thoughts or software require some kind of
infrastructure and collaboration in the open market to succeed. Much less take, store and paperize million of tonnes of gold bullion. Connect the dots.

==========

Randy

As yourself and Stranger point out, the money supply rise is breath taking! Again, I say, for the first time in our history we are about to feel the effects of reserve currency competition.

As pointed out further back in the GoldTrail, Allan will not tighten again. To do so will fully concede the dollar. His only avenue in this "new world" of money warfare is to forget the dollar's value and retain it's usage as
much as possible. All done to combat the Euro.

We started down this trail when the Washington Agreement put us "on the road" to high priced gold. The fed will now "manage" a progressive destruction of dollar credibility.
That will entail:

----a loss of credibility of the entire gold market system and corresponding bid down of it's transactions and assets---

----a falling dollar vs the Euro-----

----a falling interest rate environment on par with the recent decade of Japan experience-----

--- the use of our 1980s monetary control act that allows the fed to buy debt from all comer's---

--- a stock market that will not fall as much as we think
(use the old German example here)-----

--- the loss of our ability to shield ourselves from price inflation by buying cheaper foreign goods---

--- the growing loss of trade as China and EuroLand evolve into "the trading block" the world strives to deal with-----

---- real life hyper inflation as this country and generation have never known -----

We are on the road, my friend. It's going to be some ride.

=========

Michael, Thank you for your messages! (smile)
==========

TrailGuide

Trail Guide (1/12/2001; 9:50:26MT - usagold.com msg#: 45552)
Comment

auspec,

Nasal congestion affects most gold estimators to a degree, but it never is as wealth threatening as ear wax can be!

VARIANCE, indeed becomes the question, my friend. If it does exist on the high side then there was no need for derivatives issuance. Negate that proposition and all becomes as you say.

However, with a mild alcohol solution applied within the canal, we may hear the "drum beat" of a massive shortfall of estimated gold existence. Further in the distance comes the sounds of doctored physical stocks, a year or so ago, being tapped for delivery. Only a fall in dollar prices managed to
truncate such demand, yes? Week hands turned away so the strong could continue. Herein, begins the story of leverage paper displacing demand for what does not exist.

Ahhh! Truth is always stranger than fiction. (smile)

TrailGuide

Trail Guide (1/17/2001; 17:48:41MT - usagold.com msg#: 45801)
Comments
Hello everyone!

Randy, between your posts and all the others I must make some time to discuss. I hope to be free most of tomorrow and friday,,,,,, will cover several topics including a general comment about MY's great formulation of the money world around us. Also, will explain what I tried to get across about Black Gold.

TrailGuide

Trail Guide (1/18/2001; 7:26:19MT - usagold.com msg#: 45842)
Comment
Hello all!

Some of my friends (and apparently many readers) often ruminate on why I am so fractured when writing. Often giving the impression of rambling on, not to mention a poor english structure, spelling and grasp. Someone asked, "Your not that way in

person, so why such a literary style?" I'll try to
answer what I did strive to explain once some time ago.

My full grasp of english is somewhat poor. But, that's because of a mental structural problem induced by a worldly exposure. With that simple reply, I'll leave it to your best imagination's ability, to decipher (smile).

A better reply, though, would be; it's just my way of following a format introduced by Another. In other words, in his words to me with my (words added) -----

"one should not tell readers (his) exact knowledge, position in life, or what (other's) thoughts should be. Such (talk) extols the self and lessens the reason pursued. (Rather,) let anyone that will listen, think your Thoughts (thru), seldom exposing (them) to (your) fully concluded points. They (people) gain our understanding on (their) own terms, in (their) own way, in (real) events, over time". He
often said; "we are not (here) to prove things, my friend, time will do (that) for us. It (time) will (also) expose (our) standing in world of Thoughts" and "is it not better to stand (in) a crowd and speak softly to (the) nearest ear" and "truth (is) never hidden or (not) exposed, it (is) simply not reasoned by exposure to understanding".

So, (smile)

Two roads diverged in a yellow wood,
And sorry I could not travel both
And be one traveler, long I stood
And looked down one as far as I could
To where it bent in the undergrowth;

This is the first part of Robert Frost's fabulous classic, as printed above the USAGOLD Walking The Gold Trail page. I'm not sure if it was Randy or MK that choose it, but it was perfect in all the ambiguity such words could convey. For thinking, reasoning people it creates an air of where we
are today. We have rounded "The Curve" of understanding and now must contemplate the trail to follow. Truly, most everyone knows, now, that there are two paths we can go down. Each path denotes following it's own economic block, world currency block and gold price structure block.
Indeed, our future quality of life may depend on how much we understand about these two paths.

more

Trail Guide (1/18/2001; 9:32:39MT - usagold.com msg#: 45846)

Comment

Randy (@ The Tower) (1/17/2001; 11:20:40MT - usagold.com msg#: 45784)Excellent! Here is only a small excerpt from MK's FULL report today ----------

Randy,
Yes, that MK is something! While I cannot get his entire News & Views, what you have provided speaks volumes of a mind endowed with good reasoning. His vision is well positioned to navigate and understand this modern money world around us.

I have this to add:

Who among us, ten or twenty years ago, would have ever thought the fed would still be exploding our dollar production today? Back then, such an "inflation of the currency", over this long a time span, was unthinkable. It would surely lead to an immediate destruction of the dollar. But, here we are, watching as dollar production is gunned for the ????? time.

Everyone with any knowledge at all, the Ruffs, the Browns, the Schultzs, etc.,,,, all knew any such currency inflation, as we see today, would send the world off the dollar standard! Where would we all go for money relief? Why, gold and silver, of course! But, what happened? Well, the world
economic structure changed and those extra years sold time to others for the creation of Another currency.

You see,,,,,,, this was the trick (or ploy) of "one world trade". This concept alone produced the extra demand that needed "trading dollars". This short term transition, aided with cheap oil deals, demanded "digital money" for trade, not savings. It was this new "one worldeconomic expansion
demand" that put our dollar so much more "in play" for it's settlement function. It's value as a savings utility was not in demand, but it's need to denominate and close settlement was. This exceptional surge in trading demand overcame it's loss of demand as a "holder of value".

However, this "digital need" would not alone, negate the run into gold others forsaw. For that sector, our new currency creators needed an overflow valve that would cover this demand. Paper gold! A devise pushed at first by all dollar users.

But what of all the dollar instruments floating around? Cash dollars, near dollar like securities and even Treasury issues? Even they are not the static holdings we knew them as twenty years ago. These paper digits are but commerce receipts and are now a 1000 times more fluid. In fact, few of us can say that we actually have an account that these things are deposited in. Yesterday, instead of real deposits, we owned "deposit credits" and account credits. Bad enough to own them then as it created doubts of redemption. Today, however, we own "deposit credits" of "deposit credits"! In other words, our entire money universe if completely liquid and fluid in nature. We as an American
Western society own no form of a stable currency structure. It is completely a "digital settlement receipt" money.

In this fashion, no form of trade slow down can be allowed. Economic slowdown today, is the death of dollars on a scale never known. Where dollar assets and liabilities, matched on banking books, would once cancel out, creating just a simple alarming deflation,,,,,,,,, today, one dollar loss wipes out hundreds of dollar derivatives assets based and created against that one single deposit credit asset. Even a minor slow down will have the effects of a colossal banking failure. Therefore, the Fed is now in a different universe than the one most economic forecasters are following. It's not a case of changed rules,,,,,, it a case of a completely different environment.

The fed must create an inflation on top of an inflation. To not do so, they will immediately concede the currency world to the "old world's" new currency and it's physical friend. Gold! Even most Euro doubters are beginning to see this new light:

----"Picking a new currency to switch into may seem tricky, but there are only a few sound choices. The euro, a currency nobody (including us) had a nice word for in a year, is now one." --
---http://www.gold-eagle.com/gold_digest_01/schultz011901pv.html----

So,
This, my friend, is the new dollar money world we have evolved into. A process that has expended the value and timeline of any and all dollar based assets. As Another said; "your wealth, it not what your dollar say it be". Indeed, what we own is but a shell of a transitional world currency system. Somewhat like owning the common stock of a trading shell company. No assets, but still has a useful bid? It leaves us with little value once it's digital bid, it's "USE FACTOR" moves on and that factor will leave if the world economy slows in the slightest way. In common language, a recession will bring the Western dollar world a modern hyperinflation the likes none of us have ever seen or
read about in our time!

Major players in the gold world have not been blind to this ending dollar timeline. Physical gold is not off their radar screen, just paper substitutes hard money assets not backed by Euro governments! They are not blind to the continued use and need for paper gold to govern the dollars slow demise. Collapse this paper gold world too fast,,,, and the dollar is toast,,,,, too fast!

Indeed, without a Euro to take over the dollars "digital roll" we would be headed for an full blown economic nuclear event. Something oil producers are loath to accept. To this end, the Euro is forced to survive,,,,, warts and all! It will also be physical gold that carries the bulk of past dollar inflation, and the wealth that represents, in the form of gigantic dollar gold price increases. The world's wealth, as denominated in money will not disappear, it will only change hands and form as it supports a new currency system. CB gold is today, traded as an asset, not sold as a liability. Only Western Media reports 1/2 this fact to extend paper gold's decent.

Gold substitutes? Who needs them when their value is based on a failing paper price structure.

Today, who knows the price for physical gold?
It has no market price in our dollar world!

Physical Gold Tomorrow? It will outperform every other asset ---- because it's value as wealth is so misplaced in our time------

As MK so boldly observes;
-----"There comes a day of reckoning..."----------

more

Trail Guide (1/19/2001; 16:53:56MT - usagold.com msg#: 45944)
Reply
USAGOLD (01/18/01; 19:34:02MT - usagold.com msg#: 45876)
To FOA. . .A challenging question from the C-Man. . . .

Michael,

Thank you for inviting me up here, on stage. I'll offer some frank discussion to Mr. Cavan Man's challenging question. Only, I hope my oratory doesn't drive the audience from their seats. (smile)

Hello everyone,
I assume you were all given and have reviewed USAGOLD's #45876. Good, then we can get right into it.

C/Man's permanent question is; "Why doesn't Greenspan do something about this? He must see what's coming."!

This crosses all the endless boundaries of political vs human wants and needs. Any answer to such a question exposes our own reality of just how much we all live together and compete together. As I mentioned before; we all are floating down the same river of life,,,,, bickering and debating, living and working,,,, even taking each other into court and war,,,,,, and doing all this as our floats ride the same current of water to it's destine end.

To better understand my replies, let me profile myself a bit. In both the physical and mental image.

The physical:
Am obviously a male and in the second half century of my life.
Have been married only once, to the same wonderful woman for several decades.
I am religious, understand the bible and do physical deeds to convey that knowledge to others.
I strive to live a moral life in every physical sense.
Am in good health and work at treating others as I want them to treat me.

The mental
By some gift of destiny, I know the people world around me. Perhaps better than some?
At all times I am intensely aware of the diversity of human life we all must operate within.
Myself and each of us have our right and wrong codes we live by and these are not always the same.
Yet, and because of this, society as a whole must function thru consensus or make war.
I fully well understand a successful person's (and nation's) feeling that they alone made their way in this world thru hard work and self sacrifice,,,,,, and I admire that pride and courage.
I also well understand that, by far, 99% of these people got where they are at with luck and good fortune,,,,,, more so than their special talents or moral good deeds.
And too, I bridge boundaries of thought, without judgment, in order to promote a common good.

So,
From that "heavy" description, I'll lighten the room a bit with a true short story I find most remarkable for it's human clarity, scope and definition as it applies to all of us (smile):

------I was once at a bar in a very exclusive, very private country club. In this part of the club there were no waiters, only a large team of bartenders that always stayed behind the bar. They would be fired, on the spot if they walked onto the small club floor. By code, this area required members to get their own drinks for ourselves and others. Kind of a step-down from the "big life" so as to bring us back to "regular status". The talk was very friendly and no business discussed.

A new guy, who I'll refer to as "newguy", had just come of age (new money) and wanted his place in the group. I think he was Australian, if my memory is correct. Standing at the bar, within a crowd, he boasted openly about his new boat, 14 meters+/-, and how cheap it was to operate. Conveying a sense of wealth availability. "At this rate I could have several",,,,,,, he said this with a smile and an honest intent. But I (and other older men) knew his motives were as usual for fresh money. After a short chat, he felt like he was fitting in and really making his position felt.

Then, (I'm laughing as I recall this) another much older member strolled up for a drink, just catching the tail end of newguy's talk. Now, you have to understand, this other fella was world class wealthy, but you would never know it. His way was always light and easy. He poked his head into
the group and told newguy,,,,, in a low gravely voice:
---"Boy, you made a good decision on that one! I also down sized to one of those little boats. Saved me a tonne of aggravation. Hell, I now have the rest of my slip rented out to two other members. Good for them for having the space,,,, and good for you for doing the same. You know, the world doesn't need attitudes like we used to have. Good un Mate! (as he walked away)------

Ha! Ha! Ha!,,,,, everyone around newguy kept a straight face as he kept the beer mug at his lips, while looking at us over the top. Then he lowered the glass and said with a straight face,,,,,, ----"He's right, ya know!"----
Ha! Ha! Ha!--- then we all had a great laugh ----------

Ok, where was I?
That story not only tells us who we are in society, but how we react against competition in society. Sometimes the act is extended into a life long play. The above little interaction is carried out in board rooms and on the street,,,,,,, at the CIA and between nation states. No matter if one is rich or poor,,,,,, buying and selling countries or teacups,,,,, operating businesses or pickup trucks,,,,, we all do our part to "puff up" as a defense against the world we perceive is out there. We adapt into
the social and business flow that's at hand. The norm of the occasion,,,,, and the political reality that's in our world around us. Our personal codes of life are often at odds with the consensus of the diverse world we must operate in. Such is life!

You see, in real life, we must often take on the appearance of that world around us. This action isn't lying or cheating so much as it is trying to act out a play that is essential in dealing within our hugely diverse society. A society, by the way, that is mostly made up of people that aren't "the good ones" as we so often perceive ourselves to be.(smile)

This line of comment now lays a foundation that takes me to politics. As I have come to understand the captain at the helm,,,, the driver of the corporation,,,,,, the general at the controls,,,,, they are all just like us. Working outside our personal

moral standing standards, they must function using a diverse crew that's usually not of the same thought. Do these leaders lie and cheat if the stress becomes great enough? Of course, how do you think the ,,,, workers of different moralities are jostled to perform,,,, the job gets done and profits get made,,,,,, ! Do these bosses all get caught? No, the ones we extol as "good ones" don't.

Does the democrat tax and spend? No more than the republican borrows and spends! Is your group's moral or business objectives correct for the country? Only if they apply to the whole diverse society. Otherwise, you are imposing a will upon others.

Now, with that overview in mind:
Is Alan Greenspan doing everything he can to oversee a fiat banking system while functioning within our political society? I can answer that with .9999% certainty. Yes! In fact, throw a few extra 999s on that answer (smile).

You see, a nations rules, laws and moral requirements are never more than a consensus vote from changing. In such an environment, no leader can function for long at his own or our own standards. The office, itself is a reflection of power groups pushing their own position and that requires us to make our personal codes just that, personal codes. Not public codes.

Any person of clear vision could stand upon the highest mountain, look 360, and see that this country is not the same body it started from. Our codes of conduct, perceptions of right vs wrong and even our attitudes of wealth have all been diluted from other sources. This is not to say it's
good or bad, as this dilution often comes from foreign political perceptions that preceded our nation' history. In some ways, it predates many generations. Right or wrong, good or bad, some of these accepted political directions have been used a long time.

Mr. G. is not trying to make us something we as a group are not. He cannot. His objective is to support, prolong and protect our financial system as it must operate in it's present evolution. Make no mistake, he and every leader in his position understands that fiat money systems are always in evolution. There is not and never has been a status quo when it comes to a nation's money. Recent history is ripe with such change, even during the usage of gold within the currency stable.

I can assure all of you that our fed chief does not confuse a strong vs week dollar with a stable fiat money system. This current strong vs week dynamic, happening over the span of 20+/- years is little more than wafting from bank to bank as we ride the river that is our currencies timeline. Our
dollar is evolving even as our society evolves. It's use as a world reserve and even as a medium of exchange was never written in some code of world conduct or acceptance. Circumstance and consensus will change any currencies worth regardless of who manages it's trip through time and space.

So, there you have C-Man. I wish you had asked earlier? Because; "I didn't know there was a problem." (smile)

TrailGuide

USAGOLD (01/18/01; 19:34:02MT - usagold.com msg#: 45876)

To FOA. . .A challenging question from the C-Man. . . .

FOA: "The fed must create an inflation on top of an inflation. To not do so, they will immediately concede the currency world to the 'old world's' new currency and it's physical friend. Gold! Even most Euro doubters are beginning to see this new light. . ."

Including me. I saw in the Economist the other day that Goldman Sachs is calling for a euro price this year of $1.22! Bold and telling. . . This is a currency price based on "an inflation on top of an inflation". . . .Yes?

Cavan Man called today. And as is frequently the case the conversation got around to you and Another, the economy, currency values, etc. It is always good to hear from this fellow knight and traveller, and in the midst of the conversation he asked, as I have come to learn is his customary fashion: "Why doesn't Greenspan do something about this. He must see what's coming." I tried to answer that question, but I wonder how you would respond. Here (Greenspan) is a man who spent his middle years as one of us. Then he became Fed chairman charged with the responsibilities of lender of last resort and something changed. . .Or did it? I answered the question as best I could but it is one that does not lend itself to an easy answer. And perhaps only Alan Greenspan himself could answer it to real satisfaction. I venture a guess that he might respond smiling slyly with "I didn't know there was a problem." (Thought of that after I hung up the phone, Cavan Man.)

FOA, I wonder if you, or perhaps Another, have any thoughts on this. I think the question might open the door to some interesting discussion. If anyone else would like to take a stab at it, I think we might all gain by your thoughts. And I hope I am not usurping prime posting privileges, C-Man. It is a good question and I didn't want to take the chance that you might pass on a great Forum opportunity. (I hope you don't mind.) Now you've stimulated us all.

P.S.(and an aside) An editorialist asked this morning: "What do you get when you cross the Chairman of the Fed and the Godfather." Answer: An offer you can't understand.

Trail Guide (1/20/2001; 8:52:40MT - usagold.com msg#: 45983)

Reply

Cavan Man (1/20/2001; 5:33:18MT - usagold.com msg#: 45970)
Trail Guide Question
We export more than our currency from US shores. What of those in the "East" that have perspective not unlike those in the "West". I believe there might be many of these; yes?

Cavan Man,
We export many goods & services, true. But, over time our competition is making these exports less inviting. Even now, at current exchange rates, much of what we sell can be purchased somewhere else at close to the same value. Remember, at some point, as our dollar drops in value,
domestic inflation raises local production costs enough that it cancels our much of any perceived "falling dollar advantage" in world trade.

The coming dollar fallaway will not induce any such export boom that many foresee.

It will not be a saving grace for our economy. You see, in the past, such a drop in the reserve currency had the same inflationary effects on all world producing economic structures. This time, however, a
transition into Euro use for reserve and trade settlement will blanket such rising cost effects, somewhat protecting any national trading block that opts out of the dollar receive structure. The obvious advantage will become easy for everyone to see.

Even "nonwestern" players, that operate within the Western zone of thought, are not permanent in their trade position. They will shift as everyone else does. It's just a matter of time and evolution.(smile)

Before I go deep into this, I would like to hear how others would walk in Mr. G's shoes. I also have a Black Gold comment for ORO just as soon as we pass this area. I'll be back in a day or so.

TrailGuide

Trail Guide (01/24/01; 17:10:44MT - usagold.com msg#: 46354)
Comment
http://www.canoe.ca/MoneyNews/jan24_placergold-cp.html

Hello Randy,
I'm working on a long discussion between us. At my place just above the trail head. Over wine, we will travel all the way back to around 610 BC, in the area of Lidia. This will be an easy read that lays out a broad position about gold. Who knows, we may even run thru a timeline and into a fella
our other posters have mentioned, Homer? (smile) Indeed, maybe the perceptions of gold by the ancients will prove to be the best position for anyone to be in, considering the nature of what is coming.

ALL,
Well, some paper gold bugs can't understand how a failing paper pricing system for gold can hurt their mine investments. Looks like this is only the beginning. How many HMs, MENs, HLs are next? Great days for physical gold advocates,,,,,,, awful days for players of gold substitutes, no?

Physical Gold,,,,,,, nothing else can compare!

" " Placer Dome sees no hope of higher gold price, plans massive asset write downs " "

------TORONTO (CP) -- Seeing no prospect of a significant rise in the price of gold, Placer Dome Inc. (PDG:TSE) is reducing the accounting value of its gold reserves to $300 US an ounce from $325. The world's fifth-largest gold miner also cut its estimate of its proved and probable gold reserves by almost 30 per cent.----------

------- In light of the reduced gold-price assumption, Placer Dome's proven and probable reserves decreased to 47 million ounces as of Dec. 31, down from 65.9 million ounces that were considered economically recoverable at the end of 1999.----------

----------The company said the volume of reserves would be cut by a further five per cent if the long-term price of gold fell to $275 US an ounce----------

----------In the meantime, "we are relentlessly pursuing cost-reduction initiatives and other measures in response to the business environment."----------

Gold Trail Update (1/25/2001; 10:00:14MDT - Msg ID:46428)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (1/25/2001; 10:00:13MT - usagold.com msg#55)

A Comment, then The Gold Of Troy

Hello Randy!

I thought this would be a good time to take a break from the trail. Here, at my place on the Trail Head, we can consume the luxury of a more relaxed, liberal conversation. Some day, I hope Michael, yourself or others may physically join (actual posting) in talks. I know MK is very busy (talking to friends / clients and counting his / their gold (smile)) so his being here, in spirit only, is enough for today.

For you, Randy, I'm afraid that the times ahead may make yourself one of only a few that will talk to me. You see, attitudes in this gold market are going to become very hard, almost stone like. Some of this will be reflected in a widening "valley between paper gold owners and physical gold owners",,,,, that is a subjuec I have, in the past, referred to. Unless one has the reasoning powers to see the future in physical gold, as I know you do, the possibilities of overcoming and / or regaining ongoing and future losses of wealth will congeal many a person's feelings . So, for now, engage your free spirit and have a glass of my best wine. I hope you enjoy this red, there were only 500 cases of it made in the whole world and I got the last one (smile). All the best, my friend.

(after a sip and a moment to reflect)

You know, in a little bit, in the next post, I'm going into a whole discussion about ancient gold,,,,,, carrying the thought right to the present. But before doing that:

I think it's a real shame, the way our Western / American investment culture has changed the private persons perceptions of gold,,,,, indeed, a change in their perceptions of all wealth. It seems that almost every form of asset holding must be in some form of leveraged and / or non real ownership. Paper this,,,,,, paper that,,,,, ten to one gains,,,,odds are on your side,,,, and so on and so on. And, the problem is not just gold,,,, it's visible in everything.

I guess this is what happens when decades of currency inflation leads to almost free money flow for any imaginable use,,,, and that unlimited ability to borrow and spend comes on top of little or no price inflation! The dollar's reserve function and the lack of significant price rises such a world financial structure creates,,,,,, has developed a frozen value perception in our currency's image. A frozen value image that our society absolutely knows is their net worth's purchasing power for real things.

Collectively, it isn't and never has been.

We have a whole generation,,,, even several generations,,, perhaps, yourself included,,,,, that do not perceive their standings as being high up upon the hill. Many, if not most, of the voting public see their economic location at the bottom or only partially up said economic mountain,,,,, and they see that any fallback in the economy will drive them into negative territory. In reality, we are, and have been on easy street. With such a conflict, is it any wonder that Alan Greenspan must inflate further? No different from the past,,,,,, but still inflate, regardless of the world's new currency environment? In addition, following such a public political directive, our fed's inflation can casually respond to the changed nature of our derivative economy and not seem out of place while doing it.

With this almost national perception of a false "net worth purchasing power" and with our ability to borrow more into said net worth, our perception's impact,,,,,,, as a whole,,, on society's money culture cannot be resisted. Yet, all this proceeds as our fiat values, in reality, are transitory and always have been. It's just not understood as a natural process. We see it in all our conversations, at home, at work, at play and on the internet. With such a well grounded belief:

----People are reduced to playing a game with their wealth, instead of employing it to create a better standard of life. A better standard based more upon the security of ownership, now, than upon some quantity of purchasing power who's future value conversion is unknown.------

---

(another pause and a sip)

You know -------- some readers think I'm being disingenuous when I write,(and I am using that word with Samuel Johnson's 1755 definition) but it takes that much and more to impact the diverse minds that come here. When saying diverse, I mean intentions as well as educational and cultural backgrounds.

I know there are "real asset" people, like yourself, here. Physical gold advocates that are, in no rime or reason, gloom and doom gold bugs. Like you, Randy, they applied their mental faculties using a lot of hard work and grew to understand the real world and where it's going. Not just following the Western investment crowd.

But, we also engage no less than a small hoard of "western style" paper gold bugs on this venue,,, as over the years they have become and represent the majority of hard money thought regarding gold. Using the thoughts and perceptions I just outlined earlier (above),,,,,, these people,,,,,, mostly Americans and foreign natives using American trends as a guide,,,,,,, are employing their assets into this hard money arena,,,,, and doing it using historic realities, not future realities. That's fine if we relive the past! However, today, the evolution of our currencies lifeline trend has deformed these investment methods into little more than gambling. And it's the exact same gambling dynamic they vocally deplore and are trying to escape from in other areas. In case any readers are drifting off, here, I'm directly referring to paper hard money investments in today's world. Not only are these perceived hard money vehicles "not the same as before",,,,,,,,,,, like the currency, too ,,,,, their station in life is moving on. Out away from what their past precidents.

(another pause)

When gold is discussed on public forums and at investment conferences, many true physical gold advocated don't perceive the motivation behind the oratory from today's paper gold bugs. Their interest in physical gold is real, but their actual intent is to gain "a" security by profiting from a gold dynamic created by other's buying actions. Never to gain "the" actual security by entering into the gold dynamic themselves. Many of them don't have a clue of what all that means. Yet, such an understanding would delinenate the huge difference within this concept. Especially today,,,,, and in the future as said difference may make or break the financial worth of many. Here is an example of such thinking:

----- Two guys are talking about shoes:
"Hey, did you notice how few people have shoes today? I know we have them and their use is obvious. It balances our overall physical appearance and gives a long-lasting foundation for our feet and for our human structure. In turn, shoes support all the other investment clothes we own and use during our life."

While these fellas are talking several other "Americans" overhear the conversation and join in:
"Shoes,,,,, shoes,,,, what's this about shoes? You say there is a demand for them,,,, a deficit in supply? Oh yes, we completely understand the concept and fully embrace it. Without shoes, none of us could economically stand up straight. The whole world is woefully shy of them and will someday be forced,,,,, if not by foresight, by need, to own them. There is no way any of us could transverse a hard rocky economic road without gold,,,, weeeee mean shoes! Man alive,,,,, I'm going to buy a shoe factory and make some money from all this new demand."

But, the first two guys observed and asked:
"But, wait a minute,,,,,, aren't you going to follow your own keen concept and buy some shoes for yourself and your family first? You know, that public shoe company does not and will not,,,, by government tax laws and regulations,,,,,, sell it's product directly to it's owners. They can only give paper profits to their owners. During all the big rush, you will be in with all the other "shoeless buyers"

Oh yeah,,,,,, we will later buy them,,, said the traders,,,,, besides, I got a 1/4 shoe now,,,, that's a start. And, by holding these tiny shoe laces, we can stand here and fit in with all you well heeled players (grinning like Texas Westerner on an oil well). Look, I'm in this to make money,,,,, it's just a concept like all the others I follow. I do the same thing when I'm with other "conceptors" of the same ilk,,,,,, I talk their talk to understand their concept. But, I really don't need your gold as long as I got my paper profits.

OK, said the two guys with shoes. We don't mind your talking with us, so long as your perceptions don't distort our end purpose of having good shoes,,,,,,, and just don't complain when your company's value can't equal the worth of good shoes on the hard road before us.

Further to consider,
I think many players degrade our reasoning because it just suites their confrontational nature. Their constant replay of the same past failed positions clouds

the view, even as it does make everyone think harder. Some may have to drop more wealth before they learn, I don't know? In addition, some paper players, caught up in the paper game our currency inflation creates, mentally cannot let go. To do so places them outside their social strata even if it saves them much heart ache and money. They feel that only the leverage is in the leverage of some gold substitute, never gold itself as the means to an end. Own silver, mine stocks, erivatives, etc.,,,,,, and that position will restore their already considerable loses, they hope.

It's a: "there just has to be a way I can play this game using some paper system",,,,,," even another more leveraged metal if need be". I, myself, know the feeling and over a lifetime have evolved through it. Problem is I doubt others will have that same luxury of so much time.

So, Randy, let's go back in time and space to build a gold perception the physical gold advocates have understood from the beginning.

I'll post in a few hours (if the power stays on at the Trail Head) (smile)

TrailGuide

Gold Trail Update (1/25/2001; 16:28:50MDT - Msg ID:46462)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (1/25/2001; 16:28:50MT - usagold.com msg#56)

The Gold Of Troy!

Hello again Randy,
Let me read something to you that will set the tone of this ongoing discussion:

---- Was There a Real Trojan War? ----

Until the 19th century it was widely believed that Troy and the Trojan war were imaginary. Then, in 1871, an American named Heinrich Schliemann began excavating an ancient city in Turkey. To the amazement of many, this retired businessman had discovered the lost city of Troy.

Nine cities have been found at the site, one on top of the other. The seventh city was destroyed around 1250 BC and appears to be the Troy of legend. You can still see the ruins of its towers and its walls, which were sixteen feet thick.

Schliemann identified Troy's location through clues he found in the Iliad, the epic attributed to the Greek poet Homer. Little is known about Homer except that he was blind. In ancient times it was believed that he had lived during the Trojan War, but most modern scholars think that he lived in the 8th or 9th century B.C. His poems weren't written down when they were first composed, but were transmitted orally for many years. Some people suspect that the poems were actually the work of successive generations of poets, and that Homer didn't exist. Of course, the same thing was once said about Troy.

All thanks to the work of Heinrich Schilemann. Without him we might still regard the Trojan War as nothing more than myth. What started the Trojan War? It has been suggested that the Greeks may have been fighting to gain control of the Dardanelles, a water passage between the Mediterranean and Black seas, near Troy. Or perhaps the war truly was fought over a woman named Helen. The truth is lost in the past.---
---

Well, Randy, that Mr. Schilemann (1822 - 1890) was quite an explorer. His work helped uncover a mountain of knowledge about ancient life. Not to mention it helped us conceive how these people viewed their "wealth of Ages". Thank goodness for California gold. too! Yes, I said that right, as that is what financed his work if you can believe it?. Here is more, then I'll begin:

Heinrich Schliemann was a bold dreamer and a prolific liar. Despite those credentials, it wasn't politics that brought him to Gold Rush Sacramento in 1851. Instead, it was the death of his brother Ludwig, from typhus. Schliemann, a German-born merchant had been living in St. Petersburg, Russia.

He planned to make sure his brother was properly buried, claim what he believed to be a sizable estate, and get back to Europe. What he found, however, was that his brother had been buried without a tombstone, and his brother's business partner had made off with the loot. So Schliemann paid $50 for a marble headstone, and set himself up in business as a gold broker. In addition to making up outrageous stories in his diary, Schliemann was more than a little paranoid. Afraid of fire, his office was located in Sacramento's only brick-and-stone building, at Front and J streets. He wrote that he often slept on top of the gold, with pistols across his chest.

Despite two bouts of yellow fever, Schliemann persevered, and in nine months he made more than $400,000, some of it legitimately. He returned to St. Petersburg in1852, using his Gold Rush fortune to make an even greater fortune in the Crimean War. And his money allowed Schliemann to indulge his real passion in rchaeology -- and preserve himself a place in history.

In 1871, Schliemann, using Homer's "Iliad" as a guide, began digging in what is now Turkey, and found the lost city of Troy. A German merchant with a penchant for prevarication spurred the growth of modern archaeology and found the gold of an ancient era -- using the gold of California.

Oh boy, what a life, what a story?

Yes, on that small mound, about 5 miles from the coast, they found layer after layer of ancient cities. One of them was indeed, Troy. The treasures were many and quite a few made of gold. Hair - rings and small fluted beakers, vessel covers and sauceboats, even a spectacular large diadem (head dress) with pendants. These treasures are, in fact housed in some 50 museums around the world. Later, around our time (1994) it's been certified that a lower level of excavations did, indeed belong in the Bronze age, 2600 - 2300 BC. This places these golden remains around the same periods and datebacks as in the Thebes works.

-------The studies in Egypt.

One current project called The Theban Mapping Project, is giving us a better and better idea of how life was during these early civilizations, and this is but one of several "modern" evaluation of ancient life.

In that area of the world, researchers are probing a lot of ancient lifestyles. From around 3000 BC, through the Old Kingdom (2700 - 2100 BC), during the Middle Kingdom (1700 - 1200 BC), passing the New Kingdom (1500 - 1000), into the Graeco - Roman Period (300BC to 400 AD),,, this is truly some record of life. It, along with many others, uncovers and exposes so much history it's astounding.

Our reasons for following these old lifestyles is, for us of course, to gain a better perception of how humans understood and used their wealth, back then. What is coming to light, for for gold advocates, is an ongoing evaluation of how we, as a modern people, have lost so much of our connection and understanding to what wealth is, how much it's worth and how to use it. This is, of course, in contrast to the ways wealth, including gold was seen and valued then.

Concerning "gold as money", One of the first things we established about the Troy collection was that there were very few, if any coins found. At least allowing for the size of the find. Nine + levels were dug, representing a hugh section of antiquity and no coins remained with the find. Here was a mass of civilization leaving treasure after treasure of fantastic gold artwork, yet, no coins to speak of. We cannot conclude that the coins were taken and melted down, because the art was just as valuable, yet it didn't get taken. And these treasures were laid down in several cities and generations, over time.

Researching further, many of the other great finds from the BC and early AD period were from tombs and lesser burial sights. Places where people of "excessive worth" took their excesses with them. But regular cities with regular people had relatively few coins. So what is the point? Let's go further.

Some of the earliest coins were stamped with a detailed press, struck with a blow that indented the heated metal. The Alyattes from Lydia (610-561 BC) was one of the earliest. It and a whole host of later coins were marked this way. We know that some of the most rare were natural forming in stream beds, because they were electrum (natural combination of gold and silver). They would not have been man made that way, at that time. Mostly because the silver gold combinations, in natural forming metal, were never equal in amounts. Giving the coins different values. Were they this particular about content and weight? You bet. The first coins were called staters, meaning "weighters" and were used as the norm for weights in other coins.

So, with the Athens, Macedon, Tarentum and Antiochus to name a few, began the worlds first coins. Gold coins? Yes they were, but money as we know it? Our view of how these people viewed and used this gold money is, we believe, far different from

what gold scholars teach. And it's impact on estimates of existing modern gold supply and use is enormous.

Randy,
walk up to any citizen living during 335BC, in the latest town where Troy once was, show them a "Head of Zeus" (Saracuse 3 stater) coin. Then show him a vessel of oil and ask which he would take in equal trade for anything? Odd are, even though your two items were of equal value, he would take the vessel. Why?

All throughout these early times, prior to BC and into some AD, people didn't see these gold coins as we think of money today. These various gold coins had tremendous value, but they were just gold pieces. They were wealth for trade like everything else was.. That's simple logic, I know, but the vessel of oil, for instance was just as tradable as a gold coin. In fact, within most of the medium sizes city states of that era, barter of like goods was just as good or better than gold coin. One's life was better if he owned wealth he used.

Humans of that period didn't live all that long a time span. Even though some accounts prove otherwise, the majority of life went by rather quickly. If you were a regular part of society in general, your wealth was what you had and consumed during those short days. There were no banks or investment houses and the average person's return on a wealth unit was his length of use and it's quality of life enhancement. More to the point, this logic made these guys spenders of gold, rather than savers! If you had gained gold in trade, for your services or goods supplied, you had no reason to save it. There was no other money that needed to be hedged against value loss.

It's becoming more and more apparent that average people of that time quickly traded (spent) their gold for something useful of value, for both them and their family. They didn't have the excess we know today. In modern nomenclature; this logic dictates that a much smaller amount of gold money circulated and circulated faster than many supposed. All forms of jewlery and art objects were in the same situation.

For longer savings, even for those of above average means that had all they wanted, people tended to spend their most valuable gold coins first, while saving the least valuable (bronze, silver, iron) for emergencies and later use. To us, today this sounds strange, but place yourself in that time. It was better to build your most useful and needed store of things while times were good.

Therefore, you traded the gold, which brought the most equal trade, first. If things got so bad that one had to dig up the stash, you were trading for last ditch things anyway. Kind of like wrapping up and burying beef jerky to get you thru a pinch. This use of lower metal is suported. Remember, lots of things served as money objects them. Even much later, AD, it was common in Roam to trad big iron bricks that were forged as a bull. It's use was in trade for "one bull" or something of that animal's value.

This tends to explain why so many hordes of lesser quality, non gold coins are always being found today. Roman silver, bronze, iron, copper coins are very

common. The classic belief is that all the gold was found, melted down and recast. But that action just didn't fit the whole profile of life's need back then. The majority of gold in average and even upper hands was always on the move, in trade or payment for service. Each succession of ruler, simply reused the old coins or melted them down and restruck with a new image. And new gold was minted only if it was easy to find. Especially stolen jewlery. Mined gold was a very last resort.

Remember, real useful goods crowded a rich ruler's house, too and these were just as valuable and tradable as gold. Besides, far too many finds have come up with jewelry and no coins to suggest some robbery by thieves sold the coins to new rulers with melting pots. The gold would have been taken whether coin or art.

Taxes were paid in goods, service or coin (preferably gold) and regular people knew it. Far better to trade your gold and save your wealth in a bulky form so the tax man's take at least has a chance of taking less than enough. To store your wealth in gold and risk him finding and taking it all was just not acceptable.

The great gold stores we have found almost always point to their being the reserves of a rich ruling class. Just like modern billionaires, after too much comes excess and gold was the only alternative for someone with guards and regular army.

On the Road

More and more evidence is mounting that the largest portion of gold, during this early period was, "On The Road"! The perception that every person had some portion of gold as savings is blunted by their lack of need for such wealth. Gold was needed and used to spend "On The Road" more so than in local domains. Whether for armies or traveling merchants, gold moved more than it was saved. Even gold in the form of art was "fair game" for the regular people to use as a tradable medium. In fact it was just as likely used as money "on The Road" as coins. This further explains the findings of small amounts of jewelry in most of the locations where small towns were located. In the reasoning of Troy, the lack of coinage supports the movement of gold more than the saving of it.

We find gold more in the "upper status" burial places of great cities than in the areas where common man traded, lived and kept his personal worth. We further conclude that gold was much harder to find and utilize, back then than many supposed. Yes, great amounts were around, but the reality was that these amounts were perhaps 1/2 or less than many others conclude. Simply because finding or producing gold meant displacing labor that could be making barter able goods of equal value. Besides, gold that was in trade, was valuable enough that what existed mostly covered it's need in long distance commerce. This further points to a much greater value for a much lesser amount of gold while it was used during this period.

When evaluating lifestyle wealth, back them, many often find themselves comparing things in a relative mode with today's perspective. In this position we think the mark has been far missed for gold worth. It's possible that gold payment, in these early times amounted to a hugh premium compared to today. The various goods and lifestyle conditions in existence, indicate a much higher relative worth for their goods of daily life. Thereby giving gold a much greater relative worth within one's life also. If a one stater Darius of gold, from Cyrus of Persia was worth a very valuable vessel of oil, why utilize the effort to find gold just to trade for some oil. Better to skip the gold production and make the oil. This was the norm for thinking by people not

trading on the road, living "within local" city states. Indeed, outside the need to pay armies, a much smaller amount of gold did the job much better than us modern thinkers thought was necessary. Further, the use of oversea warefare and trade perhaps lost more gold into the ocean than we will ever know.

Consider these possibilities well. In that gold today is in a much lesser existence, compared to modern goods supply and lifestyle enhancements, when comparing it to it's value in life in the past. It's true worth as a wealth medium could be a 1,000 times higher! For it to return to it's ancient position of true asset wealth, for trade outside the modern currency relm, we can see where it's European benefactors have once again placed it "On The Road" to much higher fiat currency prices.

Next: Gold from the Roman era forward.

Thanks Randy and ALL

TrailGuide

Trail Guide (1/27/2001; 10:54:37MT - usagold.com msg#: 46629)
Comment

Michael,

In response to your CavanMan question about Greenspan; I made my reply a deep and philosophical ramble, hoping to draw out some other's concepts and opinions about him. For some reason (smile), I feel I know the man and his reasoning, in depth, and wanted to see just what others would do in his shoes. A few replied and I will later, in kind. Perhaps, to our good poster PHinLA's writings, yesterday. Hope his power is still on (grin)!

As to your / our little bet (smile),,,,, I can dump a few K trying to make a point about physical gold vs futures, but dropping a US$ to Mr. Kosares over England would mentally and politically break me,,, Ho! Ho! Ha! Ha!,,,,,, Actually, I don't feel that you are a gambler, but business men of your stature must take public risks on occasions, no?,,,, So, on that account, I will not feel good about taking your money (grin). Besides, being so positive of my new gained one US dollar of wealth from USAGOLD, I already converted it into Euros and invested it (huge grin!) Ha! Ha! Time will tell, my friend!

To comment on your post earlier:

Adrian van Eck doesn't miss a thing and is usually right in the middle of every political motivation that's flowing at the moment. My observations are that this is but another example of the fluid political events we follow and do concur that the methods indicate open economic trade warfare
behind the screens. Indeed, yourself, myself and anyone following the flow of comments here at USAGOLD are attempting to measure the impact of these moves upon our respective currency / economic zones. Even as these nation states combat each other, behind the doors for an upper
hand.

Boy, I have a hard time replying any better than our Mr.CavanMan did in his (01/26/01; 19:07:51MT - usagold.com msg#: 46590) and everyone should read it

again. You have been holding back on us sir (smile).

His point to you, Michael, is that of history and the ebb and flow of greatness in nation states: ---

--"The UK trade flows to the East naturally. As usual, your thought is excellent. However, the British being primarily a conservative people will not make a (quantum) leap of faith across the pond I do believe. Rather, they will be a key member of the EC over the long haul."---

So, I can only support his complete post with my comments followed with several copies from Dravos.

My Coment to a few others:
Codoleeza Rice, G.W. Bush's foreign policy advisor, is only doing her job. But, her proposition alone does not negate the obvious; the US in coming off an economic peak inspired by a huge Fed engineered currency inflation. And, because this dynamic is happening at a point and time unique in
history, world reserve currency trends will now control how the US handles this particular liquification of it's system. This simple point is painfully in plain view throughout the Euro Zone block. It's on record within so many ECB, French, BIS and multi EuroLand publications we cannot begin to repeat it all. They (EuroLand) saw our expansion for what it was, knew it's reason for building, noted that our dollar was driven to "overvaluation" by political means, and knew the Euro "under valuation" was but a passing thing. The British were not yesterday, and are not today blinded to this fact. They, as have other dollar trading blocks, completely based their financial structure upon an endless extension of the world's present reserve currency structure. Yet, today, for the first time in modern US history, there is a real risk that that reserve structure may fracture,
taking those financial houses into a hyperinflation with us.

Bringing Britain into NAFTA would be a great accomplishment and is as good as any a political and economic point for the new Bush people to aspire for,,,,, but points are for arguing while reality is the game that wins votes. Do we really think England will dive for this even as Mexico reveals the danger. From Dravos:

------ http://www.iht.com/articles/8763.htm----------

Mexico Will Seek New EU Trade Links
Alan Friedman International Herald Tribune
Friday, January 26, 2001

Fox Wants to Offset Potential Harm to Growth From U.S.Slowdown

DAVOS, Switzerland President Vicente Fox of Mexico said Thursday that the U.S. economic slowdown could damage his country's growth target this year, but he said he would work to replace lost U.S. trade and investment by forging new commercial ties with the European Union.

"The slowdown in the United States could affect our projection of 4.5 percent growth in 2001, but we want to substitute it with more European trade and investment and make use of the recently signed trade agreement between Mexico and the European Union," Mr. Fox said Thursday night in an interview in Davos with the International

Herald Tribune.

Mr. Fox said he would soon visit France, Britain, Germany, Spain and Switzerland to promote Mexican exports and to seek fresh European investment in Mexico.----------
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HA! HA! Well, Michael, CMan, what do you think of my rambeling on? Can't you just see Britain wondering why they are coming in the front door while Mexico is running out the back? Oh Boy!,,,,Here comes Fox, a smart cookie I might add, signing trade expanding pacts with EuroLand because he can't make his numbers with the US. So what is England going to trade to us that could undercut Mexico? Makes you think, right? (smile)

Also,,,,, Why in the world would Britain want to joint up with this bunch, at a period where they are all driving each others profit margin down the drain, just to recessitate a plunging economic and financial structure built on dollars? And,,,, If anyone doesn't think that Japan does not stand head and shoulders within our little NAFTA organization, they better get new a new financial planner because their own thinking is way off. Their Yen economy is back boned into the USA and it's dollar. More from Dravos:

---------- http://www.iht.com/articles/8916.htm ----------

Japan Fights to Counter Gloom Over Its Economy
Alan Friedman and David Ignatius International Herald Tribune
Saturday, January 27, 2001

DAVOS, Switzerland Prime Minister Yoshiro Mori of Japan will use an appearance here on Saturday to try to counteract the extreme gloom about prospects for the world's second largest economy that has emerged at the annual economic conclave here.

Mr. Mori's appearance at the World Economic Forum, the first ever by a Japanese prime minister, comes as bankers, business executives and economists are wondering aloud if Japan is in recession. Fears are mounting that, after a decade of anemic growth, the country's political paralysis, high debt and snail's pace approach to deregulation and reform could combine with the U.S. economic slowdown to damage global growth prospects this year.

According to a senior Japanese official familiar with Mr. Mori's speech, the prime minister will offer both hope for the future and a frank, even humble assessment of what the official termed "the lost decade."----------

Also from Dravos:

---------- http://www.iht.com/articles/8762.htm --------

Fed Chairman Warns Growth 'Is Close to Zero'
Mitchell Martin International Herald Tribune
Friday, January 26, 2001

Greenspan Backs Big Tax Cuts, A Political Boost for Bush Plan

NEW YORK The U.S. economy has virtually stopped growing, Alan Greenspan, chairman of the Federal Reserve Board, told Congress on Thursday, a surprisingly gloomy view that increases the prospects for a deep interest-rate cut next week.----------

So, Michael,,,,, the fifty-first state? I don't think so. If they do it will be like buying all kinds of leveraged gold substitutes several years ago when some thinkers where saying stick with the real thing instead (smile). By god, that would have been the type of political advisor the Queen needs today!

Britain, like Physical Gold Advocates today, may show some ware from linking to the huge economy of the new Europe, but those minor scares will be nothing compared to the loss (like gold paper players) of going deeper in dollar leverage or staying at all within the US financial and economic trading block. Just at the time in history when we must super inflate away our debts.

Further to your post, Michael: They cannot keep the pound as it stands. It's almost a dollar derivative now. In fact, I know they are monitoring the Gulf Cooperation Council, looking for pointers on how they will structure a parallel currency that uses Euros for settlement, all prior to
joining. Besides, they (HM Treasury) have already shown their hand to us by clearing out as much of their favored Bullion Bank gold debts as possible before EMU.

As to their becoming a halfway house, bridging trade between a future inflating NAFTA arena and EuroLand? Great idea, but Mexico is already showing that won't work. They and everyone else will undercut Britain long before they can "rule the waves again" (smile).

You are a good historian, my friend, and any assessment of world power flows requires just such an input if one is to understand these modern moves. But this time the real history is before us and we will be a big part of it! Oh yes,,,,,,,,, we will!

Now, I'm going to take my little boat and go fishing. Mans got to eat, you know. Be back later, after a fish dinner! (smile)

TrailGuide

Trail Guide (01/28/01; 15:32:22MT - usagold.com msg#: 46753)
(No Subject)

I have several unfinished discussions I wanted to some day return to. The Traveler series was a good one. The aspect of Black Gold was another. Then we could breakdown Mr. Greenspan's thoughts. All in good time. Recently, I began what would be quite a side journey at the GoldTrail Page. Just now I see a need to explain the entire timeline of events that lead to our offering "Another's Thoughts". Why he said what he said when he said it. All this in the middle of an ongoing adjustment I'm making myself, in my life. And,,,,, I offer all this to all free spirits that would consider these things. What do I get out of it??????

How about: "Hey, I read your stuff and don't like it. But, thanks for the effort".
OK! Fair enough.

How about: "Hey, you are all wet and here is my views why you are wrong".
OK! Fair enough.

How about: "Hey, that's interesting, thanks for the effort and here is another question if you can get around to it".
OK! Fair enough.

How about: "Hey, I don't buy it but your story is a process that's not finished yet, so keep talking and I'll keep an ear open.
OK! Fair enough.

You know, Another said a long time ago that we had said enough for most to follow. And he felt he had disclosed enough to average people,,,,, even how they could ride out what was coming. He was going to drop it until it all starts to unfold. Then start again. But I thought, being an American, that it would be interesting for everyone over here, if I just walked along and pointed out some of
the play by play action so the train of thought would not be lost to the average guy.

But then, I never realized that there were so many nuts in the world. Like that one that stomped Another at Kitco, endlessly. I thought they were few and far between. Then several of them even started in on me over here. I don't know, but it seems they all went to the same school,,,, or they are all the same person? Their line of reasoning always starts out as a regular discussion, then degrades into some personal attack. Again, always the same thought process saying: "you people are all being mind controlled if you discuss any of this with them". I have to ask you all ,,,,, What the hell is that anyway?,,,,,, what are they getting at?????

Now it comes to, when someone can't make his point, he switches directions and practically calls me an agent of drug dealers. Jesus! This is the absolute worst hit I can take!!!!!!!!

What is next? Will he ask Stranger, are you some agent dealing drugs with your trading in and out of NEM? How about Randy, will you be profiled as moving opium out the back a pick up, using the trading profits from your gold trading? Is there no limit to this?

I guess it would not be so bad, but,,,,Why is it everyone here presents themselves as conservative and glad to get them people out of the White House,,,,,, then several of us goes on to ask Thaigold to further his logic as to how Giants are moving dope along the Trail???????

Good God!!!!, how do you think this reflects on me and others on this side of the screen?

Well, go ahead and jump to that boy's website and while you are at it let him explain how the gold world works! Let these guys explain the reasoning of international politics and money flows,,,,,,,, even let them explain the
"Thoughts of Another",,, I damn sure won't now,,,,

Because I wouldn't want any of you having your kids see their parents discussing

gold on the internet with some outlaw like me!!!!!!!!!! The more I think about this the hotter I get!!!!!

To all of you that have supported this effort, I thank you from my heart. And I will continue to hike the GoldTrail. But on that venue alone I will stay for a good long time!!!!!!!

TrailGuide

Gold Trail Update (01/29/01; 14:39:35MDT - Msg ID:46845)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (01/29/01; 14:39:33MT - usagold.com msg#57)
Getting some fresh air.

I put on my boots, backpack, gloves, binoculars and went out walking the trail today. A fella came up and asked, "after yesterday, how ya doing"? I said follow me.

We went down to a stream and filled my bucket of water. I took off one glove and stuck a finger into the pail of water.

The water quickly started steaming and my friend jumped back with an expression like he couldn't believe what he just saw.

I said, "it's ok,,,,, this is a good sign because the water isn't boiling,,,,,, it means I'm cooling off!
(partial smile)

I asked him to thank everyone for me and excuse my human nature, until I do the same in person. But, just the same, I'll stay over here a while longer and send letters for all to read from the Trail.

TrailGuide

Gold Trail Update (02/01/01; 13:47:11MDT - Msg ID:47127)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (02/01/01; 13:47:10MT - usagold.com msg#58)
Troy and Beyond, Even to Rome!
http://www.grifterrec.com/coins/timeline/timeline.html

Once again Randy, Hello and thank you for your efforts as the technical manager of this path! (smile)

Hello also, to all the others that have come to our hikes, walks and talks. We started this recent discussion, "going back into the beginnings of gold", right after our hike

#54 "The Curve". There was good reasoning for stopping and camping here, because it was time to understand gold as few have ever understood it in our time. Taking a few days to overlook the valley from this spot will enhance our perceptions and prepare us for the next leg ahead.

So, grab your coffee and tea and lean back,,,,, the stars are out to light the night so our Thoughts alone may travel ---------- "The Gold Trail"!------

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Going back over #56 "The Gold of Troy":

You noticed that I structured that discussion in a way that makes the independent mind wonder about. Let's pull those thoughts together and move along.

We found that history had left us with some conclusions that were, it seems, never concluded. Archaeology had never been approached by someone like us, with a different hard money perspective. Yes, all the records were there, but most every paper written on the subject appeared carbon copy. They all projected our modern sense of money into the economic structures as they existed, back then. "Of course, we are today more complicated", our history papers said,,,, so,,,,,, allowing for that difference "the ancients still operated back then the same as us now". How neat!

Yes, our teachers "called our perception of money, their money and our perception of goods, their goods" in the same context we can use now. They said "hey, they were using hard money to buy and sell from each other, just like we once did" Again,,,,, how neat"!

The Treasures of Troy, all 259 items, were hidden away since 1945 because of various war and political problems. The significance of the find was tainted with scandal until only recently. Around 1994 (or 1995?+/-) the entire lot resurfaced in a museum in Moscow and several well respected scholars were finally able to examine and evaluate the exhibit and the actual site. Their conclusions? Using modern tools of the trade showed that while Schliemann did indeed find several lost cities stacked upon each other, his find went back further in time than anyone thought.

A recent book "The Gold of Troy" (April 1996) gives even further clarification.

From the author's works comes evidence that Troy was a ------ "leading center for gold jewelry making in western Asia Minor and the Aegean" --- " Thus the largest of the Trojan Treasures were Industrial in Nature and refute the supposition that they were objects in burial sights".-----

My research into many more papers and books, like the above and other written works, further shows that the sight was more of a grand market. With numbers of craftsmen in separate offices and work sites turning out some of the very finest gold metal works one could imagine. Even by today's standards. There were metal molds and crucibles found that were used for various metal working projects. We also conclude that the city was rebuilt several times over an extremely long slice of antiquity,,,, each time performing the same function of a trading town. All done

during a slice of time that said gold coins did not trade as well as the other metal ones. Gold was saved, not traded.

Once again, returning to the theme of #56, there were virtually no coins found among the priceless gold art objects. Being a big gold trading town, worked over hundreds of years, certainly some gold coins would be around? Especially if gold and other metal coins were saved and used as money. But, none were around.

Jumping back to:

The object of our viewpoint from #54 "The Curve", was to point out that gold today, has no currency price. Yet we are asked to value it on a gold for goods basis established by modern currency exchange rates. We wondered if the ratios in value between gold and goods, today could be the same as they were in ancient times and middle ages. If this ratio could be matched, we are told that the value yesterday and today would be much the same as our modern money says it is. I do wonder?

We buy and sell gold today, based upon the supply and demand of printing press contracts created on established exchanges around the world. In our present time, there is no trading price for gold based on the independent trading of physical gold alone. Or on the actual trading of gold goods, outright. All currency pricing and therefore modern accepted values for this metal is established on the paper derivatives markets.

To better grasp what we are really doing when buying real gold,,, close your eyes and imagine:

----- Today, we are simply "paying a fiat currency commission for the advantage of holding and owning physical gold metal"! ------ People that trade this paper system, exclusively, are simply betting on what that commission will be, not the eventual gold value. ------

----For actual gold obtainers, this function, that our exchange paper pricing mechanism is doing, is giving us metal for an unknown real price and value.------

I say "commission" in the above, because the total quoted price a coin dealer sells to you at, is little more than the world gold trading market's guess of the risk it is taking in supplying customers with the metal,,,,,, without a real market to establish it's currency price. It's that simple.(smile)

None of them and none of us know what the real value or price gold today is. I use the phrase; "our advantage of owning the metal", because buying physical gold for today's currency,,,,,,,is like buying a lifetime wealth option that never expires. The commission one pays for this gold coin position, in the for of what we call today's price,,,,,,, may one day go to almost zero as our paper market structure fails from the discovery of real price.

All happening because these physical gold options, we call real gold, return to actually trading for a value based on their worth in our world. It's the Physical Gold Advocate's "advantage", because while he is waiting for the real value to emerge, the real value that we know existed in antiquity has never gone away! It just doesn't have a marketplace to show it. It will.

All the while paper gold players are playing for scraps,,,, giving up their commissions,,,,, betting on the changing price of said "commission". Indeed, one that cannot go too far up without killing the entire system. And thinking it's the real price for gold they are betting on all the while.

"You think long and hard on that one? (smile)

For us, as hard money "Physical Gold Advocates", to understand the value of gold, we must remove ourselves from present time thought and think of gold as the Ancients did. Not as money but as little tradable hunks of metal. Gold for goods, straight up, as the citizens of Troy did!

Troy and Beyond, Even to Rome!

Back then, there was no other currency. No paper moneys or banks. One had no need to save gold as a hedge or savings account. Your wealth was in the useful things contained in the world around you. Those little hunks of metal were just that, little hunks of gold that everyone knew had trading value. They were not money, not the way we think of money today. They were just a beautiful metal, gold.

In fact, that is why you carried them, to use that gold if it brought the best deal in a trade. That was worth considering because they didn't always bring the best trade. Unless most of the time you were on the road. Within local communities, at least, goods for goods exchange always traded better than goods for gold. But over distance, the town next door or the seaport across the Aegean, those gold hunks could usually do better than the flask of oil you took with you. One made the best use of gold by using it, not saving it.

Unlike today, the laws of money were turned on end from our perception. Gold was for spending (trading) and spend it people did, especially "away from home". There were many non-gold coins around then, silver, electrum, bronze, iron, copper and they did something we cannot comprehend;

----"this bad money drove good money into circulation" ---- (smile).

Yes, the little metal chunk that carried the highest trading return was spent first! But why? Because the average person's wealth and savings accounts were denominated in the real useful things you owned and consumed during your short life. (See my #56 again to get the mind working) This, my friends is the reason the vast majority of physical gold stayed "on the road" of commerce while all the other metal coins were saved for later use. Gold traded best, so it traded first.

The common repeated ratio that during most of the Greek times a 1 to 10 value existed between silver and gold was official dogma and sounded about as right then as it does today. But, like today, it was seldom tested on an established exchange. That's because the coins had no denominations and were much less traded between themselves, not to mention there was no exchange! Anyone holding gold would be a fool to trade it for silver or any other metal because a trade for goods or services would surely bring a much higher return. The same was true for silver because it was better to risk a trade for goods than be taken in a trade for gold.

Back then, gold chunks were, by far, more rare and tradable than most any other coin produced. If it wasn't traveling by night or stayed too long in a trading town, it was quickly melted into the next generation of national coinage and sent packing again. Or it temporally became the object of a Troy metal craftsman's hand. You see, those little chunks of gold, I point out again, had no denomination of currency unit on them. They were fair game to become tradable gold in any form, be it bar, coin, chain or chip. The same rare gold made the circle between coin and "use object" many times over.

All of this is supported because aside the finds of major treasures, the finds in "working towns and homes" did have tiny gold objects of wealth but rarely did they have gold coins. The presents of these other tiny pieces of gold wealth in medium size homes indicates that they would have had the resources or incomes to use gold coins as trading vehicles,,,,,,, but they did not have the resources to tie up that much wealth by saving coins of gold! That same "logic train" negates the premise that these same working people couldn't afford gold and therefore used lesser metals as coinage in equal value or in a 1 to 10 ratio of gold! They did use these other coins, but used them less. Gold finds, relative to other coins are rare because it was always spent. Place yourself in their times?

Again, people "did" often have and save "other" metal coins. So many, in fact that great numbers of these bronze, silver, etc. coins keep being found at dig sites today, all across Europe and Asia minor. Many of them found right in the same "regular" backyard saving accounts we ourselves sometimes use. Planted long ago as the next best trading item one could store and not lose too much "use wealth" during the wait. Indeed, these lesser items could afford to be put away.

But, you thought silver was more in style as a coinage then, because so much of it survived? If that were the case, those metal items would have made the exact same trip gold did. They would have been melted down and reused into jewelry and coins, never laying down for rest in such great numbers. (good logic, yes?)

(My thanks to The Smithsonian Institution, Doug Smith and many, many others that have, with the advent of the internet, placed so much of this research in public view. Also thanks to all those that have educated me over all these years)

I'll read several partials from these written pieces:

PARTHIA:

-------Some of the most interesting ancient coins were neither 'Greek' or 'Roman'. In fact, the coin producing civilizations of the ancient world spread far across Asia including people and places rarely mentioned in beginning World History classes. One of the most well known of these were the rulers of much of what is today Iran, Iraq and surrounding regions: the Parthians.----------

--------The land areas of ancient Parthia lay between the Caspian Sea and the Persian Gulf, and its boundaries included all of modern Iran and contained portions of what are now modern Iraq, Turkey, Armenia, Azarbaijan, Turkmenistan, Afghanistan and Pakistan---------

--------(it) roughly corresponds to modern Iran, was approximately 648,000 square miles, about equal to the areas of Great Britain, France, Germany and Spain together ----

----------The Parthians created an empire which, at its height, presented Rome with a serious challenge for the control of the Middle East west of the Euphrates river. They were the only civilized power to withstand the might of Rome at its height- the same Romans who had conquered Carthage, Macedon, the Seleucids, and the Gauls. So, who were these Parthians, whose empire stretched from the Hindu Kush to Mesopotamia? ----- (They) created an empire which lasted for almost 500 years (and) have been so nearly forgotten ----------

---------The Parthian kingdom began with the election of Arsaces I to the kingship of the Parni in 247 BC.--------- In 238 BC, Arsaces I succeeded in defeating the Seleucid governor of Parthia and establishing the Parthian kingdom. With his accession, ***** the coinage of Parthia begins, and would continue, with only a short break, for the next 500 years. This coinage has proven extremely important for Parthian history for several reasons; primarily because of the scarcity of written records - the Parthians themselves did not leave behind any written legacy---------- For the majority of Parthian history we have to rely on a combination of fragmentary literary sources and references, archaeology, and the coinage itself to create a coherent, though incomplete, story.****

---------- *** Their coinage formed the medium through which western, in particular Greek, ideas of coin design were transmitted, and transmuted, in the Middle East from the Euphrates to the Indus and beyond. The Parthians developed one of the first recognizably feudal systems on record- which was transmitted to the Sassanians, and thence to the Arabs. **** The Persian epic history is now thought to include lengthy portions from the Parthian era - the Parthians had a great oral tradition, in keeping with their nomadic background, and greatly valued BARDS and story-telling. The Parthians also left a legacy in art and architecture, creating a style that mixed Hellenism with native Persian influences, particularly in ornamental metal work. There is even a small literary legacy with the "Parthian shot" - a phrase taken from Parthian horse-archer tactics in which the archer would feign flight, and, while riding away, fire over the back of their horse ----------

---------Their economy and success was based on taxes paid by traders using the 'Silk Road' that connected Rome and the West with China and the East. Parthian finances depended greatly on Rome's failure to make direct contact with China until the late second century AD. Parthians were known for being men of their word and their coins continued to be issued with fair weight of good silver long after Roman silver coins were being debased.----------

---

Well;
here we find a major civilization that existed during most of the early BC Greek periods and crossed well into AD Roman period. We have found that their coinage tells set the pace for much of that time.

Most of the coinage, we have dug up today, from that period and part of the world was in the lesser metals of silver, bronze, etc.. Even the Persian, preceding the

Parthia, had most of their coins in silver form. This, no doubt, lead to our present hard money education that silver was as good or better than gold, back then. The fact is, as we are concluding, that gold and gold coins were made back then and circulated more widely because of their value. The mere existence of gold coins (those little hunks of tradable gold) supports this concept of their use. Indeed, their rarity today indicates their value, back then as most of them were recoined. Leaving only lesser coins behind.

The Persian king, Darius The Great, did issue gold Darics right along with silver Sigloi and did so as early as 500 - 490 BC. This we all know and agree. But so few of them survived, modern thought created the view that gold was far too scarce to be much used as a complete tradable unit back then. But this view takes on the same arguments we hear today, always leaving out the possibility that gold value was much higher. Carrying a larger share of wealth with less metal. It was scarce, but that isn't what erased their record of existence. Gold was used so well and needed so much that it was always "in trade" and "on the road". If it wasn't, it was melted into Another countries wealth.

However, it was the recent discovery of Parthian gold coins that best supports a change in concept for hard money followers. It was thought that gold was not used in that land and trade from Greek nations was always done in the lesser Parthian metals.

In 1982, in an archaeological dig at Tillya-tepe, a real Parthian gold coin was found (a Gotarzes I (95-90 B.C.). Later in 1991, several Vonones I (A.D. 8-12) were found as authentic! While the archeological significance of these coins is still hotly debated, I am aware that there is a supporting passage in an Ashmolean Museum piece, where around 94 BC the process of working gold is mentioned in Parthia. The existence today, of known gold working and trading, in this era, opens up the entire hard money proposition about the evolution of gold as wealth. If gold was traded, there was enough for coinage trade too. The Parthian find completes our supposition that gold moved freely between nation states then. Indeed, the workings of gold at Troy, a stop off on a major trade route between these cultures, adds to this. The fact that Greek coinage, in gold, was also widely used, even as it was rare in that nation's borders, means that Greek gold and coins had to have also come mostly from supplies "on the road" as they passed through the region. This concept demonstrates that gold moved and during that movement was coined, often.

In fact the earliest Greek gold coins (The Head of Zeus) came from their colonies on Sicily and in Tarentum on the Italian mainland. Not on their local soil.

The same argument was applied to gold use pertaining to the Greeks. Because gold was indeed hard to find around their local area, many concluded that the few Greek coins produced in this early time were done so from necessity and as a last resort. As we pointed out before, Troy changed that perception because gold is now known to have been a long established trade item, subject to the craftsman's hand. In fact, several examples of gold coins with holes in them indicate they may have been hung as jewelry in chain. Gold was rare and was melted if it held still too long. But, it carried a higher value in trade than any other coin across all of middle asia.

For a "Timeline" view of these cultures - link above. -

At that site, we can see how the Parthians walked right along side the Roman

development even as they passed through Troy along the way. All during the same era. Their timeline use of gold coins now offers an counter concept against accepted hard money thought based solely upon Greek and Roman history alone.

Further:

Following the death of Philip II of Macedon, his son Alexander The Great spent the last 13 of his 33 years life changing the world. The gold coin of "Macedon, named Alexander the Great, stater, (336 - 323 BC) became "The Coin" and standard of the world for some time. He set the precedent of "recoinage" by melting down the gold of other nations into his stater piece. It is in our view that his practice had more of an impact on perceived known gold stores than most everyone accepts. His people did work the mines for gold, but produced far less of it than imagined. Rather, his mints were ordered to melt and restamp any and all gold that passed their way. Most of it was "gold on the move" as was the custom of his time and before. Rather than adding greatly to the existing gold supply, he just better identified what was already being used in commerce.

That practice was something the early Roman era planers would not understand until after most of their Roman Republic years had passed. Truly, Roman stamped gold during the Republic years, would be very rare (as it is today). At first relying greatly on other's gold coinage as a tradable unit. Only later did their armies melt captured gold for government storage. Following in the "Footsteps" of a process that continues to convert existing gold into identifiable gold. Even into our day.

It wasn't until the era of Roman dominance that they recognized the need for Roman tradable gold. Gold in their name for use away from home by their armies. During this time the first Roman "aureus" were struck by their armies. Coins created from "taken" gold, already in use, was formed into the very best trading chunks a soldier could have. The coin "Lucius Manius" (82-81BC) aureus, was one of the many created after the Roman Senate allowed their generals to coin "taken" gold as trading money. Thus begins one of the greatest gatherings and usage of gold known at that time. Some of it the very same gold we use today.

If one read my posts during the Washington Agreement period, you will recognize the phrase "On the Road"! Beyond the obvious political reasoning we often present here, the case for "to little gold today" has been behind our motivations for some time. The gold in our world is not as great as so many suppose it is. I hope to demonstrate why this gold "on the road" concept will further influence our political currency situation as it evolves.

Let's stop now and continue later.

Thank you all for your support and kind words.
TrailGuide

Trail Guide (02/02/01; 12:55:46MT - usagold.com msg#: 47250)
Comment

ALL:
Again, I thank everyone for their contributions here and for the chance it gives

others to see how a good cross segment of hard money people think. Your posts are valuable to all that read here as they convey every aspect of understanding, from deep thought to personal responses in our changing world.

I have mentioned to USAGOLD that I will never reply to a post in a negative way again. In the future, it must be the managers / owners of this site that instill what flavor it will have, not any of us (me) with our human outcries. Thank you all for reading and supporting this venue.

USAGOLD #47148:

Thank you, Michael, for your noting my piece on the trail. There is much more to this talk as it will explain how this gold dynamic is being used for political objectives today. I hope it leads to a better understanding of, at least, the fundamental forces that have created "This New Gold Market".

Randy #47141:
Thank you, also and I will follow up on your thinking in the next Trails Talk.

ORO -- #47214 -- Euro roost

Sir, you have, more so, than many of us, offered such a fine commentary over time. I know you realize it would be impossible to reply or even comment on the full content of everything you present. I think you also realize that my drive here has been to point out bits and pieces, more so
than make full conclusions. All done in the spirit of education and extending individual awareness of the future before us, thru gold.

Some time in the future, if events progress enough, I would like a dialog with you that is more than just a small point from my end. Until then, I will simply comment, as able and appropriate in following the political trail. In that spirit, I want to comment on your post next week. I have this to add today:

We all attempt, if the drive is in us, not to only understand, but also influence the leaders that work for us. In that respect, as a nation state, country, or society of peoples, our eventual goal must be more than just life itself.

This vessel we call life, this planet of us, this body of soles nearest our abode, is far too all consuming for any one master or group of masters to guide or even control by themselves. In this, every one among us should strive to add their difference. But none should be so bold not to lose track of what the world is here for; enjoying and living the time we have.

If lucky, some make it up several decks on our ship and even see the captain's view on occasion. If even more fortunate, he might have a word with the mind that is the wheel. It isn't always what we want to hear:

---

this life is so large our cargo so great
we trust you know how to go

Of course say he with clarity in sight
from my direction my assistants do know

with blank map in hand he makes his plan
and tugs with a tear then a bow

later, admits he, I must swear to thee
the land HO we seek, must still grow

So, my ORO that shines as gold, after the trip perhaps our experience will be a recount of a journey that was maped along the way. No matter the outcome, no matter the path taken we are all just people on the river of life.

As the "NewGuy" said of the one deemed more knowing in my story of the Country Club Bar #45944---

--- He's Right, Ya Know!"----------

(Smile)
TrailGuide

Trail Guide (2/6/2001; 8:12:36MT - usagold.com msg#: 47562)
comment
http://uk.news.yahoo.com/010206/80/azvre.html

Hello all:

I can't talk now, but I noticed in the link above (found on MKs great news page) that Old England is changing it's Thoughts. (smile)

Tuesday February 6, 11:53 AM

Support for euro soars among
London bosses - poll

---LONDON (Reuters) - Support for Britain's entry into Europe's single currency has soared among company bosses in London, a London Chamber of Commerce and Industry survey showed today. --- The proportion of the capital's top executives in favour of entry "as soon as possible"
has doubled during the last 18 months to 40 percent, according to the poll ----------
-----The poll, published in the London Evening Standard newspaper, found that a further 36 percent favoured entry "within the next few years", bringing total support for joining the euro to 76
percent.--------The Labour party is committed in principle to joining Europe's single currency club--------

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Ok, now they are getting the drift! Also take a look at Pandagold's:

(usagold.com msg#: 47540)
".....GORDON BROWN made a profit from selling some of the UK's gold reserves and investing in the ailing euro currency, MPs were told yesterday. A senior Treasury official said that, even though the euro had fallen in value, not lost out because investments in euros also paid interest, unlike gold. Gus O'Donnell, also insisted the Chancellor's policy of selling gold was not related to the Government's desire to join the euro.....

Ha! Ha! Old "GUS" read that last line from pre-printed material,,,,, don't you think? With the Euro and it's economy, also forming a powerful base, and it's coming policy about gold, the Brits won't need as much gold as a government money reserve. Because the ECB will allow this new non - money asset to rise like never before! Especially in dollars! And that thought gives big paper gold traders the shakes, as it's (paper gold marketplace) trading value is based on a dollar price band remaining in place. Soooo, HM government is saving a few of them (big BBs) before EMU.

Don't forget to notice the item in today's WSJ about how Euro-zone producer prices fell in december! This does not sound to me or to the Brits like a world currency that was being printed as "social trash paper" does it?

Let me see,,, if the ECB keeps rates from falling too fast and the USA keeps rates falling to ensure it's overheated economy ,,,,, then something of a shift in in world opinion about reserve money is coming? No?

Also:
It looks like more of the miners are doing something "who would have thought of"??? ,,,, dump all their real gold into the gold paper market. It would not take a rocket scientist to see how their financial structure demands nothing less? Yet, investors are still clinging to the ideal that all these securities are a proxy for "real gold"!!!! This could eventually lead to the failure of paper gold and / or the total loss of "equity" value for most mine shares?????? More than a few paper traders will feel the sting of buying paper gold based on it's ongoing paper pricing of real physical metal.

Some mines will, indeed,,,, make it across this valley,,,,,, and still have massive reserves intact. But, for the thinking gold advocate,,,,,, playing all the speculative metals and mine securities for a quick profit will only produce quick loses,,,,, no? Today, every aspect of perceived value in the gold arena is an illusion based on an "unknown",,,,,, the "unknown" trading price of physical gold.

The real leverage today, is found in the "hunk" of real gold in one's hand. That value will be shown at "Another" time.

Black Blade (02/06/01; 06:31:56MT - usagold.com msg#: 47549)
I feel let down by Harmony (HGMCY),----------

Buy a real physical gold value,,,,,, today,,,,,, for free,,,,, by just paying it's currency commission as a full price. The future is for all who can see ahead,,,,, down the trail. (smile) The "Advantage" of holding real gold has never been better!

I'll post in a few days when I have time.

TrailGuide

Trail Guide (2/6/2001; 8:18:34MT - usagold.com msg#: 47566)
Note

Randy (@ The Tower) (2/6/2001; 7:48:38MT - usagold.com msg#: 47559)

--For the uncertain times (monetary environment) ahead, if you haven't got *physical* gold, you haven't got a clue.----

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Ha! HA! You are right there, my friend!!!!

I must be "on the road" for a while.

TrailGuide

Trail Guide (02/07/01; 16:46:12MT - usagold.com msg#: 47710)
A New Tack From U.S.
http://www.iht.com/articles/9910.htm
A New Tack From U.S.
David E. Sanger New York Times Service
Wednesday, February 7, 2001

Treasury Secretary Rejects Lecturing Tokyo

WASHINGTON President George W. Bush's Treasury secretary plans a new U.S. approach for dealing with Japan, as the world's largest and second-largest economies appear headed into decline. ---------- The combined effect of slumps in both countries, which together make up about 40 percent of the global economy, is being felt worldwide. Yet politicians and bureaucrats in Japan appear to be invoking the same prescriptions - hundreds of billions of dollars of more deficit spending by the government - that have repeatedly failed to get the country growing again. ---------- He said, for example, that he was not interested in lengthy, vague discussion of Japan's myriad regulations. Instead, he said, he wanted to introduce "price competition" to Japan, noting that it was exactly that kind of competition from abroad that rebuilt U.S. industry in the late 1980s and early 1990s. ---------- But the same Japanese executives with whom Mr. O'Neill says he wants to deal directly have spent years fighting against low-priced competition, both foreign and domestic. ----------

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With no where to turn, no new initiatives to tap and arriving at a timeline change in international currency values; both these countries are about to take a path of no return. As this downturn begins to bite, our collective governments will be forced to buy up every asset necessary. All just to keep the fires burning! This is the classic threshold of an intense inflation.

It makes me recall a line from Red October, the movie,,,,,, where the Russian submarine captain (played by our retired 007) disposes of his KGB counterpart just before stealing the ship! He says:

---- "to where I am going, you cannot follow"-------

Indeed, where the dollar universe is now heading, no nation should follow! Can you spell hyperinflation? In Japanese?

TrailGuide

Trail Guide (02/07/01; 17:03:13MT - usagold.com msg#: 47711)

Nation Hopes to Return to Preeminence

http://www.iht.com/articles/9939.htm

A Despondent Japan Seeks Some Answers
Howard W. French New York Times Service
Wednesday, February 7, 2001

The fearful talk in Tokyo financial circles for more than a month has been the possible collapse of the banking system. Banks never recovered from the bursting of Japan's speculative bubble in 1990 and remain saddled with an untold, and undisclosed, sea of unrecoverable debts. If defaulting creditors set off a wave of failures, it would mark the second time in two years that the country has experienced a banking crisis. ---------- Growing numbers of Japanese economists maintain that the postwar obsession with exports is a major part of the
problem. According to this view, the welfare of Japanese people has been sacrificed in the name of mobilizing capital toward exports instead of developing goods for local consumption.---------- As a result, the public has been stuck with tiny, expensive homes in overcrowded neighborhoods, high prices on consumer goods and few affordable options for day care or elderly care. Japan's
electronic brands are known worldwide, but many Japanese do not own a clothes dryer or dishwasher. Young women are increasingly revolting against the system by postponing marriage and children. ---------- "The Japanese focus has never been on making Japanese richer, their lives happier or more convenient and predictable," said Haruo Shimada, an economist at Keio University. "All of our energy has been focused on competing with the United States."

Most Western people do not know the Japan that resides in the last several lines above. We have always been told that they are rich with savings. I know this land of the Yen and their image was never as good as we were told.

TrailGuide

Trail Guide (02/07/01; 17:10:01MT - usagold.com msg#: 47712)

Interest rate cut in euro zone some way off - ECB

http://www.ireland.com/business/news/2001/0208/news3.htm

By Jane Suiter, Economics Editor

Interest rate cuts are still some way off, according to two of the most senior figures in the European Central Bank.

Strong data from Germany have bolstered ECB hopes that Europe can withstand the slowdown in the US.

Yesterday, the Bundesbank president, Mr Ernst Welteke, repeated his view that the time was not right yet for a cut in euro zone interest rates but the ECB was closely watching what kind of impact the US slowdown might have.

"We still feel it is not yet the time to reduce interest rates," Mr Welteke, a member of the ECB's governing council, told CNN International.

****
German manufacturing orders jumped 2.7 per cent in December, far higher than the market had been predicting. French consumer confidence also hit a record high in January.
****

The data also boosted the euro, which rose above $0.93, closing at $0.9333 from $0.9308 a day earlier.

****
The currency could move back to parity with the dollar in the coming months, said Mr Horst Siebert, one of the German government's panel of independent economic advisers, in a magazine interview this week.
****

"It is feasible that the euro will move back towards dollar parity," he said in an interview to be published in today's edition of the German weekly WirtschaftsWoche.

Trail Guide (02/07/01; 17:17:57MT - usagold.com msg#: 47713)

Britain must ease US fears on Euro army, says Cook

http://www.telegraph.co.uk:80/et?ac=000626415357098&rtmo=weQ0ljnb&atmo=99999999&pg=/et/01/2/7/weu07.html

By Toby Harnden in Washington

BRITAIN must allay US fears about the new European Rapid Reaction Force, Robin Cook said yesterday.

Speaking after meeting Gen Colin Powell, the US Secretary of State, in Washington, the Foreign Secretary said that the force could strengthen Nato. Gen Powell said he was encouraged by Mr Cook's promise that it would not be a rival. He said: "If we

approach the European Strategic Defence Initiative in the way that Robin and I have discussed, then there's no reason to see this de-stabilising Nato in any way." Mr Cook reassured Gen Powell that Britain was fully committed to the Anglo-American relationship.----------

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Seems they have changed their feelings????
I will be back when able.

Thanks
TrailGuide

Trail Guide (2/8/2001; 6:23:19MT - usagold.com msg#: 47776)
Comment
http://www.usagold.com/DailyQuotes.html
I will have time later today for several comments. One, in particular, is to point out MK's observations on his Live News Feed Page (see link).

Also note this item from the same feed:

Japan's Economy Contracts
Revised Quarterly Figures Confirm Recovery Has Stalled

TOKYO, Feb. 8 (Thursday) -- The Japanese government said today that the nation's economy contracted by an annualized rate of 2.4 percent during the July-September quarter of last year, confirming fears that recovery has stalled ----------
Today's forecast may also force
Bush administration officials to rethink their promise to forswear badgering Japanese policymakers about how they manage their economy.----------

TrailGuide

Trail Guide (02/08/01; 17:58:35MT - usagold.com msg#: 47819)
I must post tomorrow.
TrailGuide

Trail Guide (2/9/2001; 7:58:39MT - usagold.com msg#: 47869)
News item
http://www.usagold.com/DailyQuotes.html

Taken from the USAGOLD news link above:

Japan's Central Bank Cuts Rates As Economy Sputters!

Friday, February 9, 2001 9:32AM EST

TOKYO -- The Bank of Japan sliced its official discount rate to 0.35% from 0.5% in the face of immense political pressure to boost the sputtering economy. ---- The cut, the first for the discount rate since September 1995 ------ the bank will resume outright purchase oftreasury bills for the first time since April. The announcement

came after a one-day meeting of the BOJ Policy Board held amid pressure from the government and the ruling coalition to ease monetary policy.
--------- see likn below

http://dowjones.work.com/index.asp?layout=story_news_main&doc_id=34388

Thank you beesting (usagold.com msg#: 47794)

Now we can all say: hyperinflation in Japanese;
-----Kwabun fukurasu koto-----

More

Trail Guide (2/9/2001; 8:21:30MT - usagold.com msg#: 47872)
Comment
http://www.usagold.com/DailyQuotes.html

Part of Michaels full message on his news line: -------2/8/01 www.usagold.com. . . . Over the past
several years, a series of recurrent financial shocks has stressed the world economy and sent central bankers and finance ministry officials scrambling for solutions-------
--

MKs full post is sending a strong message to everyone to buy physical gold. It's a good message and very compelling. Especially today! We are only now starting down the path that will impact every investor's assets if they are not prepared. Here is another ominous sign from IHT
(http://www.iht.com/articles/10152.htm):

Bush Charts a New U.S. Course on Global
Financial Crises
Brian Knowlton International Herald Tribune
Friday, February 9, 2001

WASHINGTON The administration of President George W. Bush appears to be moving away sharply from Bill Clinton's strategy of strong U.S. intervention in times of international financial crisis.---------- In recent weeks, signs of such a shift have accumulated in the pronouncements of the new Treasury secretary and in the policy views of top Treasury appointees under
consideration. ------- A top candidate for a key Treasury Department position, for example, called two years ago for the abolition of the International Monetary Fund. Such views are now adding to fears among some analysts and economists that the new U.S. administration might move too slowly
and do too little in the event of future financial crises abroad.----------

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For myself; our gold story has been one of an unfolding drama between two long time forces in our world. The USA and The Old World,,,,, Europe. The entire play can been seen best through the eyes of gold,,,,, it's evolution,,,,, it's use as a political medium,,,,, and it's eventual impact on the failing dollar system. Never before in our

history has physical gold been used as such an article of political change. Indeed, not since the ancient times will it have shown such a value in human affairs. Tomorrow, the future wealth of many will be stored in just such a medium and the impact of such stored wealth will never be greater in our lives.

more.

Trail Guide (2/9/2001; 9:26:46MT - usagold.com msg#: 47878)
Comment
http://www.gold-eagle.com:3128/cgi-bin/gn/get/forum.html?date=2001%3A02%3A06%3A07%3A00%3A00

Yes BuenaFe, the fuse is indeed lit! (smile)

Over on the Gold Eagle Forum an excellent piece was written by Mr. Lawrence Parks. See link above. We should read the entire article and after reading it, please consider my position. I want to reproduce parts of it here and then comment:

It's Not Your Daddy's Gold Anymore --- by Lawrence Parks

As recently as 30 years ago, some people bought and held gold not because they thought it was a "store of value," a concept that is intellectually defective and empirically indefensible, but because they had historical memory that gold is money. Today, as the older generation passes on, the new generation is tragically getting rid of inherited gold just as the reasons to hold it are becoming more imperative. -------

-------Indeed, all around the world, in Mexico, South Korea, Malaysia, the Philippines, Russia and else where paper-ticket fiat monies are collapsing. While Europe is well on its way to adopting a single currency, the Euro, and there are mutterings about a single Asian currency, there is not yet a call for gold.---------

----In contrast with the older generation who understood the role of gold, the reasons some folks hold gold today are almost all fallacious. They include mistaken notions such as:

(1) gold is a hedge against inflation. (This has not been true for the last eighteen years.);

(2) gold is a proven asset. (In fact, for the last eighteen years, the opportunity cost of investing in
gold has been staggering!);

(3) gold is a good diversifier since it is inversely correlated with the equity market. (Flushing money
down the toilet as the S&P goes up is also inversely correlated with the equity market, but who
would do that?);

(4) gold is cheap compared to its history. (This says nothing about why it is cheap. It is cheap
because there is just too much of it for the purposes for which it is being used.); and,

(5) there is a shortage of gold production compared to that used in jewelry fabrication. (But this is meaningless because there is more than a fifty-year supply above ground. No other commodity except silver, which has also played a monetary role has even a one-year supply above ground.)

------- There's more to this, but you get the point. Since these perceptions are wrong and people are recognizing that they are wrong, as the older generation passes, inheritors are getting rid of their gold. Gold will have its day when the fiat dollar collapses and people once again demand
gold-as-money. Then, and only then, will there be a reason to guarantee future payment to save and store gold. The payback to people who have the foresight to have held gold will be astonishing. ----------

Dr. Lawrence Parks is Executive Director of FAME, the Foundation for the Advancement of Monetary Education, and a member of Workers' Education Local 189, CWA, AFL-CIO.

Thank you Mr. Parks for your fine thoughts to the gold advocate public.

I also perceive the market in exactly the same light, as do most Western children of gold owning parents. However this view does not address the total evolution of gold, only one small timeline portion. On the USAGOLD GoldTrails page we are in the beginnings of going all the way back, in an effort to demonstrate what gold was then and how it will return to those values tomorrow.

One of the great problems with gold advocates today, has been in their failure to recognize whether the current world currency price of gold represents the real trading value for actual physical gold. This facade has been the source of much of the mis-perception you outlined over the last 18 year timeframe. As we have demonstrated so many times, the trading of gold has morphed (good word, uh? Perhaps metamorphosis?) into the trading of contracts. These paper markets have served to drain away and replace physical gold demand. If an actual physical traded market existed, based in total on actual movement of bullion, the real value and real dollar price for gold would be known. Therefore, the paper prices today are, as I pointed out before, little more than a commission paid to cover the physical delivery risk in this morphed gold marketplace.

Look back and place yourself in France, around 1965. One could have had gold for around $35 or $40+/- US dollars. What would you have thought if someone told you that by 1980, that gold price you paid in 1965 was equal to the commission on some bullion coin trades at the new high
prices? "Nuts", would have been the reply.

Today, as the ECB / BIS begins to once again morph the marketplace, our dollar

price in gold will once again be headed towards becomming the commission price. Of course, my analogy is in a different scope and context, but the precedent of such an actual percentage move is already priced into physical stores of gold. The inflation of dollar currency has already been measured in gold. We and the children, just cannot see it because we are looking at an illusion.

More

Gold Trail Update (02/09/01; 14:24:04MDT - Msg ID:47894)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (02/09/01; 14:24:03MT - usagold.com msg#59)

Current background

http://www.usagold.com/dailyquotes.html

Hello everyone!

I was going to post this on the Main Gold Forum page because I didn't want to break the chain of thought here. But, because it's so long,,, I'll post here and reference this item on the trail later.

If a gold advocate reads Michael's wonderful piece (see link above), all the reasons for buying gold should be clear. His sound purpose is certainly clear to me. But, far too many savers have been lost in the blizzard of conflicting stories about gold. With all the changes that are taking place now, many have just backed away.

After giving my talk about "the curve" (along with other talks), I hope that at least a firm perception is in place as to why our current gold prices are little more than a facade. A currency price based mostly on the trading of contracts, not gold itself. Most of you grasp this, yet wonder why the "facade price keeps falling?

I'll use some things from the Carl H post the other day (Carl H (02/07/01; 20:05:56MT - usagold.com msg#: 47727)

Hi Carl, I'll comment first them start into your post:

From where I sit:

There were two distinct parts to our (Another and my words as added) commentary over the last several years. Political history buffs would have recognized it right off and spotted where we were going with it. For the most part, all of this discussion was centered around the decades old combat between the Old World and our Western World. I'm talking about the combat for economic domination.

For those of you too young or not versed in recent history, during the last 30 years, most of Europe has been trying to work itself out from under American financial influence. This has shown itself so often it would take an entire documentary to reproduce or explain. Perhaps, larger than History of the world vol 1 thru 17 (smile). For us, though, the most important aspect of this has been in the slow formation of

European economic unity. In fits and starts they have worked their way through various currency blocks that embarked on all sorts of fixed exchange rates and trade agreements.

The metamorphosis of their most recent 20 year struggle resulted in today's Euro and the expanding zone of financial structure it represents. This is only the most recent example of an effort that started somewhere back before our time. Perhaps the European Economic Unit (ECU) could pinpoint the modern beginnings of this struggle. Again, this represents the most recent 20 year segment.

The world's economic timeline will no doubt look back and mark this period in a way that we mark ancient history. I think most scholars will use the BC / AD reference as a way to describe it. Perhaps BE / AD, meaning "Before EMU" and After (dead) Dollars. The currency birth and political movement we have just witnessed will indeed have just such an impact on our Western lives and truly require a time stamp to reference it.

In the BE period, gold was the only other world currency. Yes, this dethroned metal currency and wealth asset was still used the world over as a last resort. A last resort against a failing dollar, that is. Gold values, BE, went through many convulsions as the dollar's use and stability ebbed and flowed. All the while, the world held gold "just in case".

As the political motivations to create a "Euro system and currency" grew, many nation states found themselves at economic risk. They hedged their economy between dollars and gold, but wanted the new possibilities another economic zone could offer. It was a new way to break the total economic control of our dollar reserve system. Everyone, it seems were watching and maneuvering as EMU approached.

The problem for many wealthy states was: how to continue within world economic trade, save your currency exchange wealth in reserve and not be killed if this new Euro system became a huge success? For some, gold was the main conduit to hold your excess reserves in, that way you were between currencies. But there were several problems.

The dollar had already approached it's useful life several times. By the early 90s, it was a basket debt case of super currency expansion. Ready to fail, right then and there! It was kept alive through CB participation, because it remained "the" world reserve and we could not operate without it. As the modern world evolved, digital currencies of fiat nature were and will remain the number one way to do trade. No matter the costs or problems entailed in their use, or how often these worthless papers come and go, humanity uses and demands their presence. We have but to go no further than into several of today's currency inflating nations to see where the locals still use paper money. My point here is to not expect a return to hard money. Hard wealth as savings, yes. But hard money? Never again. See my other posts for further explanation.

Make no mistake, CB support for our US unit is the only reason it's exchange rate

didn't plunge, throwing us into a massive, local price inflation. And, because most other countries held dollars as a reserve, they would have inflated also. All this support was done in order to stop a complete economic trade breakdown before EMU. A decades long wait.

The trick for the CBs was to keep holding dollars and even expanding those holdings as needed to balance US trade deficits. Deficits, by the way that have not only been negative for a long time, but have grown explosively during the 90s and right up and thru EMU. This dollar support made sense because holding reserves in a failing currency, while building a new one offered little loss potential. Yes, once the new system began to function, your dollar holding's value would eventually be reduced almost to nothing. But those reserves only represented support for the system itself, not actual buying power in the native currency's land, USA. You see, once a permanent trade deficit becomes structural to the function of the currency's economy, those dollars,,,,,, those units of reserve buying power,,, can never return for the purchase of anything! Without killing the exchange rates and native economic structure first. Yes, in the case of what comes first (chicken or egg), you cannot send dollars home to buy useful goods at a reasonable price if the whole trade structure fails. In the US's example, used here, local inflation would drive the dollar prices of everything we export through the roof, long before all the goods were brought. Completely, negating any and all exchange gains from a falling dollar exchange rate.

So,,,,, once the Euro was functioning and morphing into it's new reserve roll, the ECB would,,,, like in the US's present roll,,,,, have no need for excess foreign cash reserves. However, some wealth structure would have to be present in the asset reserve category to replace those lost dollar values as they failed. That structure would be gold. More problems.

Prior to and just after EMU, many oil producers and a whole host of other wealthy nations / individuals, were not going to buy into the Euro first off. What if it failed? Or worse, because the dollar was on it's last legs of support already, any failure of the Euro system package would also lead to a total break away of continued support for the dollar. In this dynamic, even dollar holdings could dissolve! This was the background from where Another's Thoughts were being broadcast. During the BE period, about five years before, there was indeed a near failure to proceed with EMU! After some 20+ years of effort, such a failure would have sent us back to the gold standard (and worse) of days gone by. Many of you can remember this during the 1995 area. The effort seemed to be falling from political bickering. It was critical to oil wealth producers and many others that the Euro be born. If it didn't, an all out bid for real gold by everyone would ensue and I mean everyone. More problems.

Part of the support package for continued use of dollars revolved around oil. If for any reason, oil prices rose prior to EMU, it would break what little economic life that remained. It was well known that the entire local US structure depended and was built on reasonable priced oil. Later, this position and it's pricing dynamic would begin the movement of commerce settlement away from dollars. But, not yet. Actually, in the years prior to EMU, oil needed to plunge in dollar value in order to prop up the system. It did, boy did it,,,,, but not for free as so many thought.

It was well known that gold could buy oil, or better said,,,,, a cheap gold market price would buy cheap oil! But forcing down the gold price for the benefit of private sales would be some effort as long as people were buying in mass prior to EMU. That mass buying process would feed on itself from the fear of a dollar / Euro transition.

Thereby, negating the whole cheap gold for oil game. Yet, the ECB (and the BIS) already knew this gold market of ours and knew it well. You see, our dollar gold market has evolved over many years. Long before the 90s, it was well on it's way to becoming a virtual paper market place. An easy trading market that basically held "it's paper gold price" well within the commodity use function of gold. Around $400 to $600 was considered about right. With Western views sliding into complacency as our world dominance grew, we as investors grew to see "trading gold" as the best use of our wealth. If we wanted to engage hard money thought at all, we just traded the price, not own the gold. In this atmosphere the mine industry exploded with easy capital. See my post about Mr. Parks great article below. So we as private gold owners unloaded tonnes of gold many started down the road of owning leveraged gold securities instead.

In this backdrop, new mine supply was more than what the world needed, at least the Western world. All the CBs, both American and Old World, began a policy of discounting gold. All for the purpose of supporting the dollar reserve system. Yes, the US played this game, knowing full well the currency reasons behind the Old World purpose; to hold the dollar steady until Euro birth (EMU). You see, we (USA) thought this was great because we gave the chance of EMU a one in 100 shot! This truly backfired and now the BIS / ECB have the US fed in an inflation trap.

So, the dollar got support from CB's holding more of it as a reserve,,,,,, the dollar got support from a falling gold price,,,,,, the dollar and the economy behind it got support from crashing oil prices. All of this leading up to a huge change. A change that to this day is still mostly behind the screens.

The next part of the play came as world paper gold traders starting making use of a good thing,, falling dollar gold prices! Never mind that the real gold movement behind the paper market was becoming a tiny fraction of this paper trading. Never mind that the dollar would eventually step back from world reserve status,,,, changing the settlement function of our paper gold market overnight and killing everyone's paper holdings. They said:

----"Why,,,, we know why gold prices are falling, the CBs of the world want it down,,,,,, but we don't believe all this talk of Euro success",,, "there are a hoard of other reasons", "besides, we are making tons of money playing this paper game"!-------

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Now, I'll pause to introduce some items from Mr. Carl H's post.

Section 1 -- Bullion Banks Establish the Gold Carry Trade

From what I have read, it seems that a few years ago a number of Bullion Banks started borrowing gold at interest rates of around 1% from Central banks. This gold was immediately sold on the spot market and the money and invested it in higher yielding investments. This type of operation is referred to as a carry trade. This practice went unchecked and has reached a point where at least 6000 tons and probably as much as 10000tons of gold are owed to the central banks. To put these numbers in perspective, annual world wide mine production is estimated to be about

2500 tons.

Thank You Carl.

Yes, they did introduce the gold carry trade then and the timing was no accident. I also have to point out that Another was the very first to mention (post) a gold lending number anywhere near that level. He said it was around 14,000 many years ago or would soon approach that level. Everyone, except those that knew the game, said it was NUTS! Now, the 10,000 figure is on every desk in the world.

Central Bank lending of gold for low rates made absolutely no sense. A fact almost every hard money writer expresses. But, they fail to bridge the conclusion. If a low gold price was wanted, and they did indeed want it, the CBs could have sold the gold outright, driving it down. Then brought it back later. With the growing public perception, so well outlined in Mr. Parks article, no one would have minded it as the stock markets were all the rage. Why buy into a diving market and hoard all this excess gold for long.

Further, in a different light, the CBs could have simply used the mining industry strategy and apply the interest gained on the cash sale proceeds to buy the gold back later at higher prices. Indeed, this is exactly what the mines are doing now.

Further: They didn't need to lend it, just sell it. Later, they could have just printed new money, that is, create near money securities for their own account and apply them to long term contracts from the industry,,,,, buying new mined gold to replace the sold gold. No need for the lending equation at all. But, you see, there was a need.

So,,,, the only reasonable, legal reason for the banks to create a world wide gold lending structure was to grow a paper facade that the real gold buying, Another spoke of, could hide in. All perfectly legal, but very political. Again, I point to Another's long ago post that said; "the reason gold prices are falling is because so many people are buying it". Ha! Ha! That one was greeted with total disbelief and ridicule. But, boy a lot of money was lost by people that turned from that message.

Now, back to my post:

In the middle of all this new paper trading environment, people didn't notice what was happening. Way back when CB lending was just beginning, some smart people starting taking just a little bit of the action. Besides being big buyers of CB gold sold outright, they were also buying some of the borrowed gold. The same gold that was lent into the market by the CBs and other big players. You know, the gold that's borrowed, sold to create a pot of money. Then that money draws interest until it's used to buy the new mined gold and replace the loaned stuff. The same process that also makes the gold carry trade in our currency markets.

Well, that real gold off take, done by these major gold advocates, was not all they they took (smile).

Now,,,, a lot of these people started thinking. "We already have a lot of gold and our demands in the decade prior to EMU may drive the market way up. So, why not help

the CB's purpose (and ours) by always bidding low at outright sales. And because our money is tied up in gold, drawing no interest, why not play the CB game for them? We'll take some of our buying money and use it to create the cash pot for the BBs,,,, for use in their gold lending deals. They can skip the borrowing and sale of gold part and just commit our money to pay for the new mined gold. Drawing the standard few percent in return. The mines don't need to know that no gold was sold. Further, the BBs will need to hedge a fall in price to protect themselves in the deal. In doing so the public will see the derivatives price of gold fall, just as if some was sold.

Note: The BBs (in this small niche of deals) must only protect their interest from a falling market because that is the only function that would threaten the mine's future repayment of gold,,,,, a to low gold price. If their collective actions did drive the paper trading of gold to the floor, killing 90% of the industry's ability to continue operation, their profits from their paper hedge could at least cover the liability. Yet, conversely, any rise in price would be no threat to this particular deal structure.

So,,,,,,in the middle of all the gold carry trade, naked shorting, gold sales from regular investors and, in general, a blizzard of paper gold trading,,,,,, some major players were building real gold buys and not driving the markets as they did it. The success of this operation created the dynamic that allowed physical gold to be purchased off the radar screen and the flow of oil to continue. Once again, no manipulation outside our standard paper arena! As Another was oh so fond of saying: "gold and oil will never flow in the same direction". (smile) Now, more from Mr. Carl H:

Section 2 -- Lining up the Gold to Unwind the Carry Trade

I consider the above paragraph to be fairly well established information. Now, I will speculate for a moment. If I were the bullion bankers and was in this situation, I would want to get my hands on a tremendous amount of physical gold at cheap prices. As far as I know, only the central banks and mining companies have large amounts of physical gold. In the case of the mining companies, it is still in the ground. I will assume here that the central banks would be very reluctant to let the bullion banks default. It would show how stupid or corrupt the central bankers are and it might be a big enough scandal to change the outcome of some elections. Ok, so this means that I have to convince the mining companies to sell me all the gold they produce for the next several years at prices close to what they are currently. So, how would one go about convincing the mining companies to sell their future production? Youíd either have to convince them that the price of gold was going to stay low for the period of time for which you wanted them to sell you the production or you would have to coerce them into selling future production. To accomplish this, you would have to convince them that there was a large supply of gold that was going to be dumped on the market. As stated above, the only other large holder of gold is the central banks. So, you have to convince the central banks to drive down the price of gold and act like they are ready to dump much more gold.

So, the question then is how to separate a central banker and his gold. Simple, create a potential crisis of a magnitude that it will force him to sell gold to prevent it. This is easily done by simply writing a huge gold call options (or surrogates thereof). Then, if the price of gold rises, the Bullion banks will fail and probably take the

financial system with them. This compels the central banks to cap the price of gold at a level that less than the cost of production for many mines. This forces those mines to hedge or go bankrupt. The Bullion Banks can then acquire the forward production at prices near the cost of production, or to acquire the bankrupt mine. What is even better is that hedging will help hold down the price and force other mining companies to hedge.

OK,,,,,,,,, again thanks Carl.

Your view above is very clear. But it is based on several lines of thought that don't exist.

(First), the BBs are not really at risk. Yes, in my macro view, if the gold system was to default out of sequence, world trade flows would indeed, break most of the BB, but do it from the regular economic side of their structure. However:

It's the function of the marketplace, itself, along with the entire gold marketplace that's at risk. In the event of a total run on gold, induced by a huge surge in gold demand, the banks would force their clients, on the short side, to post so much collateral that it would force them into bankruptcy, on the spot. Most of you may not know it but all the mines and even gold industrial players have margin thresholds that, when reached, go up like a rocket. Even ABX has a $600 point that requires massive additional collateral beyond that level. Any short run in the paper gold markets would be almost overnight and go thru $2,000 like butter. In that event, even ABX would not have the collateral to cover it. Remember, below ground valuations are not deliverable in a gold run that demands three day delivery!

The bank's short positions are, as our good poster ORO once pointed out, always hedged in paper positions. If the market ran away, the bank's demands for performance on those positions would crater every arena they function in. Once, again, the banks play the market forces against each other. If, in the course of operation the whole realm of forces are played to zero, the banks just stand aside. I know, of course, that they would be impaired, but the bulk of the blast would be endured by everyone that plays in this marketplace.

The point of my presenting this is that the whole object of the paper gold dynamic is and always was to function for industry hedging habits, not so much to deliver gold to the public. Yet, because this maze was encouraged by the CBs to grow so super large, it's goal was so that political gold could be moved. One day, this entire structure will have served it's useful purpose and then it will be allowed to fail. That day is approaching.

To bring us up to present:
To date, that purpose has been served largely because it succeeded in keeping dollar supporting oil prices down, extending our US economy,,,,, until EMU. As evidence to the process, notice how oil prices began their dollar rise only 6 months into post EMU. Clearly, there was no longer a need to support our dollar economy once the Euro was established. Indeed, just like a turning supertanker takes time, so too does the higher energy prices take time to work their will. Make no mistake, the world has seen the very last of cheap dollar oil. The next dynamic of that process in the transition of oil settlement support into Euro denominations. Notwithstanding Iraq's

move as a convenient trial balloon, the mass of this transition will not begin until the US has clearly embarked on a slowdown. And that slowdown, energy induced as it is, will, this time, force the fed to fight it with a super inflationary buyout of anything and everything that defaults. Right down to your shoe laces. This, my friends is the inflation dynamic unleashed once a currency is removed from reserve status.

Further; its no mistake of identification in understanding the ECB / BIS roll in all of this. That the ECB has started cashing in all it's interest on dollar reserves points to a new direction in currency warfare. Our own Randy@ The Tower has documented this for some time. In addition, their marking gold to market is a prerequisite to following the Fed's new inflation stance by scoring the dollar against the Euro gold price once the paper gold markets fail.

Gold Trail Update (02/09/01; 14:29:39MDT - Msg ID:47895)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (02/09/01; 14:29:38MT - usagold.com msg#60)
Background part 2

Further; its no mistake of identification in understanding the ECB / BIS roll in all of this. That the ECB has started cashing in all it's interest on dollar reserves points to a new direction in currency warfare. Our own Randy@ The Tower has documented this for some time. In addition, their marking gold to market is a prerequisite to following the Fed's new inflation stance by scoring the dollar against the Euro gold price once the paper gold markets fail.

To the point:

However, there were still outstanding gold deliveries on all sides that needed to be addressed, even after EMU. So,,,, around early 1999, the BIS decided to allow the erosion of the paper gold markets to continue to conclusion without fighting it with outright buys.

LeSin's post today (# 47852) about someone noting a BIS offer to take England's gold is to the point. (Hi LeSin, how is your French Sorrel growing? (smile)) That was the last offer before a changed position. They would not do it today. Look at your charts and see where this market the time where gold was finally allowed to drop below $280. It is indeed strange that it hasn't fallen much further.

Where once they stood ready to buy gold outright, in order to stop the wholesale reproduction of contract gold from driving the traded price too low, and degrading the very asset that gave oil producers reason to support the dollar,,,,,,, the market itself would now be allowed to kill itself. All so the final gold contracts could be delivered. That process was evident in the Washington Agreement and the years it would take to complete that workout. (see my Macro below for further explanation)

Where I had seen the WA as a breaking event, Another had long before seen it as an extension of the process that would eventually drive paper gold credibility to Zero. Indeed, he said (posted) that well before WA. As an aside, he always said that all

paper would burn. In retrospect, prior to EMU, if it didn't happen, all paper assets were subject to destruction and now I see his point. Post EMU, just gold paper is now in the hearth. He does think EuroLand is the future and I respect that position, greatly!

In my Macro view told in a slightly different way:

We all thought that one day the whole gold system would explode in some huge short covering rally. Indeed, if the Euro failed,,,, producing no EMU, the sudden demand for gold would have driven the paper market sky high until it too broke from financial failure. Making million airs the world over of countless gold owners,,,,, and billionaires of any leveraged player that brought mines, futures or options. Well, maybe billionaires for those that cashed in while the shorts still had money to pay. But,,,,,,,,,, it never happened. Thank the EMU folks for that.

Now we entered the AD era,,,,, the European Monetary Union (EMU) was a success,,,,, the Euro was formed. This was a political sea (for me also) change regarding gold. It was around spring 1999 (that time again), was when Another made a point I will never forget. It was posted here on the USAGOLD forum. Now that we were in the AD era, the decision was made to let the dollar paper gold market kill itself. We all posted endlessly as to why it could /could not and would /would not happen, but there was one other aspect left out at that time.

As I mentioned above; most of the major gold buyers,,,, the physical gold advocates,,,,,, those that want it as a wealth reserve,,,,,, were gathering physical gold all prior to EMU. Even after EMU, as we worked our way into the early Euro era, gold ownership is intended to bridge the transition away from dollar reserve use. For these nation states and individuals just want gold,,,, not for trading now,,,, nor for use now,,,, and they don't care about it's dollar price now.

We thought that after EMU, dollar paper gold prices would slowly climb as physical demand impacted the paper marketplace. But the problem with that is that such a climb will destroy the ability of the BBs to function and complete that portion of contracts that require delivery. Remember, we now have countless major Euro players waiting for gold deliveries from mines and other contracted sources. Overall a small portion yet, all within the trading noise of this huge arena. Yet, this gold is a major part of the Euro system of the future as it will be a replacement asset for nation states that stand outside the Zone but will trade within it. (as a contrast to Britain that will join)

From the time of the Washington Agreement until it's end (three years left out of four+/-),,,,, the dollar paper gold world will be allowed to do the equivalent of a currency inflation. No nation or government CB will now stand in the way. You see, the only way the physical deliveries can be completed is for the market place to have it's way. In doing so, by continuing to short the market in a piling on stance, liquidity will remain for delivery. Remember, the gold recipients do not care what the dollar paper price is at delivery, only that their gold buys can be completed. And for that to happen, the BBs must have an ever lower price. Hence the contradictory nature of the major ECB bank, regarding gold.

Yet, the real message must not be lost. Between now and then (perhaps tomorrow or in a year or so), physical gold will embark upon it's own road. A GoldTrail if you will. A drama seldom witnessed ever, much less seen in our time. I state flatly and

for the record that the premium paid on the purchase of physical gold will climb through the roof in the days, weeks, months and years ahead. Between us Physical Gold Advocates, we will know it's but a reflection of the free market to come and a true account of where it's value really stands. For the paper trader, it will become the curse of lost wealth.

This, my friends is the face of a failing paper gold market. A market that evolved far beyond what it originally was used for. A "New Gold Market" built for the support of a currency's ending timeline and allowed to die of it's own misconception.

From here we can see the "advantage" of physical purchased for an unknown value. Gold held as the ancients held it.

No denomination necessary until it is allowed to trade,,,, "Free" once again!

Then our journey will be done. Then our wealth will be complete.

"We watch this new gold market together, yes?"

Thank you all for your time
TrailGuide

Trail Guide (2/11/2001; 9:41:57MT - usagold.com msg#: 47990)
Comment
http://www.nyt.com/pages/world/index.html

USAGOLD (2/10/2001; 9:45:48MT - usagold.com msg#: 47938)
Winter Thoughts on Another Thoughts

Hello Michael,

Thanks for taking some Saturday time to digest our subject. It is all consuming, isn't it? I think it's obvious to anyone reading it (background post on TrailsPage) that the post is structured in "rough draft form". I started to define it into a real publication and realized such a work would quickly grow to over 20 pages (smile). Later, I stopped and just posted the general thought outline. Besides, defining today's modern events is a job for each individual reader that comes here and is what I truly hope they will accomplish. My hope is that the play we are all viewing is engaging enough to draw people to think, as Another so wanted everyone to do.

For yourself, Michael, I see you had absolutely no problem defining your thoughts as your post above clearly described. By the way, try to read Mr. Roger Cohen's piece on the NY Times News Service link above. Titled; Europe's Shifting Role Poses Challenge to U.S.,,,,, excellent conclusions
and he's just a step or two behind your steps. I can see him in your dust on that blazing trail. (grin))

I think one of the most difficult understandings for all of us to grasp lies in perceiving the rising value of physical gold while the dollar world around us keeps telling a different tail. People that pay the cash price today, for the advantage of having gold,

then sell that gold into a falling paper marketplace are doing no different than the mines do. That is selling hard reserves into Another's
pocket and doing it for almost a free price. Losing the very same wealth that the paper goldbugs lose as they, in parallel, move in and out of paper contracts. All in a vain attempt to circumvent the effects of a dying dollar gold market.

In doing this they are just playing the same trading game Western investors have been conditioned to do so very well. In the process they will end up with impaired balance sheets when they need real assets the most; when this currency / political transition breaks into the open. In your piece on
the News & Views page, you outline the sad nature of a gold industry being taken to the cleaners because their inability to step away and consider what is being done to them. Absolutely correct perception and well structured thought!

Yet, in retrospect, this is a common problem in any business that's in operation to make a paper profit, isn't it? The trouble, in our gold arena, is in how investors have been lead to perceive gold mines as personal gold reserves. But someone forgot to tell them that these entities must function or die. And for a mine to function they must sell gold into the same currency market that is used to price their equity.

I guess people didn't "think hard enough or long enough" about how that would work if the vast metal contract markets grew so large that trading the contract superseded the validity of receiving the mine's product (gold). In other words, as paper supply grew, paper prices fell and most holders simply took their losses as they dumped the paper holdings. Never taking delivery because they didn't want it and even, at times, running from it! All in a perfectly legal use of the system as it is structured. Such performance leaves open an easy door for non-hard money traders to make a "business man's profit" by exploiting said dynamic. Of course this trend was encouraged by the CBs. But, that encouragement or conspiracy as some call it, is no different than a governments encouragement of turning the Arizona desert into a playground with water. Ha! Ha! It's all in how we see and feel the effects, isn't it?

Investors forgot that only a few short years ago, a world currency was treated in the exact same manner as our contract gold markets today. Randy, ORO, yourself and many others all understand this well. The dollar was over printed and traded until everyone simply traded it's price (exchange
rate) and no one was taking enough gold delivery to shut the system down. Same dynamic, as you so well know, my friend.

Back then, just as today, paper gold, those paper dollars as they were called, became the denominator of gold's value without the discipline of a physical exchange to right the misconception. We all know the results and it's eventual consequences. Perhaps the beginnings of today's final death march into the sunset of our currency. A Timeline end, so to speak.

Today, miners sell their product for a cash price because that was the "business plan" they signed up for and it included using this paper pricing system. No one would squawk one bit at how wrong it all is if gold was at $500! Yet, the same logic to end the terrible practice would still exist. I wonder if Criss Powell could address that segment for us? It does need discussion if only a supposition, right?

Further, I suspect their actions, GATA may be opening a can of worms that could accelerate the very process I have been describing. Quickly cutting off the avenue

for many to escape the paper strangle hold?

One more thought for everyone:

If mines had charted their companies to sell the product outright and retail, the problem would not have changed because we all would still trade their product (gold) at the contract paper price. Trying not to own the metal, just trade the price, no?

Back to your thoughts, MK,

The only near term hope for gold is in a restructuring of gold trade, worldwide. Thank goodness we are at the end of the end and entering that beginning! The political process that's now on trend is doing just that. In every political motivation, found in the Old World, the need for physical gold to be valued in modern life terms is evident. Yet, this completely conflicts with every Western agenda that demands gold remain within it's perceived dollar commodity price band. Ironically, if the West were to somehow win, leveraged gold bugs would make only inflation adjusted gains. Something in their view that would be just fine. Indeed, the very system they deplore would pay them their due.
Conversely, if the Euro faction wins, Physical Gold Advocates would enjoy outsized real gains along with future dollar inflation gains. Fortunately, for Gold Advocates, physical gold will win the day anyway. Not because we are playing a world game, but because the natural laws of physics are ending the dollar's time.

As we look down this path, I see nothing but a one-way trend as gold traders are cleaned and gutted by their own desire to play leverage in the very paper market that's being restructured. To this end Western Thinking will morph (that word again) into a new understanding of what is real and what is not. For most, that education will require a big price before it's completed. But then again, just look at the cost of many years in college? Perhaps learning is always expensive? (big smile)

Thank you, my friend and everyone for reading
Yes, Wintering well.

FOA, just a simple TrailGuide

Trail Guide (2/12/2001; 7:30:19MT - usagold.com msg#: 48073)
Comment
http://www.iht.com/articles/10291.htm
Anyone that could not get the piece below from NY Service (I mentioned it in a post to MK), it's now at IHT. See link above.

An Evolving Europe Raises U.S.-NATO Anxiety
Roger Cohen New York Times Service
Monday, February 12, 2001

-----R Powell (2/12/2001; 7:04:05MT - usagold.com msg#: 48070)
Salmon, the writer of that Bloomberg article is not correct when he says, "Harmony Gold Mining Co., South Africa's third-largest gold producer, said on Tuesday that it

secured an option to sell 1 million ounces of borrowed metal." Harmony bought options but not for "borrowed" gold.-----

Hi R. Powell,
The problem with their structure of the deal is that if gold falls below $260, to $240 for instance,,, their banks would force them to borrow at the new $240 range and spot the gold onto the physical market. The paper market is not concerned with their mining new gold to sell into this option over
time,,,,,,, it's their precedent to almost every other miner to exercize their position with existing gold as the paper created price falls. Further breaking the system.

Again, whether or not this much gold can be borrowed today or not makes little difference. Once the paper sellers start piling on with naked positions on the otc, these mines will be forced to use their options. This is just another example of non-hard money players using existing paper market
structure to limit their cash risk. They don't care about gold, the market or the metal, they are just following the leader.

All of this is leading to a complete breakdown in the entire pricing system. We watch and learn.

TrailGuide

Trail Guide (2/12/2001; 8:00:44MT - usagold.com msg#: 48077)
Comment
lamprey_65 (2/12/2001; 7:40:22MT - usagold.com msg#: 48076)

Hi Lamprey,

The bank has the prerogative of cash settlement with these options, for the premium alone, or reorganize that portion of the financing into a gold loan,,,,, using the put as part of a physical deal. It all depends on whether the actual lender (whoever that may be (smile) is seeking immediate gold or not. Yes, the put writer may just function on the side with a cash settlement, completely outside the
physical play, to his favor or not, depending on the price. And physical gold may or may not be forced into the play. This is the problem that has overhung the whole paper market for a long time.

All through out this period, no one knows when someone is going to forces real gold to move. Usually, when it does, it's because a need exists in someone's portfolio and that need requires existing material. Not mined gold over time.

TrailGuide

Trail Guide (2/12/2001; 8:06:52MT - usagold.com msg#: 48078)
Reply
Chris Powell (2/11/2001; 12:32:20MT - usagold.com msg#: 48009)

CHRIS,

Thank you for your comments and clarifying your reasoning. I'll have another comment and note later.

TrailGuide

Trail Guide (2/12/2001; 13:30:43MT - usagold.com msg#: 48106)
Reply

R Powell (2/12/2001; 9:13:48MT - usagold.com msg#: 48083)
Harmony hedge

Rich, we still are on different channels. Let me take another poke at it (smile). From your post:

----Trail Guide, whether or not the one time cost (premium) of the put options is included in the loan is irrelevant.---

Ok, I completely and totally agree with that item. The premium that H paid to buy the option contract came out of their pocket and has no place in the context of this. Whether they get the premium money back or lose it all means nothing to this discussion. next:

---------The loan was for mining expansion.----------

Ok, the bank gave them a bunch of cash to spend on infrastructure. As H makes money from their business plan they will pay back this loan. next:

--------The bank was worried that Harmony wouldn't be able to repay IF POG sank lower SO the bank required some insurance of the Harmony's ability to repay. ---------- Harmony bought the right to sell gold at a future date at a set price. They own this right, it is NOT an obligation.

Ok again!
However, before they sign on the dotted line, H buys an insurance option so the bank can be covered. True, in standard nomenclature an option,,,, "in and of itself" and "standing by itself" is but a right to do something, not an obligation. BUT, H does have an obligation to perform on their loan AND this option is tied to that performance. In contract law, that obligation on the loan is passed thru into and upon this insurance collateral called a put option. Therefore, because that option performance was made in conjuncture with the loan, H will be required to use it ""as the bank directs"" --IF-- their business function is impaired by a gold price so low that they cannot conduct
ALL their business in a reasonable profitable manner. next:

----------If you buy an option to buy a piece of land at a set price for a length of time, youhave the right BUT NOT the obligation to buy. ----------

Absolutely! next

--------- Harmony can sell gold at a future date for a set price. If POG is higher than that set price at that future date, Harmony will get the higher price.----------

Rich,

Harmony can do what ever they want with this option contract AS LONG as it does not infringe upon the collateral the bank used to make the loan. But, you see, that option is part of the loan collateral. This option, this contract right to do something is part of what the bank claims as an asset
against the loan. If the price of gold went to $200, as an extreme example, the bank may not allow H to just sell the option for a cash profit. The bank also has several implied "RIGHTS" within the loan agreement on how to make the best use of "collateral assets" in a default situation.

We, as outsiders may not make assumptions as to what liabilities the bank incurred to supply the cash for this loan. The assets that originated this transaction, that is, "where the cash came from", may want themselves taken completely out of the deal if gold was to tumble. Or they may want physical gold outright? Or the bank may want to simply retreat also. So,,,,, in the event of Harmony being financially impaired from a too low gold price, the bank may seize the option, borrow physical gold at the then much lower price and sell said gold into that option's higher price. Then simply hold this new cash in an interest bearing account that would pay the low borrow rate on the gold loan. Still, H would be on the hook because their assets, gold in the ground that was already attached for the cash loan, would be attached to eventually pay off the new gold loan. No, if prices remained too low and H could still not operate, then the gold loan would just sit there and roll over and over.

This may or may not be the case for them, and I am just explaining how some of these things work. But it is a very common structure today. next:

----They did not sell forward, they are not "locked in" or obligated to sell at all, at any price.---

True, I never for a moment thought that they sold forward.

But they are locked into a cash loan obligation and that contract's credibility depends on the bank's ability to use several methods to remedy a future situation. Sure, if we freeze the moment and all prices stay the same, their contract is static and everything is fine, just as is any other contract in such a situation. But, any and all loans are dynamic, my friend. Ha! Ha!, ask any banker? What you
can and cannot do is subject to future circumstances. next:

---- If they do want to sell, they have assured themselves a minimum sale price. Futures sales = obligations ------

As long as they are up to date, and have permission to liquidate loan collateral, yes. next:

-----Options may or may not be exercised.------

If your option is not part of a loan obligation and held as collateral, this is true. next:

------Many of the complaints (forward sales) against the paper gold market are valid, this one does not hurt POG and seems misunderstood.----------

I don't think any big players are confused about this. Perhaps the investing / trading crowd may not grasp it fully? It's the possibility that all these paper hedges may be forced to crowd into the forward sales area that shakes the market dynamics.

Further, it's all together possible that naked shorting and carry trading could overwhelm the paper supply and force paper prices into a future lower price range. Staying on such a trend, paper gold could lose all credibility to perform as a proxy for physical gold! Eventually trading at a discount. All because every long holder that's in the game for paper trades only, is trying to unload because of all this new supply. This is why I said a long, long time ago that at the end of all of this we may see a colossal spike in comex futures OI (400,000 1,000,000 contracts) as everyone tries to cover their cash risk. Caring nothing about who is , can or wants to take delivery. Long before this begins, the premium on physical gold will
start a vertical rise the likes we have never seen! (smile) We shall see.

That's my take on it, my friend

TrailGuide

Trail Guide (2/12/2001; 20:18:53MT - usagold.com msg#: 48125)
Reply

SHifty, I have your post now, but am trying to keep these two Grizzlys from eating me up. Be with you as soon as able.(grin)

OK, John Doe and R. Powell, now we are diving in (smile).

I want to flatly state that all of what I have been talking about here is using Harmony as an illustration. They may or may not be in the situation described. Even though I don't own them, they are a good gold company. Out of a trillion bad ones.

Rich,
I may have to take your posts a little out of sink to address each item, but will try to stay in order. You said in R Powell (2/12/2001; 14:58:56MT - usagold.com msg#: 48109):

------ However, if POG does fall, H can still sell gold at $250/ounce- a price that (the bank is satisfied) will keep H in business and repay the loan. Answer to your question, Harmony will exercise its option to sell at $250 if POG is lower than $250 but is not forced to.-------

Now,,,,,,, we need to think about this a little bit? On one hand we say that H does not have the obligation to use their puts, only the right if they choose to do so. But, on the other hand, if the price of gold falls below $250, they would not be forced to sell into those puts? My friend, that begs the question; "if their loan package is built on the presumption that they must have $250 or better to make their payments, who would they sell their production to if the world paper price is below that"? Will the bank let them just hold the puts and sell into a lower world price? That's right, they won't. It's not a question of them being forced to sell into those puts, they "WILL" sell into those puts. And the bank will make sure of it. Below $250, H has no choice and the obligation stems from the loan structure itself. As I stated below, the loan itself implies that the puts are collateral and controlled by the loan covenants below $250. next:

-------The seller of the option holds liability for its exercise, the buyer (holder, Harmony) of the option has no obligations, just the choice of whether or not to

exercise the option.------

Even though you understand the function, I think you are somewhat out of context and seeing these puts as being entered into more as a business speculation by H. These contracts are collateral against the loan and carry an obligation of use below $250 in order to season the loan further. Again, as I said above and below in #48106, H will use these puts under these conditions, as they will have no choice. next:

----------The banks have no control over Harmony's business- they can foreclose on the note if H does not make the payments but- just accepting a business loan does not give the bank control over how you run your business----------

Rich, how did you come to the conclusion that these puts are part of H's business? They did not own them and didn't want them prior to the loan. As the article in Barrons (and their own statements) make clear; they were forced to make these part of the loan structure as collateral. Once again, below $250, the conducting of H's business has no bearing on whether these contracts are used. The loan requirements will make them use it even if they somehow didn't want to. I hope
we have at least established that these puts assets are bank collateral and cannot be harmed. Yes? next:

----------If POG is less than $250, Harmony also has the choice of selling gold (at that option price) or selling the option which amounts to a cash settlement (no physical involved). Either way, H has insured that it will be able to repay its loan. Trail guide, If the puts for $1 million ounces of gold sales (or cash offsets) generates enough money to make the loan payments, then the banks would have no further interest in marking to market gold in the ground or anything else at Harmony.-------

Rich, this is where a lot of us investors go off on the deep end if we are not careful. Myself very much included. (smile) I think you know that these loans are made based on the performance of the entire company, not just the one little segment they finance.

Sure, H could sell gold into these puts or cash them out as needed to cover their usual expense,,, then out of profits make the loan payments. But in order to do that they must still mine gold and that requires all ongoing operations to at least break even.

I point back to the context of my earlier post. We, as industry players are concerned of a sudden fall of gold to say $200. As my example below used. At that point, H, as a viable operation in it total would be impaired. Yes, that one loan could be covered if they run just that one segment of their business and sold into these $250 puts. But, no lender will carry such a loan. If they originated the loan with limited liability, they still must act prudentially.

They will not let H simply eat up that put to keep them going. Just because the loan is being serviced, doesn't blind the lender to the fact that his total collateral assets are being impaired. You can't park your brand new ford pickup in the ocean, up to it's engine, and still expect the bank collectors not to come for it? Even if you are making payments!(smile)

Because that put is collateral, it is subject to seizure and use to not just pay the loan

but close it out. In the case of many of these mines, the sale of the hedge securities, Harmony's puts in this example, would not cash out the loan. It's not enough. That could only happen by the lender borrowing gold and selling it into the put. Then they would have full cash with a very small or almost no payment
liability. Sure, they would oue gold. But, that trade off would stick as an attachment to H's unmined assets until something happens??? Don't think for a min. that their reserves are not totally involved in a loan with gold at these current levels. next:

R Powell (2/12/2001; 15:29:48MT - usagold.com msg#: 48111)

-------- The bank expects repayment of the loan but (unless the bank owns the puts!) the bank can not force business decisions involving the puts. The bank can foreclose on a business for non-payment but they can't force business decisions on a company just because a loan exists.-----

Once again, Rich, it's the old "pick up truck in the water" analogy. I guess, in a way you are right. If you lent someone $25K to buy a pick up and he left it in the ocean one month later,,,,,,but kept making payments,,,,,,, you couldn't force him to make a reasonable decision,,,,,, and place the truck in safety. Yes, it is his business to run. But, somehow, someway, I bet you as the lender would try to take control of the way that truck was being used. I think laws concerning collateral assets give lenders (yourself in this case) the ability to grab their collateral! And even allow then to use it in a way that covers their exposure. Boy, in my past life I must have been through this before
because I just know I'm right,,,,, (grin).

My guess is that you would try your best to remove yourself from "salt water truck ownership" and get as much of your money out from behind that collateral as possible. Just as the lending banks would do in H's case,,,,,,if gold fell to $200. You see, the whole darn truck is worthless at $200,,, I mean with all that salt water and seaweed! (smile) next:

R Powell (2/12/2001; 15:49:13MT - usagold.com msg#: 48112)

------Agreed. If I have payments due on a new truck, the bank wants it well taken care of (and not sold) unless the bank is paid-in-full. As the purchase of the options were conditional to obtaining the loan, their well being (even though they are time wasting assetts) is a concern of both lender andborrower. Harmony has also obligated itself to performing as profitable enough to repay the loan which it will do by conducting its business which is gold mining.----------

Well sir,,,,,, My whole thrust has been regarding what the impact would be on the total marketplace if gold fell into a very low range. H is just our example. Your point leaves out several things. They cannot conduct a profitable business of gold mining if the price falls too far. If they begin using these put profits to fund the entire operation, the collateral behind the loan is degrading just as a truck would do in salt water.

They (H) purchased these options as part of the loan package not "next to" their loan package and these puts became collateral "within" that package. The loan officer (lender) will seize that truck (put options) and sell it (cash out the put) to cover the loan. If that action does not cover the loan, then he will drive the truck personally (sell borrowed gold into the put) until his lost asset is

recovered as best as able.

Rich, you have misconstrued my point. Under certain circumstances, to low a gold price, the lender will be the one borrowing gold and dumping it into the put,,,,,, not H. Yet, the degradation of H would be just the same. next:

John Doe (2/12/2001; 16:05:50MT - usagold.com msg#: 48113)

Hello John,

------- @ Trail Guide
The only way Harmony's put deal could drive gold down is if the originator of the put (whoever that is) bothers to hedge its exposure to the put by borrowing and selling (i.e., a direct physical short)some or all of the gold covered in the contract. As the normal course in these types of common
derivatives is to maintain a continuous delta hedge, perhaps some small amount of the total 1 million ounces has already been shorted and more would be added as the price falls (if it falls).-------

OK, I could live with that position(smile) next:

------As the originator's hedging away of the risk of selling the put to Harmony can be carried out in the futures market without any physical involvement whatsoever, even the sale of physical is notassured, though one could assume, though a chain of trades offsetting the futures, that eventually, someone, somewhere, will sell enough physical gold to maintain a "valid" hedge. As some principal
somewhere is likely "good" for naked shorting, even a terminating physical sale is not necessarily
assured.--------

Again, I'm with ya! next:

---------- Harmony, is, at worst, only driving the gold price down indirectly, if at all, and then only to the extent that its put purchase is being delta hedged by its counterparty, if at all. ----------

John, all of what you present is how it's usually set up. It's after the clock starts that the real action begins. I posted earlier that:

""" True, I never for a moment thought that they sold forward. But they are locked into a cash loan obligation and that contract's credibility depends on the bank's ability to use several methods to remedy a future situation. Sure, if we freeze the moment and all prices stay the same, their contract is static and everything is fine, just as is any other contract in such a situation. But, any and all loans
are dynamic, my friend. Ha! Ha!, ask any banker? What you can and cannot do is subject to future circumstances."""

That "future situation" I speak of is a quickly falling gold price. Falling well below most everyone's ability to function. If gold falls, it's not just H that is in the "salt water", the whole industry is and all these paper hedges will be seized long before the companies can use them to hang on with. This is when the system really implodes as every bank with a contract (read that salty truck) will be trying to remove their money from the entire sector. Not just make the loan payments. To do

this, they will sell borrowed physical until it's supply is gone,,,,,, even at a very high rate. All this supply coupled with everyone unloading long paper positions that can no longer be credible,,,,, will crash the gold market!

This, is a very crude micro explanation of how and why any amount of further hedging is giving the sector the shakes. It's far worse than you think.

On that happy note, I'm done for a while

TrailGuide

Trail Guide (2/13/2001; 7:18:38MT - usagold.com msg#: 48152)

Reply

SHIFTY (1/4/2001; 3:11:38MT - usagold.com msg#: 44999)
Trail Guide/FOA: I am a small placer miner and own physical gold (in most all forms) and also un-hedged mining company shares in equal amounts. I have a problem understanding how Gold will have a tremendous value and that this will not also be the case with un-hedged mining companies that produce the very substance that you say will be so valuable.If we hold physical gold in a safe place to be pulled out for use when needed , what makes the gold I hold better than the gold that will be poured into a bar on the same day in the future? Will it not have equal value in whatever is being used as the medium of exchange . I can see where physical may out perform shares ,and I also can see where hedged mines can go bust , but I must be missing something here. Are you saying that mining will be outlawed in the future? Or will it be performed only by a world
government of some sort and all the people that own the mines can kiss their wazoo? I hope when time permits that you can shed some light on this for me.
==========

OK, shifty, you write:

------Or will it be performed only by a world government of some sort and all the people that own the mines can kiss their wazoo?.------

For the record, I never have even for a moment considered some one world government. I also laugh at the notion of some great Cabal running the show. These shallow statements are the dream work of people that confuse social order with someone controlling their lives. Our world history is full of rules and laws enacted by various factions from the beginning. Face it, laws always infringe on some group as they yell big brother! We will never be without some segment being controlled for the society at large! It always the easy way out. Broadcast that some small bunch is profiting by ruling over us.

For better or worse this is the way human kind has governed itself. During some time frames it's real bad and in others it's real good. We slide from one side of the bank to the other as everyone rides this river of life. But never has any one group been smart enough or powerful enough to
control us all. And never will be. It's a waste of of our short lives to base our decisions on when the all powerful Guru will take us over.

-------Are you saying that mining will be outlawed in the future?------

Shifty, did you really mean to ask that? After all the countless references to taxes,

production controls,,,,, the precedent of the Texas Railroad Commission,,,,,,, the reasoning for governments to write legal tender laws and their ability to implement them,,,,,, the recent control of California power distribution?,,,, the foundation of a changing reserve currency system,,,,, In all this you ask
in the context of something done outside the law?

Is your income being taken as an outlaw act, because it's taxed? Is the speed limit range an outlaw rule because it 35 mph? Is the dumping of sewerage in the Mississippi an outlaw act, or should the law be changed to stop infringing on the free rights of some? Do you see the rules that control
someone else's assets as good because it benefits your cause? Do you think rules are bad if they suddenly impact your investment assets?

If gold production is limited, and the amount produced controlled by law. Would this be an outlaw of mining or the better use of a limited resource? Any number of controls could be implemented and they would certainly impact some. Yourself? You will then be one of the ones that's being ruled by the mass, right? So you can't dump all the waste in the river you feel you should be able to? You can't drive as fast as you feel you should be able? You can't take as much money home because the IRS takes more than you think they should? So gold production is limited and said production
is taxes in some controlling way? So what's new in the world?

Remember, in the 1800s there was no income tax,,,,, at all? People back then said the same thing you do now,,,,,,, "What now, is making money being outlawed?

Shifty, the world moves on whether we want to be on the ride or not. Fight it if you will or adjust yourself. I'm also in the boat and just navigating the rock in the river. Watch your Bow, my friend, rapids dead ahead! (smile)

TrailGuide

Trail Guide (2/13/2001; 7:25:33MT - usagold.com msg#: 48153)
Reply

John Doe (2/12/2001; 22:40:58MT - usagold.com msg#: 48131)
@Trail Guide

John, when discussions get this long and in debth, we must be more exact in our reference,,,,, or one cannot reply effectively. Your words:

-----I continue to see inferences that Harmony would have to "sell into the market" if the put goes into the money.------

Where do you see this and how did my context infer this?

-------- If the market is below the strike price, the gold that Harmony normally mines will simply be "put" the originator of the contract at or perhaps sometime before expiration, and not "sold into the market".------

Did I not place all my proposition within a category of gold dropping quickly into the $200 range,,,, as an example?

-------- I sense you are trying to fit Harmony's recent financing into a contributory role in the process whereby the paper-gold markets are predicted to freeze and/or collapse.--------

Absolutely, but within a framework of the entire industry suffering the same fate. That future problem is the source of the jitters the market feels when each new hedge is applied. How did you read my post to reference otherwise? The total thrust of the post was in this direction, no?

Thanks TrailGuide

Trail Guide (2/13/2001; 9:48:46MT - usagold.com msg#: 48160)
Comment

Chris Powell (2/11/2001; 12:32:20MT - usagold.com msg#: 48009) Is GATA cutting off paper gold's escape? (Corrected version)

Hi Chris,
Thanks for clarifying your position. I fully well understand where GATA is going with their efforts.

Anyone that has invested in the gold industry during the 90s has had a real negative impact on their wealth. If one used the past decades as a precedent for rules , typical equity valuations or laws of conduct within this arena, their assets should not have suffered as they have. Cycles of highs and lows were expected, but a complete washout of product (gold) value was never in the cards. Did someone change the rules or were the rules just never fully understood?

My position is that the rules didn't change and the system is functioning within it's range. What did happen is that investors never owned these securities during such a period. Therefore, they never had a chance to experience how they would react outside the perceived fair pricing band.

This commodities pricing band, that gold is conjectured to belong in, was never forced outside it's fair value perimeter until this decade. Allowing for past inflation calculations. Reading what Mr. Parks wrote the other day in

"It's Not Your Daddy's Gold Anymore --- by Lawrence Parks" (see my 2/9/2001#: 47878 for ref.),

we can get an idea of how it all happened. Without an investment need on the horizon, western gold demand fell back into an industrial mode with jewelry being the
greatest portion of that segment. Further, the selling of existing gold savings, no longer seen as real wealth, added to the supply.

From my location, I could see where the common paper pricing of gold that was used through out most of our modern times had never functioned without a backdrop of bullion accumulation by the Western masses. Once this liquidation trend was in place, anyone from the shoe boy to the CB
could simply sell contracts as part of the crowd and no one would argue. With

everyone now betting on gold's price moves without wanting the metal, paper gold could be traded with very little ownership demand for metal. The volume of this particular type of trading could and did completely
overwhelm the physical segment of the markets. Sold over and over, then brought back from a disgruntled "trading public" at a lower price. "Someone is after us", was the cry! Yes indeed, it was us!

Actually the proof is in the air, all around us, and your position, Chris, bears this out. Taking a line from Mr. Parks, ""It's Not Your Daddy's Gold Anymore", paper traders do not endorse the physical advocate's side of the equation. For us advocates, gold at even a dollar is a good thing.
Where as gold below the mine production range is a negative manipulation of the system for long paper traders. Again, had gold risen to $600 because the Governments, the traders, the players, the banks and all, jumped into long paper,,,,, not a word would have been said. Yet, the physical gold buyers of the world would have had to pay dearly for their new savings.

Chris, your comment saying:

----"But what are we at GATA to do? It didn't seem enough for us to sit back and let nature take its course----"

This intrigued me. You know, you could have said great day for gold, lets all buy the metal and not add any more to our industry investments! If the Cabal wants to use their illegal operations to drive gold into the dirt,,,,, bring it on, yes? You know, no industry ever went broke from people buying it's main product,,,, in mass! It's funny how the industry investors always try to remedy the same dynamic by asking the mines to slow down. Yet, this is something they all fear that new government controls on production would do???? But, jumping to the physical side of the fence is never an option?

Yes, promoting the metal, buying the product, would eventually cut off the paper selling far easier and faster than any legal action. Bill Gates didn't get where he is at by telling everyone that his company shares were a far better thing for the public to buy than his software???? (smile)

You say:

------- Governments and mining companies have responsibilities beyond themselves --governments to the public, mining companies to their shareholders and employees and even,especially in mining-dependent areas, to their countries as well. ----------

True, but these are still businesses, not one's personal reserves. When we "Western Children" told everyone that would listen to stop buying their main product (gold) and buy near product substitutions,,,, what does one expect to happen? Then we blame the government for exploiting the issue and the mines for falling into the hands of manipulators that offer them the only way to stay in business,,,, sell forward.

Just because all this happened to fall in a time period where currency issues are impacting the problem doesn't negate these faults of thought in the industry,,,,, or it's dogmatic promoters. Had gold product been promoted, it's physical demand could have easily overridden any political

motivations,,,,,, hands down. We chose to bet on a lame horse and now want satisfaction because that animal is under an attack it cannot overcome. Physical gold today, even allowing for it's incorrect currency valuations proves that it's the better defense during strange times.

You say:

-----FOA/Trail Guide is right that GATA may accelerate the breakdown of the manipulated paper gold market -- that indeed is our charter, exactly what we set out to do. If GATA helps "cut off the avenue of escape" from the paper gold market, so be it. -----

Why did you not see the physical side of this? My friend, I was referring to the escape from all paper substitutes and the escapees being from all walks of life. Not just the big BBs or trader types. Truly, what you fear is what we embrace; that gold will fall further while physical supplies
last.

I perceive that your actions will accelerate a breakdown in this paper market and that breakdown will not shut down the market. No, it will leave the system mired in legal moralizes while the premium on physical gold spikes well above the paper trading price. Leaving both the gold
advocate and gold substitute bug no avenue of escape.

The longer the physical markets can operate next to a rapidly inflating paper market, the better it will be for gold buyers.

You say:

-----Gold IS special, but the kind of trading that distresses FOA/Trail Guide -- the trading in gold's mere price, as opposed to trading in the metal itself -- is hardly unique. Most markets trade this way, commodities and currencies. Speculators pile on for the ride whatever is being traded. As long as there will be trading in gold, there will be speculation. ----------The difference with gold is that its being more than a commodity -- its being a universal currency in itself, -------

As I said, had the price of gold stayed within a $400 to $600 range, the present system would not be opposed one bit. It would even be suggested that gold is performing it's historic roll of documenting currency inflation. Even though such inflation would be well beyond the commodity price of gold. All is well as leverage players use the very same system to profit themselves at a level equal to the real inflation rate. And doing said profiting as both big boys and small operators alike. Leaving the much larger world public no place to gain an equal share by owing real gold.
We indeed, as Mr. Park's children, stand in a mirror and do not see ourselves draped in Western thought and wearing new world ideals about old world wealth.

"Free markets", the paper traders claim, siting on both sides of the fence. "Free Markets are what we seek, as long as they trade our way".

My perception, Chris
My perception

TrailGuide

Trail Guide (02/15/01; 10:47:43MT - usagold.com msg#: 48286)
Comment

I was just out talking with a fella that helps me with my garden crops. Held one of those Oregon Sugar Snap snow peas up to the sun,,,, could see all the little peas in row,,,, in the pod. Tasted it. You know,,,, some of the good things that grow from god's fertile earth are worth much more to a
person than gold ever has or ever will. (smile)

Speaking of gold: (some of you may want to skip this one)

raspberry (2/13/2001; 13:56:24MT - usagold.com msg#: 48174)
Exhausted
------ After several years of analyzing, buying, holding, hoping, and reading this forum, I am cutting back on precious metal positions. ------- cash has not been trash, even when it comes to PM stocks. ---------

You are not kidding, "rasp",,,,, everyone is learning the difference between trading a "precious metal position" and owning real gold for it's "advantage" over currency! Cash and real gold are not trash in today's world and never have been. It's just that over the last few decades "physical gold advocates" got morphed into the same basket "gold bugs" were in. The media projected that being a gold bug meant trading gold stock options, gold options, gold stocks, gold futures, gold options on futures, unallocated gold certificates at banks and even delving into leveraged gold contracts at some back coast gold dealers acting like coin shops! Did I leave anything out, there must be others?

Just as soon as all this garbage sank faster than the real thing, the media jumped in and said owning gold is a real bummer. They say this after decades of telling us that a "gold position" and "physical gold ownership" were one in the same. Is it no wonder the public talks about it all in the same context. You have to ask yourself:

----"The Western View, were you born with it or did you have to learn it?"------

I know where Gata is going with their line of attack and I support them for it. There are some bad guys out there that are going to be eaten alive when the GATA pressure is high enough. But, I think we have to allow that a little part of my conclusions are what Chris was pointing to when he said;
that people got sold a position in racket. Even if my purpose is outside their thrust, my logic can mean everything in building a new gold advocate's understanding. (Hello Sir Chris, thanks for thr reply. I'll be talking with you in a bit.) .

From his post of: Chris Powell (2/13/2001; 21:20:26MT - usagold.com msg#: 48208)

"We may agree that real metal is better than paper. (I hope we agree that the generous proprietor of this forum is an excellent source of the former.) We may even deride those who have found themselves on the wrong end of speculation in gold

paper. Certainly GATA has done as much as anyone to expose and explain the gold derivatives racket.

But then what of people who invested honestly both in gold paper and in mining companies under the misapprehension that the ordinary rules would be followed and that there was a free market in gold, the free market that their governments told them there was?"

Note: please real all of his post.

Well people, all the "gold positions" I mentioned above are, indeed included in those very same derivatives he speaks of! Sure, "Gold Bugs" speculate on them, make and lose big money. But, most conservative "Gold Advocates" never consider them as the place where one buys gold?

When someone invests honestly in gold paper, in Chris's context, they have to follow all the rules as they stand. This includes accepting that our physical laws are part of and form our very trading assumptions. Not thinking, investors apply half the logic, trading just the price of something, expecting our real physical laws to apply anyway. They won't, on their own, unless you make them apply to your position, by taking delivery.

Trading the price alone from the long side can work, but getting away with it only happens when we are in a certain "historic price band". That past price precedent has made us think we were following the rules and succeeding. This classic, mental omission has been the source of untold
loses, brought upon ourselves as we try to play half the game,,,, all the time. Today, as we leave the comfort of those "safe price ranges", the dynamics and the nature of all this is exposed as two separate markets.

Basic investing rules include selling out any long position if supply is created faster than demand. The paper half of this gold market is in such a situation. Unless you plan on bridging the two markets by taking delivery, you are buying the wrong side of the gold dynamic. Whether we like it or not, even though real gold supply is in deficit to it's demand, paper supply is way more than it's demand. When the price ranges left their "commodities range" it created this new divergence. Almost like saying "it's a new gold market, yes"?

Again, this is a real world we live in and real world physical laws are what makes the trading rules work. In that real world, if someone is "honestly" long to get gold in the paper market, then stepping up to the bar and taking delivery would be the "honest move"? If not, I say again, he is playing the wrong market, and paying for it. Because the paper supply / demand dynamic is against him. The officials didn't change the rules on this portion, we brought it on our selves.

Exercising one's contract position for real goods, even if if the price drops, changes the dynamics of supply and demand for the actual metal. And does so in line with whatever the paper supply is. If the demand for paper is made to be equal to demand for real metal, then noone could sell more fake paper than the gold that exists! It's that simple of a physical law. In this state, there could have
been no "dishonest markets" as our perception proclaims. We would have owned it all! You guys are with me on this, right?

Let's face it, Western Gold Bugs played a part in this political game because their investing habits led them there. International currency trading do include gold values, no matter what London says and it truly is His Majesty's "lion's den". Had we all stayed conservative, and physical, the government forces would have been forced into another form of a 1971 gold window closing long before now!

Paper Gold Bugs take on a gold position and "play like" they (and everyone else also) will demand delivery if it drops. This is the source of the silly notion people get when they watch OI. They stick their chest out and say; "boy, us and them are going to squeeze this market with delivery demands if the price keeps falling"!--- "Looking around the room for others to agree with them as they talk"!--- then the price just keeps falling.

Yea right, they can just afford the margin and are scared stiff that they may have to post more,,,, And they are going to go 100% AND PAY UP?? ,,,,, yea right! You say Gold Bugs and Gold Advocates are one in the same? No, there is a big difference, my friend. Cunning Gold Advocates take the Gold Bug's margin money then turns around and buys physical gold with it. Awful bunch of people. Nice, GA's are safer and never get involved in the whole process. They just buy gold for it's advantage and wait out the serious wealth that's coming.

So, when the price drops, paper Gold Position players run away and say it was just a game of hid and seek, after all. "But, we'll be back!", is their yell,,,,, looking over their shoulder at a full gallop. Ha! Ha! They were just trend followers, after all. I have to return to using my earlier reference to Park's post and then say,,,,," the children just want to play a game",,,, and cry when they lose. You
want to hear how the big boys think? Close your ears, because it ain't nice.

---The governments are all going to let this thing die just like the 71 dollar with it's gold backing. They are not going to kill it by declaring worldwide position limits or 100% margin. They would look too dirty if they did. So, when guys like us (gold advocates) see the action, we take a bite.

We buy all the physical the market will offer us at ever lower prices and sell the hell out of "gold positions". It's happening the world over! Knowing full well that the boys ("Gold Bugs") will run from delivery. Hey, why not? At least half the equation is politically correct for today's era. The trading era, that is! Besides, people go to Vegas, dumping more money than the paper gold crowd, ever will. All the while knowing full well that there is no payoff. Atlantic City is just as full of gamblers and they are not asset players either,,,, just want to spin the wheel for fun, like these paper Bugs". Hey, we are the good guys in all this,,,, at least we are buying the mine's product,,,
gold. We aren't killing anyone's job,,,, the paper bugs are by supporting the system with their buys and never taking any product!!!! -------

Ouch, that hurt! The truth has a mild sting sometimes.

OK, once again, the market place will follow this trend of inflating world "gold positions" because people keep buying those paper positions. How does it go?? A trend in motion goes to conclusion? If there is one thing we have learned in this world; if there is a demand, someone will give it supply. (smile)

As long as it's just paper on margin we want, they got plenty to sell. Now, if anyone starts shifting their buying habits away from paper, this game will end. But don't worry about that because everyone is waiting for someone else to start that trend. You see, it's just like a business cycle, the supply will build until demand falls away or the whole infrastructure disintegrates. I'm betting that the market itself will fail.

One more thing, "Rasp", there is nothing wrong with owning mines. But we have to understand that their trading stock price is based on a never ending supply of paper gold. Knowing that, I expect my gold mines to match the paper price right to the end. But then, because they are a small portion of my bullion budget, the mine owners love me as I will keep them far longer than anyone else will. Perhaps across the valley and into the profit range we will all see the reasoning for this? (smile)

"Man's just got to know his limitations",,,, and what he's buying! (smile)

more later

Trail Guide (02/15/01; 17:02:46MT - usagold.com msg#: 48325)
Reply

Hello again,

Mexpat (2/11/2001; 9:01:39MT - usagold.com msg#: 47986)
FOA/Trail Guide - Background No. 2
Hello all..Greetings from sunny southern Mexico.

Usually, if I read the material carefully and ponder it a while the meaning becomes clear but one paragraph in FOA's recent posting went over my head, particularly the last sentence...this is the paragraph:

FOA (02/09/01; 14:29:38MT - usagold.com msg#60)
------- In addition, their marking gold to market is a prerequisite to following the Fed's new inflation stance by scoring the dollar against the Euro gold price once the paper gold markets fail.-----
Perhaps FOA or another of the forum's knowledgable posters could break down that last sentence a little for me. ----------

========
Hello MexPat and welcome Sir.

The ECB has been marking their internal gold stores to the market for a while now. This was part of their charter. If I remember correctly, it does not include the entire amounts of bullion held within the full system of european central banks, just the ECB portion. Later it may score the entire
amount, which is already some 30% at these prices! USAGOLD's site master, Randy, has been posting these quarterly reports for us. To date, the initial significance of this move by our Euro friends is cosmetic. Most of the financial world does not make much of it.

What is threatening, to date, is the open conflict of money policy this points to. The US Treasury, IMF and Fed, as a group have been demoting gold as an asset backing against their internal currency, our dollar. I think their most aggressive stance goes

back to the Jamaica Accords and or
the SDR evolution. We, America, promote the value of our dollar in and of itself. Mostly pointing to our goods, services and assets that dollars can buy. Of course, if you have followed this for long, you know the dollar and near dollar supply has shot to the nearest star and will never actually convert into these products in total. At least not at current exchange rates or internal price levels in
the US.

So,,, we promote the dollar using a different format, by saying that foreigners can invest here, not buy, and find the best returns. This works as long as foreign CBs support our dollar as a reserve by saving it themselves. Making for a stable exchange rate and benign price inflation (in the US). Many thinkers have said, over the last 30 years, that those foreign CBs would never continue to do this. Well, confounding everyone, they did! Their real reasons have been our topic for years now.

However, we are now at a point unique in our time. The advent of their Euro is fracturing the ECB reasoning for continued dollar reserve support. This all moved beyond the software stage and entered the hardware era a year or so ago. Now, as some reports are confirming "for all to see",
Euroland is moving away from dollars. They started selling their interest received on US reserves a while back, and continue to do so. Randy has the actual date for this somewhere. The ECB is now, outright, selling some of it's actual reserves. The game progresses.

So, what of their gold values? Eventually, as the dollar works it's way toward becoming just a regular money, it's exchange rate will tumble. Vastly aggravated by our world class trade deficit. A deficit, I might add, that has become structural to the function of our economy in a non price
inflation manner.

Further; the high energy prices we have recently seen did not just come out of nowhere. Our energy markets and / or their political plays have not changed for 20 years. What has changed is the producers advantage of having a choice of currency to settle oil in. The Euro or the Dollar! This
process has also been a long-term topic of ours.

Contrary to what everyone thinks, the US is at double the economic oil price risk as EuroLand. Even though, initially their price goes higher than ours, because of continued dollar settlement, their entire financial structure is far less leveraged. The producers can sit back and watch who functions best, over time. And time is already working it's will within the US. You have but to read the headlines of Black Blade to know that. Thank you Mr. Blade for an exceptionally fine job!

The one thing that was negotiated into the EMU was gold's place in the world. Indeed, this is where the ECB and BIS knew their oil neighbors well. By signaling gold to be an asset, not a currency, it could be promoted to rise outside it's commodity range without competing with the new
currency. With the history of the dollar's use of gold, America's war on gold and it's locked in political stance on gold, Old World Europe played a Master Stroke. This could not help but solidify an evolution into Euro use by practically every country outside the dollar world. South
Africa plays large in this. One or two of their mines will also.

Now,,,,,, as the dollar begins to weaken and price inflation starts to march, the demand for real gold will eventually spike physical premiums thousands past the paper dollar gold markets. In ANOTHER master stroke, the BIS knew that the entire bullion house structure was endorsed and supported politically, to frame gold in a dollar price band. Outside that band, up or down, these paper markets cannot function. Especially if the driving force becomes a physical demand that drains all settlement credibility from contract gold. There will be no squeeze in these markets now, as they will be allowed to kill themselves by trying to save themselves. Inflating the supply is that process. The loss of such credibility will eventually come as trading just stops, virtually closing the dollar contract markets as we know them. Opening the door to an ECB sponsored physical
market.

If I had to guess, we will see Shanghai, Johannesburg and Dubai all joining with major internal Euroland financial centers to form the EBES (Euro Bullion Exchange System). By this time, the ECB quarterly reports will be seen as a scorecard of Dollar vs Euro values. We shall see!

I think you can take the microphone from here, sir. I've said enough on this. (smile))

Thank you
TrailGuide

Trail Guide (02/16/01; 06:16:55MT - usagold.com msg#: 48375)
Comment

Chris Powell (02/15/01; 20:29:43MT - usagold.com msg#: 48340) Trial Guide's latest

---------- If GATA can help overthrow the gold paper market, will you not welcome it? --------

Yes, I welcome and support your efforts. There are two ways to overthrow this and understanding the politics leads to different strategies. One would be to do just as Gata is doing. The other is to buy gold and stand aside.

I fully well understand your position, the mines and certainly their shareholders should be the one's behind it, financially. This should be your source. On the other side, the fabricating industry and gold advocates, such as myself, are caught in an emotional trap by helping undermine and destroy the very process that gives them cheap product. You follow my drift?

It's kind of like supporting a local tax increase for education and environmental work; it's the right thing but will cost you in the long run. (smile) Still, we must appreciate the political thrust in a Macro view. Advocates need a clean break to all this and without public pressure from a leading point group (Gata) that break could take on a mud like consistency for several years.

I felt that it was not time yet to take real action and education was still the best venue. However, your opening presented itself and you acted in your best knowledge. Please understand, that if your action stalls, there will come a much better opening, later. You simply must wait for it.

I give the odds of this (ECB policy) carrying thru at 99%, but if it did not (1%) we would be left with a crippled industry and no free market. In this atmosphere, all pricing would be Black Market in the extreme and completely negate all the good functions of gold. A mess for everyone.

Still, given the strength of their (ECB / BIS) drive, your legal activities may have not caused a stall in the process; that being allowing the system to inflate itself into a shutdown. Your whole recent attack, while seeming strong from your standpoint, is like greenpeace circling a battleship (smile). If they decide to gun the props, your efforts will be in managing the wake more so than damaging the ship or it's purpose.

Understand, your actions still serve as a huge public service advertisement, regardless of it's success in court. So, in that light, "keep talking Bill"!! Your shots may be aimed at the real good guys in this (from a physical gold advocate's position), but that flock of turkeys standing behind them must run for cover it the big boys duck! Ha! Ha! (big grin)

Good fortune, my friends

TrailGuide
(gone for the day)

Trail Guide (2/24/2001; 7:15:55MT - usagold.com msg#: 48858)

Comment

USAGOLD (Michael),

In a line from Forest Gump; "stupid is as stupid does"!

I have to observe that; "Confidential is as Confidential does"! (smile)

The point I was making to the forum (for some time now) is that; ECB / BIS were telling everyone to go ahead and print all the paper gold the market can stand because we don't want your kind of market anyway,,, anymore.
All the while watching to see just how far the ratio of official physical to paper could expand. Sooner or later, London would hit the mathematical no return point and something had to give. Are we there yet?

Now we see a little white flag that's; from the other side,,,, and no one else was to see it,,,,, yet it was about as private as having your general walk out on the battlefield dressed in white!
This little confidential note could be saying; let's talk about this,,,, can we work something out,,,,, perhaps we can
do whatever it is you guys want to do? (smile)

But, you never know what is behind these little notes? Could be just a trial balloon? Never the less, I think we are moving into a new stage in all this and our paper market place for gold is about to get "adjusted somewhat" for it's ability to equal physical.
As Another would most surely say to their signal,,,
"we talk now, yes"!

Randy and all,

I want to take another trail hike but am waiting for the weather to settle. Storm clouds are blowing in and I want to walk with a few private friends before the wind. Never know, might have to board up a window in the thick of it. (smile) OK, be back when able.

TrailGuide

Trail Guide (2/25/2001; 18:15:39MT - usagold.com msg#: 48937)
Comment

http://www.aei.org/inv010221.htm
Sovereign Debt Reductions: Private and Public
Wednesday, February 21, 2001
10:00 a.m.–Noon
Wohlstetter Conference Center
Twelfth Floor, AEI

http://www.aei.org/inv010223b.htm
Is It Really Good Policy to Pay Off the
Publicly Held Treasury Debt?
Friday, February 23, 2001
9:00 a.m.–4:15 p.m.
Wohlstetter Conference Center
Twelfth Floor, AEI

--- When Treasury securities are gone, what will substitute for them, and what steps are available if policy makers should wish to prevent their disappearance? This conference will consider these questions. ----------

Randy and all,

Keep an eye on these conference thoughts (if you can)? There is a lot more being thought about than the policy
initiatives presented! Some serious thinking is surfacing there, off stage. I think some of this is tying in with gold being used again,,,, but used in a Euro format. It seems the water is beginning to flow (smile). Just so happens that the BOE is asking around themselves, by posturing their actions as questions?? Do you ever wonder how well thought plans suddenly grow from nowhere, at just the right time. This should spark some divergent activity between paper and metal as our BBs try to stop this perception from being manifest in the markets while real gold is held back.

There was even an item:
Implications of a Disappearing Treasury Market by: Hayley R. Boesky --- Goldman Sachs Liquid Markets Strategy Group -- Major Trends in Euro Benchmark Issuance --

We shall see.

TrailGuide

Gold Trail Update (3/10/2001; 20:58:12MDT - Msg ID:49755)
The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (3/10/2001; 20:58:11MT - usagold.com msg#61)
On the road!
Hello everyone!

Well,,,,,,, things are not as before,,,, are they? (smile)

In my last post USAGOLD Forum post (#48858) we noted that the paper gold game was reaching it's limits. The BOE was almost asking "what do you want us to do"? The answer came as plain as day as the paper price was driven a little lower in return for a gold sale reduction. Yes, clear as a mountain stream,,,, the unwinding has begun! It will continue until the big event when the gold rules are officially changed. Not much different than when the dollar hit it's credibility limit in 1971. As Randy has often pointed out; the US printed gold contracts back then until they (dollars on the gold exchange standard) lost their mathematical ability to be converted into gold.

Everyone that is expecting some huge paper short covering rally has got to ask themselves one question; "do ya feel lucky"? (smile) It's important to consider this because today's paper gold contract market is in the same credibility position as the dollar in 71. There is simply no way the Bullion Banking markets are going to allow our current marketplace to adjust to this mismatch by marking "This New (paper) Gold Market" to market against any true "delivered" physical gold value. Forget it! It's never going to happen during the dollar reserve era.

Just as in 71, this modern fiat gold market will be disconnected from the real gold market. Back then the dollar remained at $42 / ounce +/- as a somewhat free physical market exploded into the hundreds. Today, considering the magnitude of the mismatch we have attained, the paper market will probably never pass $360, even in the worst possible short crush. The dollar forces will call $360 the right level just as they called $42 correct??? All the while physical gold will slowly gravitate completely away from any connection to the real demands for delivery.

Even such a rise toward $360 would occur only after the BBs decided not to sell into the paper market any further. It all depends on how the rules are changed later. We shall see.

What's coming in 200?:

Let's see, spot gold is at $358 plus the physical premium of $2,200,,, so that equals $2,558 per K rand. Oh,,, you say that's crazy??? You will just demand delivery of your contracts at at $358? Or call your gold accounts for full allocation? But wait, didn't they just declare position limits, cash liquidation only for all out months, a $4,000/oz premium for spot conversion because of the shortage and forced customer reserve requirements triple the actual physical value for all converted BB physical accounts? And you wonder how or why anyone in their right mind today could pay in the future a $2,200 premium to a coin dealer? Ha! Ha! That's just the warm up, my friends.

What's in process now??:

The Washington Agreement placed in context where the Euro system is going with gold. That pronouncement drove home the fact that our Dollar gold pricing system was going to die with the dollar reserve function. The WA placed us "on the road" to high priced physical gold and low priced contract gold. It could have been the end of the LBMA pricing structure, right then and there, except that it would have clocked the global financial structure too fast.

Indeed, our Euro friends helped the system out by giving it some more of the same poison, more paper gold inflation. Yes, all the while since the WA, people have been falling all over each other trying to explain why so much new European gold has entered the market through lending. Yet, all that was mostly lent was more paper credits built upon a failing dollar gold pricing system. You see, they left the maintaining of system credibility to the dollar faction. Kind of strange how gold keeps showing up as part of the US trade deficit? Even is it's only a trickle.

Gold bugs cry that the paper market is not free because government endorsed inflation in this arena is killing it's price structure. Almost as if they want fiat gold that less inflated? Well, that's great if your "gold" money is in our modern gold producing industry and that's hip deep in committing it's product to satisfy these same paper contracts. Yes, this mistake of "hard money" allocation by western savers, is the result of ignoring history and how currency systems evolve. Gold industry investments work if the current fiat system is remaining "in use", but showing price inflation. However, when currency systems fall "out of use" while moving into super price inflation,,,,, the next competing system will side with physical gold! It doesn't happen often, but when it does real wealth in one's hand becomes worth many times investments in "almost gold". Truly, the dollar price of physical gold is going higher than anyone expects.

To make this clear:

It makes no difference if the current paper gold price bottoms here or is sold into the dirt. Just as soon as the dollar paper gold system begins to lose credibility in matching physical gold value,,,,,, gold bullion and gold bullion alone will out perform every possible hard money competitor. That includes all the other metals! "Noone" will need to teach this dynamic to the public then. All we will have to do is watch it all unfold. Believe it!

It's coming time for our next talk about gold in antiquity. Walking the GoldTrail becomes all the easier when we understand just how little of it is truly out there. Far, far less than the paper pushers would have us think.

Until then;

"We watch this new gold market together, yes?" (smile)

TrailGuide

Trail Guide (3/13/2001; 7:29:22MT - usagold.com msg#: 49942)

Comment: On the markets!

Hello all:

We could be watching history in the making here? Physical gold demand and it's lack of supply is beginning to break the relationship between the paper gold market and physical market. Paper credibility is being seriously challenged by a sustained high lease rate and the lack of that dynamic's
ability to raise the paper pricing structure. Something we have been waiting for!

A continued falling price in the face of spiking lending rates is signaling contract supply being offered without physical supply. It's becoming a full blown paper arena (fiat gold) as the BB establishment must protect it's books to keep paper prices down, even if no gold is traded!

In the past, such a dynamic could perform the same function and still have the effect of lowering lending rates as investors dropped physical gold stores in trade for a return on fiat paper gold. That supply fed the physical market. The Dollar / Euro economic war is beginning and now, that game is driving wealth into holding real gold. This breaking ratio between paper lending rates going up and paper prices going down (if it lasts) will quickly separate said pricing structure. In time, we will embark on a different price for physical. The premiums will rise well above the paper prices, Believe it!

Note: Be sure to watch how the mining stock's traded prices fail to break from their relationship to paper prices. They will track the ups and downs of paper, even if paper fails it's ability to match physical gold. Even if physical premiums rise, mine values will follow fiat gold values? At some point the rules of exchange involving paper gold settlement will have to be changed (locking most mine product sales into the old structure) and this is when bullion will completely outperform "almost gold substitutes" by a wide margin.

Expect all past relationships to come into limbo as this all evolves. In this breaking economic enviornment expect silver to simply fall away.

We shall see.
Very busy times, now! I'll talk more later.

TrailGuide

Trail Guide (03/13/01; 20:51:15MT - usagold.com msg#: 49975)
Comment

Hello Mr. Gresham,

I don't think I could ever measure up to that Loan Ranger fella. Bigger than life he was,,, bigger than life. (smile)

I have access to most all this forum's posts. Either I save then, my system does it or a helper handles it. Just recently I scanned quickly over the last number of days. Boy, what a wonderful diverse group of opinions and insights. Wish I could discuss all of it with everyone. Yet, for now, I must skip past most of the direct questions and deep discussions, adding something when I can. As anyone knows that have conversed with me on this venue, when time is available I talk as much as possible. (smile)

Thanks for the kind expression, sir G! Truly, if my comments suggest to you that this trail is worth following or even just studying, then I know others are doing the same. Someone once told me that following in the footsteps is easy, understanding why they walk this path and conveying that same is hard.

Not everyone can or will grasp such a long term logic concerning wealth. The benefits of keeping wealth for a lifetime only come into clear focus when years of addiction to leverage have worn a man's riches to dust. While we lament our lost bets and covet the speculative gains of others, this drug of leverage calls us to play once again. In the end, few are the savers that have partaken the leverage bet and finish their days owning the real metal of the ages. Perhaps some giants know this all too well?

As shifty said today, "I just can't see it", concerning my reasoning of mines and why they will not come to fullness we expect. No,,,, no sir, you cannot see it. You see, it isn't just the mathematics or the legality or the morality of it all. Not event the politics of market games that we battle. The enemy is from within. Only the strong can stand firm with what the western masses perceive as a bet of little return, real gold.

Yes, we can see buying "near gold", "leveraged gold", "gold in the ground", "poor man's gold" and "almost gold". Little by little, we give it back as the rules change and time moves on. With each defeat comes hope. Hope that someday when that guy who's been buying real gold, has his day in the sun,,, then too will my leverage bet finally make my wealth as whole as his wealth.

My friends, history and time never stand still and savings built upon the dreams of men are often lost with these constant shifting sands. The sands of human events.

-----Gold, the wealth of ages, must not only overcome the evolution of time, it must also overcome our own inability to see what cannot be seen.---------- It does this oh so well.

Thank you all for writing and thinking here and thank you Michael, very much for your efforts.

TrailGuide

Trail Guide (3/14/2001; 6:13:19MT - usagold.com msg#: 50011)
Comment

Michael (USAGOLD) and ALL:

MK has asked me if the poster using the "ANOTHER (Thoughts)" handle over on Kitco is the real thing?

HA! HA!
MK, I didn't even have to look, my friend, it is not him! This person (the real Another) commits to a purpose and holds strong that course. Then states it outright if he decides to change. While others will, no doubt try to duplicate his Thoughts, I know he would find this a good thing. Such is his nature and reasoning that he encourages thinking.

I figure there are few people in the world, with his extensive background and position, that they could point the way so far ahead of the fact. So, when reading the "Thoughts of Another" anywhere outside of USAGOLD, understand that it will only be the "Thoughts of others" writing their views.

When the next postings of Another begins, and they will, these writings will start with a "first" message and I know that that introducing letter will go the Michael Kosares before all others. Such is his style, such is his way.

Thank you all

TrailGuide
(Personal) Friend Of Another / FOA

Trail Guide (3/14/2001; 6:21:52MT - usagold.com msg#: 50013)
Comment
Randy,

50,000 posts! (smile) I wonder how long it would take to reread all of the again? Ha! HA!

And the good part of it all is that 90% of all those posts hold very good insights. Even the remaining 10% have sharp comments and nice links. What a great gold forum!

ALL,
The economic and financial war has begun. That's no small point and it carries with it huge consequences.

TrailGuide

Trail Guide (03/16/01; 19:57:42MT - usagold.com msg#: 50184)
Comment
Hello all,

So, the contract price of gold gets sold down as if tonnes and tonnes of bullion were dropped on the market. Yet, the one month lease rate didn't return to 1/2% or some other fraudulent amount. Almost makes one think someone is selling paper bullion without the bullion behind it?

The stock markets begin to price in open economic warfare and our media says it's just a little slowdown? Now, OPEC lowers production to keep prices at a level that can only wreck the US economy and people wonder what they are doing? It's almost as if someone is moving their troops in a way that will eventually bring down the dollar and it's financial structure.

Yet, here I am, holding mostly Euros as my currency,,,,,, drawing interest,,,, and able to spend said money on goods at the same rate that dollars will buy wealth? But the currency traders say my Euros are worth less than dollars?

And my gold bullion (coins and all) are safe and sound,,,,, waiting the breakdown of the paper bullion pricing system. A process that seems to have just started,,,,,, for the first time,,,,,, in real time!

And in all of this I fully well expect my wealth holdings to not grow one bit over the next twenty years!!!!!! But, I do expect the world markets to evolve and revalue my assets, showing their true at a later time that was always their real worth today.

No, not near gold, not almost gold, not poor mans gold, not gold in the ground or other paper gold,,,,,,,,,,,, just plain old gold in the hand. An asset that will out perform every other holding in the times to come.

--------- The wealth of ages; a lifetime of work kept in a savings from our past. ------
--

Be back tomorrow to talk (smile).
TrailGuide

Trail Guide (03/17/01; 16:20:45MT - usagold.com msg#: 50226)
(No Subject)
My system keeps loging out? If this gets through that's why I'm not here! Will try again in 13 hours
or so.

TrailGuide

Trail Guide (4/12/2001; 5:53:27MT - usagold.com msg#: 51756)
testing
sample

Gold Trail Update (4/12/2001; 5:54:42MDT - Msg ID:51757)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (4/12/2001; 5:54:42MT - usagold.com msg#62)
sample
test

ANOTHER (4/12/2001; 5:56:39MT - usagold.com msg#: 51758)
test
sample

Trail Guide (4/12/2001; 6:11:11MT - usagold.com msg#: 51760)
online
Hello again Michael and to everyone here!

I have had some kind of a virus attack on my entire computer system. As I just told Michael (privately), I am reduced to using my home based unit to post. Whoever sent this visitor to me no doubt expected it would destroy everything (it was a very

good one). It didn't. But, it will be sometime before all my data assets are available again.

I'll make some timely posts this weekend and have asked Another if he could/would fill in for me until back up to speed. We'll know in a few days or weeks? Because it's been so long from his last writings, I think he will do it as this period is a somewhat free time for him.

So, thanks to all for your thoughts, comments and good discussion. The journey continues (smile).

TrailGuide

Trail Guide (4/14/2001; 8:22:09MT - usagold.com msg#: 51857)
The Journey Continues!
Hello again, everyone!

Well, I'll try posting today, but I must warn you that this effort is coming from the old brain cells alone. At least for a few days / weeks. I'm working thru the Home computer only (not to be confused with where I live, rather the Home unit that gathers and sends everything).

USAGOLD and USAGOLD INTERNATIONAL ------ Another is going to begin writing his Thoughts again. It'll be on the screen as it comes in. Of course, the first hello will be coming to you, Michael. Before all others. I'll work on keeping up as best as I can. Will be posting some of my items a little later.

Talk later
TrailGuide

Gold Trail Update (4/14/2001; 14:10:15MDT - Msg ID:51877)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (4/14/2001; 14:10:14MT - usagold.com msg#63)
The Journey
Thoughts are a river as it runs upon the land
they begin with a purpose and nourish us as sand

we walk a path by this water so near
and our vision must know this trail will prove dear

so trust in your heart that this way is the birthright
and the sun will light in the darkest of night

these Thoughts make us dream a truth that is whole and
"as this river runs through it, may it strengthens our sole"

Few things in life remain the same. Always near, yet sometimes far, the future is before us and will remain so for ever more. Look back for understanding, look back to know how we once thought, look back to confirm your own feelings, but don't look back to know the path ahead! That future, my friends is the water that flows from us today.

No one changes the world by their own actions. But the future can be shaped by our understanding and how we, as a people react to new perceptions. Yes, in our living of life, this very dynamic makes the world tomorrow. Better said, we are the future we seek to know! Understand us and where we are going and one can plot a course that points the future.

With time on my hands, recently, I did a research project. I ask all the Gold bugs in the world to stand in a straight line. Then asked all the physical gold advocates to make a parallel straight line next to them. Boy, that was some long line (smile). For days on end, I talked with many of them as I walked between the rows. I was struck to make several observations:

All the gold bugs seemed to be talking nervously. Always looking up and down the row to see what the next fella was doing. With cell phones, laptop computers, private radios and every form of communication, they were all trying to do the very same thing; trying to make more currency. Almost the same thing that people who trade the stock markets are doing. Strange, I thought. The gold bugs hated this unbacked fiat currency as a wealth trading unit or a wealth holding unit, but still wanted to own more of it than the real wealth of gold. All of their actions were aimed at protecting themselves against any loss of currency function by making more of the same failing currency. Keeping ahead of the coming loss by having more of the deteriorating wealth item added to them? Kind of like a French farmer's logic reply to the knowledge that Paris is about to fall; " I'm not worried, got my wealth in cash in the bank of paris and I know the government will add to my holdings enough to cover any failures of ruler ship". So I ask myself what is the farmer and gold bug gaining here?

Standing back across the row, I asked a physical gold advocate what he made of all this? It's all very clear to me he said:

"""""""You know, fiat is a good thing in this day and time and we all could not do without it. These gold bugs would have you think just the opposite, even while they try to make more cash wealth for themselves. Yes, it's true, the current major world fiat is breaking down as it folds it's hand. But the current gold market, these bugs trade in, is run by the same guys that don't want their fiat use to end yet. So when they change the rules of the market, look at how many gold bugs leave? Almost none of them.

The rules of play, using Casino Chips instead of real gold, are all right out in the open just as the gold market we used to know becomes little more than a shell game. A Dollar Gold Casino, if you will, and the gold bugs don't want to leave it. If they can't use "near gold" to play with, they won't play at all. So, their whole advocating of the gold story is just talk. They stay right with trading fiat assets instead of gold even as their market slowly fails their purpose.

It's almost as if they didn't really want gold wealth in the first place. I see it as if they want everyone else to make physical gold worth more so their fiat based assets can grow? God awful logic for a gold advocate, but then again, they aren't gold Advocates? These are the new breed, aren't they? Fiatgold bugs? Well, I write it all off as the Gold Bugs can't see the difference anymore and still crave playing in the same house, using the same house rules. Most of them would rather the government keep the fiat going at the expense of just a little higher gold price. Say $500? Just enough to make their fiat grow. Instead of advocating holding bullion wealth and a freegold market to crash the old system. Ha! Ha!, These guys even want those in charge to change the rules back into the players favor, bankrupting the house in the process! There is no chance in hell of any casino doing that to themselves. It'll only happen when the casino's credit is taken away. And that process is in the works, don't we know! That's why I am a physical gold advocate. My time will come as the fiatgold bugs go broke with the casino. I guess it's the nature of life that we go down with the ship we sail."""""

Will it all pass as this gentleman presents it? I sure do think so.

Tell me, how many of you are watching supply and demand, CBOT positions, Comex OI, trading volume, gold share directions and chart TI? And for how long have these items told you nothing about the direction of currency gold prices? You see, the future of the world value of gold is now waiting on the outcome of a political currency war. A process that's been in the works for more than a few years now,,,,,, And the longer this stretches out, the more the outstanding supply of "almost gold" securities is built up. Making the whole Fiatgold Bug arena ready to fail in a mighty fall.. All done in an effort to keep the dollar system going. We have been presenting this picture for some time now and the end comes closer.

Every time the ECB doesn't "blink", ANOTHER economic nation block looks closer at the EuroZone as the backing economy for a new reserve currency. As each day passes with the EuroZone showing even marginal growth without the benefit of an American style trade deficit, the internal economic dynamics of the USA builds against it's dollar management policy. Eventually forcing the US into a full blown super inflation that has no limits.

Every day that the ECB marks gold to the market, it says that; "when the market for gold is free of the forces of dollar management, it's value will be marked to the market ----- whatever that value may be and independent of the Euro currency's use and position in the world"! Indeed, by inference, the value of oil also be marked to market through gold. Slowly, the world shifts on it's axis, my friends. We must not be blind to this change.

It is as we pointed to; the different nature of the EuroZone economies, diverse social management and attitudes towards gold values, will eventually support that nation block in the mists of a crushing US downfall. Within the total dynamic of this economic transition, physical gold values will return to a level where they will once again represent the "wealth of nations".

For us, "the wealth of mankind".

So let the water flow clear as the sun in our day
this time is for us, as we push on for the bay

mind you this stream can speak words quiet and fair
this river of "Thoughts that are free as the air"

Ladies and gentlemen, friends and readers,
later today I will begin on the main USAGOLD FORUM the next series of:

"The Thoughts of Another"

thank all

ANOTHER (THOUGHTS!) (04/14/01; 18:08:54MT - usagold.com msg#: 51887)

Thoughts!

To this USAGOLD Forum and Mr. Kosares, good evening.

Thank you FOA for your time and work.

We talk once again my friends. This forum, it grows strong for all ages and nature of peoples. Read they do, from all places on earth. I read and see the knowledge as written, but it be the knowledge we still must see that speaks with greater strength.

Walk the gold trails of my good friend, do I. On my feet are "strong sole" of thick leather, purchased with much knowledge of physical gold. These shoes not go bare before our journey is done. On trail I see your "thin sole" gold investments cast aside and scavenged by beasts. Their
owners walk no more as these investments took not this hard road of dollar transition. Many more will wear paper gold wealth thin before this walk be done. Only physical gold will see sun after this storm.

Some say dollar strong and holds much value still. It bends not and is strong and worthy. I say their vision is limited to see only post supporting roof. Not what on roof already or what must be placed on roof. When new Euro currency is done, full weight of dollars will return as your wet snow. In that day, we check curve of this good post, not before.

Some say dollar buys much gold and is strong in metal. I say, paper gold be not metal! We have more dollars than gold in world. As long as your system works, you sell gold to gain real dollars and we sell dollars to gain real gold. All be well in your world and mine, yes? Soon, dollar return in
bank and Euro return in bank be equal, no? More later, dollar return become even less than Euro. Tell me about your paper gold value then, my friend. Perhaps, dollar then seen strong in this lesser gold only. You think long and hard on this before end of year?

I think Euro buy much more oil then. We shall see. I will return often now. Discuss our future then.

We watch this new gold market together, yes?

Thank You
Another

Trail Guide (04/15/01; 07:28:10MT - usagold.com msg#: 51906)
Comment
Hello all,

I tried to get back on the forum, but it was absolutely full! (smile) Could not get to the trail page either. Have some replies and other items, will try again later.

Thanks for reading and writing your thoughts
TrailGuide

ANOTHER (THOUGHTS!) (04/15/01; 18:58:39MT - usagold.com msg#: 51943)
Mr Gresham (04/14/01; 18:44:54MT - usagold.com msg#: 51889)
Welcome Mr. Gresham. We talk for a time, yes?

You write:
"We who read here generally buy the coins, one ounce and less. The "Giants" you speak of are usually buying the large bars (100 ounce?), yes?"

I ask you, how many of your bars in tonne? This is the small purchase size.

"Is there a limited supply for them to get, and only through the large brokers with their "private wealth management" programs?"

I would say the BIS is best broker, always. It best to sell dollars for gold when gold is offered.

"I am trying to understand why this knowledge you bring is not being acted upon by some others with "deep pockets", such that the markets would be moved, or shortages occur, even before the dollar is seen in weakness."

My friend, you see the gold with "Western eyes". In mind, it be always, "how much currency does my gold bring". In this world of much paper gold, it bring not much dollars yes. In such matter, your currency makers do make your wealth lay low. This dream of much dollar currency for gold is the
illusion in the "Western Mind". Your men of "deep pockets" do probe for shortages, however, their wish for low supply is not to be found. Their pockets are full with "credit gold" and sad are they at currency price this brings. It is the fools game to corner paper gold printing press, no? Sir, I stand with no fools!

Days and nights do pass and one morning will bring a dollar price for gold you have never known. In that day, I will cast this currency down and walk with real wealth. In this day, the gold will trade in Euros and no bribe of credit gold will be needed to mark this new money.

Today, I my world it be how much gold does dollar currency bring. A difference in understanding from yours, I think. Today, amount of bullion available for dollars no longer the reflection of bullion dollar exchange, it be now the most terrible bribe for world dollar use. An acceptable deal in most of world, such is real world outside your laws, no?

But, it is here, in act of making extra credit gold, where the "shortage" you speak of, is measured my friend. A good man with one eye does see this time as of but few years and short days. Aside from our Euro political changes, history alone does show all great currencies end with this overselling of credit gold as last of era. This paper gold credit is always for the fools first and last. It value is later reduced to same as currency, along with holders of no gold.

It be our good fortune (and yours) that bullion is offered still. For the simple man, such as I, this wealth is that for kings but more so for his people. For all peoples, gold will be again the wealth of ages.

In this day, at end of dollar era, all do see real bullion sold for sake of market credibility, only. Perhaps too, bank credibility, I think. In this world, the lower this dollar paper price, the more bullion becomes available for credibility sake. It is the good thing for men of "small pockets" and the curse against traders and fools.

I bid you the good fortune of "small pockets" with much physical gold! We watch this new gold market together, yes?

Thank You
Another

Trail Guide (4/18/01; 05:05:37MT - usagold.com msg#: 52084)
-- Silver slips as film sales fade faster than expected --
http://www.usagold.com/DailyQuotes.html
USAGOLD LIVE NEWS

03:27 GMT-04:00 Wednesday, April 18, 2001

----Silver prices fell for the first time in a week after Eastman Kodak Co., the biggest user of the metal, said photographic film sales are falling faster than expected.

Sales from the product line that includes Kodak's main film business fell 7 per cent in the first quarter, and the company said it saw no end to the decline. Silver this year has been trading at or close to its lowest price since 1997, mostly because of weakening demand from jewellers and silverware makers.

"This news from Kodak is going to hurt silver demand," said Jim Pogoda, a trader at Mitsubishi International Corp. in New York. Given the sales outlook, the company "has already bought all the silver it needs for this year," he said.-----

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Note: When the American economy goes into the tank, silver will be down there with it. We have but to watch, and learn as as the Hunts did, while this fact is proven once again. Silver, an industrial metal that never was gold. Only promoted to be.

ANOTHER (THOUGHTS!) (04/18/01; 06:19:54MT - usagold.com msg#: 52086)
Reply
USAGOLD (04/16/01; 19:15:36MT - usagold.com msg#: 51997)

----- I would also like to take this opportunity to welcome Another back to this Table.

The circle is now joined in continuity again -- all around. Already I have added to my own file of vintage "Another (Thoughts!)" with this shrewd observation:
"This dream of much dollar currency for gold is the illusion in the "Western Mind". Your men of "deep pockets" do probe for shortages, however, their wish for low supply is not to be found. Their pockets are full with "credit gold" and
sad are they at currency price this brings. It is the fools game to corner paper gold printing press, no? Sir, I stand with no fools!"

The smile of recognition returns to my face as this point is made in these few, short sentences better than I have seen it made in entire articles on the subject. Welcome back, my friend. --------

Mr. Kosares,

Thank you for your welcome and acknowledgment. I add that within this circle many feet have walked and the prints of the Kosares show most lasting impression. I see the stature of this man as American, however no Western mind is found within him. One day all will rush and follow your path before strong tide washes the deepest heal mark from sand.

It be true, my friend, in history no man does corner printing press. Many have take this path before. Even declare themselves "leaders" of "financial knowledge" and "sophistication", do they. The Gresham does make wonder about such things and asks for reason noone does claim gold from printer?

Such demand be as 100 men with contract asking Spanish farmer for 100 basket of olives where clear examination in field display only 10 basket. Such good reasoning have these men, demand delivery and illusion of wealth to others be none! None ask full collection for fear of illusion to
become reality, no? Perhaps, take what offered and wait next year. Better, sell claims for olives to Western investors with little eyes and clean shoes? Perhaps financial knowledge and sophistication of these paper sellers is more considerable than average fool. In the days that come,

"better one olive in house than six blooms on tree"!

We watch this new gold market together, yes?

Thank You
Another

ANOTHER (THOUGHTS!) (04/18/01; 06:41:33MT - usagold.com msg#: 52088)
Reply

Mr Gresham (04/17/01; 10:33:51MT - usagold.com msg#: 52041)
ANOTHER: WA, BIS
Was the Washington Agreement the most significant event in gold since you were last posting in 1998? Do you have any reflections on those events?

Mr. Gresham,

One must weigh the mind of this Randy. It be heavy, yes? Do read the thoughts of the BIS for these same are printed review as #52046. Hold a mirror to these events

for reflection. Such descriptions I discuss come next day.

Thank You
Another

Randy (@ The Tower) (04/17/01; 13:37:02MT - usagold.com msg#: 52046)
Mr Gresham, nice question (msg#: 52041)
--- "Was the Washington Agreement the most significant event in gold since you were last posting in 1998?"---

If I may be so bold, let me anticipate ANOTHER's answer with an answer of my own.

The most significant event in gold since the dollar's gold default in 1971 has been the successful launch in 1999 of a long-awaited new currency system built upon neutral (meaning, multi-national) management and, more importantly, a floating gold reserve structure that finally abandoned the now obsolete "fixed" gold legacy of the failed Bretton Woods structure.

With this new reserve structure, the prevailing institutional incentive from '71 to the end of the millennium need no longer be one of "price suppression" for the perceived market value of gold.

In this light, the most significant element of the Washington Agreement is seen to be NOT the amount of pre-announced gold sales, but rather, the self-imposed curb on gold lending operations by these European central banks. And if you think about it, this action with the Washington Agreement was nearly just a predictable inevitability from the moment the eurosystem committed to provide for freely floating gold reserves. The "tools" of the prior suppression are on the outs. Believe it. The WA simply announced the foregone conclusion in a package suitable for newspaper headlines.

Just as the value of the post-'71 paper dollar has long been propped by the international yet artificial "mandate" to hold these dollars almost exclusively as reserves (acting in tandem with the dollar settlement for oil and the overhanging debts of the "Third World"), through this new currency structure gold (and its price/value!) has now been "officially" set free to replace these dollar reserves (savings).

The reason this full transition has not already occurred is that institutional interest still exists to foster the smoothest practicable transition until that unknowable moment where the final remaining *SNAP* in the adjustment occurs.

Speaking for The Tower and personally, I continue to buy gold with excess funds because I prefer the real wealth of gold over managed paper (and digital) contract currency. As a bonus, the real wealth value of same gold will provide a pleasant benefit upon full completion of the transition in world currencies' reserve structures. (An understatement, to be sure.)

Gold Trail Update (04/18/01; 20:20:07MDT - Msg ID:52143)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (04/18/01; 20:20:06MT - usagold.com msg#64)
Lombards, Normans and Franks
Hello again, everyone! (big smile)

I'm glad to see you are wearing the big wilderness bags today. You got my message that it's time for a serious hike. Alright!

After years and months of talking about gold, I have talked to friends about switching my delivery. During all this time, I did my best to emulate Another's style of presenting information and observations. Mostly here on USAGOLD, while he stood aside for a period. If you have read any bit of his works you know that style. He points to things, inserts thoughts, then drops names, ideas, political intrigues and suppositions. All in his good way of making people think and form perceptions on their own. While he has sometimes talked "through" a forum venue, in the process reaching others he knows, this endeavor was always for the citizen and never started as a shallow ploy to influence traders. It was more for the simple person that those "Thoughts" were meant. Truly, in the middle of all the gold rhetoric, his one plain comment remained intact and has never changed; buy physical gold!

During this period, I worked at breaking up my delivery. Even in clarifying, my replies were mostly partial answers. I have to admit, this has been a larger challenge than expected (smile). Now, I want to talk to you as I have plainly conveyed perception to others in the past. Using a human dynamic to make my points, as is my usual mode. So, I'll continue to employ a down home, on the trail tone. Please remember, I'm restoring a world of lost disk data while doing this. At first, most of this will be right out of the old brain.

You have read the varied items in Gold Of Troy #56 and Troy and Beyond, Even to Rome # 58, so lets get going.

Onward the trail!

Look at this grand view.

It seems like forever, doesn't it? I'm actually speaking about this never ending struggle we have had understanding gold. Well, don't feel bad, mankind has been at war with gold for as long as he has gained an educated opinion about money. (grin)

Pity us. From the very beginning the good earth gave humans the perfect vehicle for commerce and trade, but we have bastardized it at every turn. No wonder so many modern people are lost to seize the day when it comes to keeping something of lasting value. They have been so influenced by today's convenient lifestyles that they lost the meanings of real structure in savings and savings with enduring historic stability! Content to trade their life's personal financial security, that these meanings would have provided, in exchange for some other perceived grander returns! Returns that only modern risk securities can provide. All the while placing an ever larger portion of their work's returns in long term peril. Assets from hard efforts they may never get to use!

It seems the whole of Western thought has some bit of concept about gold. They know it's good in crisis and will admit to making a quick shift into bullion at peril's

first sign. Even Gold Bugs consider the point of timing when they will run for the cover of those big bars. Using their mine share profits to make a score! It's the same for investors in lesser metals; they just want to hit that quick ten times gain over gold before their split second switch to the yellow bullion occurs. Truly, it will never happen because gold will not hold still long enough for their purpose.

Hard money investors, to the man, point to a shortage of gold and the ongoing paper manipulation that's making it so cheap. Yet, in the mist of all their planning and strategic understanding the logic completely escapes them as to "from who" and "from where" they will all buy this bullion so quickly? As if each and every one of them has the secret timing and will beat out all the other Gold Bugs when conversion day comes. And still, somehow, someway the world bullion price will accommodate their gathered profits from playing these other "near gold" securities?

My friends, it was Another that always said "this gold market it be not as before". Perhaps this is the hidden perception that so scares Gold Bugs. The possibility that our physical gold market could jump well into the many thousands before their waited purchase. A jump in dollar value that never reverses. A jump that stops the contract function of this market in it's tracks! Frozen because the other side cannot supply the gold or the cash to cover their bet against you.

Then there is the Euro question. Many American Gold Bugs say it's just another fiat currency. But, in the same context I ask them "if that's so important to you , how did you just pay to fill up your car"? Others ask how I can trust the Euro. Well, I don't trust it any more than the dollar, or any other major world fiat. I just use it for the life function we all enjoy. Further, I ask back, how can you not trust the fiat you use?

The whole Another thrust about the EMU was to delineate the political shift that had been in progress for some 20 years. And how this ongoing shift would effect the currency valuations of everything we use. The price inflations that are coming that no one has ever deemed possible!

This shift revolved around the major world political players and their use of international trade vehicles to forward their own agenda. The very vehicles that impacted economies, and therefore our lives the most. Dollars, oil, gold the EMU, etc.. The discussion was much deeper and long-term in nature than many could grasp. It's focus was especially attuned to the coming change in the value of gold. A change so real, so profound that it's dynamic just couldn't be believed. We will indeed have to see it to believe it!

Even more so, it's all about the illusion of wealth that manifests itself so well at the very end times of major currency failures. Perhaps this is also a fear hidden in the Euro skeptics. The possibility that they will one day lose the wealth and lifestyle their dollar valuations afford them. Once again, the simple are warned from wise words, "your wealth, it not what your dollar say it be"!

Onward!

It wasn't always this way.

Gold, that wonderful metal that has all the unique qualities to function as our one and only wealth medium, and we just can't use it without altering it's purpose. You

know, the Lydians had it right, back around 430 BC. They didn't struggle with the concepts of money, like we do today. They just stamped whatever pieces of gold they found laying around and kept it for trade. There was no need to clarify for certain that their gold money needed properties of "utility", store of value, medium of exchange, etc. etc.. They didn't need to identify these qualities were in gold before they stopped questioning if it was safe to use gold as savings. Gold was owned and the knowledge that people owned it and carried it for trade was alone enough to make it "worth it's weight as wealth".

Why then and not now?

You see, back in antiquity there existed another property that could override our need for modern definitions of tradable wealth. That property was found in the one identifying mark of wealth that transcended all ages; real possession!(smile) This factor and this one factor alone had the ability to activate all the other modern attributes of money properties, even when the knowledge of these attributes was unknown in the ancient era. Come now, Alexander the Great didn't know about "utility" did he? (grin)

Wealth.

As a means of example; think about art work for a moment? That fine painting that graces your main prominent wall. It's tradable for something, isn't it? Perhaps that Renoir for the acreage down the street. That use would cover some of the medium angle, right? A little bulky, but the large value makes it no more or less cumbersome than five gold bricks.(smile) Utility? Just watch your friends stare at it for hours. Store of value? A Renoir? We don't even need to discuss this .

But, one more thing, is it wealth? Of course it is. You see, it is wealth because you possess it, and the very knowledge that you possess it is held by others. One, a few or perhaps many equate your value for that painting by your possession of it. That understanding starts a need / desire valuation in the minds of your friends and associates. This social dynamic flows through relatively close groups of people and can eventually stretches across the world as it activates this worth equation in us all.

These paintings command a value, a price, a demand, precisely because everyone of them is possessed by an owner. In the world of wealth, worth is enhanced because the supply is lessened by this "possession attribute". And possession is how most people in antiquity, understood wealth.

Think now, could the worth of all the Renoirs in the world be the same if say, half of those wanting such paintings could own a credit for one? And further, they considered that credit account as the same as the real thing. No! The publicly known art value could not be the same because the demand would be lessened and the value decreased. Satisfying the wealth need of these new owners with "almost Renoirs". In this way the owners of this true wealth, represented by those real physical paintings, could not see their worth value expressed in the marketplace. However, the inherent value would still exist, just not quantified "for all to see". A situation not dissimilar to our gold market today.

So, if the attribute of "possession" is a major component and identifying mark of wealth, why does it play such a roll to enhance the modern contemporary properties of real money? Because, with money, once possession identifies the item as wealth, that alone can represent the unique utility function money must have. In this light, we can see where money need not have a commodity use to satisfy it's utility function. The wealth function alone is enough when applied to money. Wealth is the utility.

The store of value function of money is further enhanced because the possession of real wealth also continuously maintains or increases it's worth over time, across generations. And that worth or value is relative to all things.

Further, a medium of exchange alone can apply to many metals, but it must be wealth and therefore owned outright by all who use it ""if it is to correctly function in it's ability to denominate real value in commerce"". This last thing is something we Western peoples have virtually no concept of and will one day suffer for it.

Today, all forms of cash money and most financial assets do not function as wealth because their ownership is second party at best. Fiat dollars, in every form including cash only represent something owed to you. A credit of goods or effort performed. It represents nothing owned at all. Their function in society does work but it works for us by providing a lesser valuation in trade than real items would produce. We accept this concept and reduction of worth as the price for modern high speed commerce.

Many hard money philosophers have pointed their finger at others for the fiat situation we use today. It was the bankers and governments, the kings and cohorts, big business and robber barons or some communist manifesto that forced us to use this type of money. Well, you may not like the process and consider yourself above or apart from it all. You may even declare all of them evil. But, in the end, one fact remain; society may govern itself in many ways over thousands of years, but it has never stopped the evolution that corrupts the use of real money as official money.

Over time and life spans gold has been brought into official use countless times. Only to be bastardized by forces, we as peoples can never control. After every failure and ruination of much wealth, the cries always return to bring gold back as money. Once again to begin the long hard road that leads to the same conclusion. Gold coins then bank storage then gold lending then gold certificate use then lending of certificates then certificates are declared paper money then overprinted then gold backing removed then price inflation then,,,,,, we begin again. But this time it's different the hard money crowd say. Yes, it is. Only the time has changed.

For the better part of human existence, gold alone has served all of the best functions of tradable wealth. But as soon as we call it our money, human nature takes over. Yes, we can call it a stock or a bond, a piece of land or a painting, a car, boat or antique, but just don't label it as money.

Up the hill and thru the pass!

The Lydians, Greeks and Romans all held gold. From Parthia through Rome and on to the Visgoths, Lombards, Normans and Franks, they all held gold as wealth. It was wealth first and traded as what we call money second. Possession identified that gold as real wealth, even if that ownership was for but the moment of a trade.

From the earliest times right into the Old World periods of Europe, gold served as the most valued wealth asset one could use in trade. It was by far the largest unit of tradable wealth in circulation that could be counted on to bring a premium in trade while shopping between cities. It moved, it flowed and it traveled. It was indeed, always "on the road"! Lesser metals and other tradable wealth assets always competed with gold for it's trading function, but only gold made the best "on sight" trade. When given the choice of other "almost moneys", gold would always bring an extra slice of meat or fuller basket of cloth.

The irony of gold use over most of it's earlier periods was that few average people kept it for long. Hence the seldom discovery of gold coinage where average people lived (see my earlier posts). Be sure, it represented wealth to these commoners, in good form and to the highest degree. Yet, their possession of this wealth usually constituted only a short time period. This short ownership occurred because gold did, would and could trade so much better for the needed things in life. For the worker, service wages paid in gold meant you just got a bonus or raise and the time had come to finally buy what you couldn't afford if paid in other means. If these people saved at all, it was usually in the form of the lesser metals (see my other posts).

If gold was so valuable back then, there must have been a bunch of it saved and transported into our modern time?

No, not really! We used to try and extrapolate all the gold that was mined and turned into jewelry, bullion or coin. If it was so good for coin and trade, civilizations must have saved every ounce, we thought! But something kept nagging at our conclusions. Something that kept turning up over and over at our digs.

Some of you have seen the Gold of Troy pieces or other fine examples of old gold craftsmanship at other museums. Ever notice how good they were at making gold so long ago? From intricate bracelets to rings, head dress items to fine cups, even the most thin of leaf. Some of it was so small we had to use magnifying glasses to see the work clearly.

This gold in jewelry and art work form was the other major form of traveling wealth. In many of our recent findings we now think that jewelry and coin traded places as easily as getting your check cashed today. Throughout the ancient land, gold centers occupied the trade routes. Any gold that rested for too long, was quickly recruited into a form that worked for the next traveler. In fact, evidence now points to all forms of gold ownership, not just coins, being a short term proposition for the average man. Indeed, contrary to what we thought, the fingers of all mankind did, through the ages, touch gold!

Now place yourself in that time. You work for Rome in the army, a fighting man. Not all of you were paid in lesser metals, many of you were relatively better off. You did carry some of your wealth with you in the form of gold coin or jewelry. In the case of a Roman soldier, a gold ring was very probable. When you went into battle, did you leave your few gold items laying in the tent? Or did you wire them back to a Swiss bank for safekeeping until after the battle? (big grin)

What we are finding, in the form of molecular fragments at battle sights, leads us to

believe that most wars were fought with most wealth possessions worn or in pockets. Gold included. To make a long story short, we now believe that a great deal of early gold was scattered on trails, in the sea and during every war. In fact, rubbed, scraped and powdered to the four winds.

Because gold was so valuable in long trade, extremely small creations were carried as jewelry. Much smaller and much more able to be lost than other larger units of the lesser metals. The nature of so much of this gold was that it was easy to be lost and dispersed. Especially considering the modes of travel back then. We as museum visitors see all the magnificent pieces displayed. What we don't see are the countless broken, partial and fragmented items that are never offered for viewing.

Knowing what we know now, we believe that a very large portion of gold was lost and scattered on a yearly basis. Add to this the fact that most gold mining brought almost the same return as making many of the goods it purchased and we can see how gold was and is over counted. Where it was once taken as fact that all gold was looted and remelted, we now think that gold stocks were lucky if replaced.

By the time of the great gold coinages in Europe, the gold that flowed into these major commerce centers was all there was left in the world!.

Let's rest here for a few nights. There is a lot to consider before we go on.

Thanks
TrailGuide

Trail Guide (4/19/01; 14:04:33MT - usagold.com msg#: 52186)
auspec (4/19/01; 08:48:52MT - usagold.com msg#: 52175)

Auspec,

I'm going to outline some replies to you on the trails page. Am working on it right this moment. Along with some comments.

thanks for taking the time to read and consider.
TrailGuide

Gold Trail Update (4/19/01; 17:50:30MDT - Msg ID:52199)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (4/19/01; 17:50:29MT - usagold.com msg#65)
Reply

Hello again everyone,

I thought it would be a good idea to make some clear comments and replies regarding my perceptions. Using some questions and thoughts from the main forum will also help. This may make it easier for us all as we "follow in the footsteps"!

Auspec makes several points and contention for me to address. Please read his complete post first (and all the others I'll address). Hello auspec, you write in reference to my hike #61 here on the trail:

auspec (4/19/01; 08:48:52MT - usagold.com msg#: 52175)
-------*If the dollar's status is now so similar to what it was in 1971, why would we see the Brazil type hyperinflation now as opposed to the simple ongoing degredation of fiat that we have all come to know and hate? Why the extreme portrayal of the dollar? It's clear the dollar is an old toad and there are young stallions waiting in the wings, but it's hard to see this as an all-or-none issue where the dollar {banana} goes from being the world's reserve currency to being "nada". Where's the middle ground with dual and competing reserve currencies in common use?*

Well sir, I'm going to try and reply in context to the way you asked these questions. Considering well all your prefacing stated before asking for info.

Using the 1971 dollar incident is a perfect way to engage common ground thinking about our contract gold market today. No it's not a perfect analogy, but it's real, real close and sharpens our understanding and ability to see the subject clearly. Especially considering the tremendous number of different hard money people that read this Centennial Forum. But we must not confuse the point by thinking a similar break today will cause the coming price inflation we speak of.

Yes, after the 71 dollar gold break, we did see some good price inflation. But was that caused by the wholesale cancellation of international dollar convertibility into gold? No! That price inflation was not gold backing related because we had already, years before, been printing dollars far beyond our stated gold to dollar conversion ratio, $42+/-. That spell of price run ups was the result of to many dollars being printed before and after the 71 gold breaking event.

Sure, the gold price run up after that didn't help the dollar's image. But, by then it didn't make any difference what the gold price was. Even if it want back to $10/oz. we were never going back to governing the volume of dollars in supply. Not by using gold, not by silver, not in any way that would fix or slow the presses! We couldn't. Any long term slowdown, then or now, in such an established fiat was well past the politically survivable stage. This is the way fiats work, rather gold backed or not, they always break from strict printing discipline. The history behind us says so and the future before us says so. As an example in dollar terms, look at any five year average of money supply growth from 71 till now? Truly, we were and are printing our way towards the end time of dollar use. The only question was how long would the world keep using dollars? How much longer
would the timeline extend?

Some hard money people thought that the world would simply convert to gold itself, in place of dollars. But, the simple fact, as I and most especially Another have made so often, is that the modern world must use a fiat form of currency to operate. And, considering that point, after the 71 gold break, there was no other strong, fluid

currency for us to revert to. It wasn't until the end part of the 70s that the Europeans started down the long road of creating something else.

There were times when our foreign trading partners were thinking of breaking away. This is when the US spiked rates. Again, we confuse this action with stopping the inflation presses. Quite the contrary, the killing rise in rates was just a signal that we would not go completely hyper. On our side, the only reason we could afford to take this economic killing gamble was because oil was still priced and settled in dollars. But that is a whole Another book.

The prestige of many international dollar holders took a real bath because they held dollars in place of gold. When they tried to initially bid for gold, the US and London made sure the price rose fast enough to tell a story to these dollar converters. That is; "bid for gold and it will soar" cutting off your conversion. Sure the US made all sorts of noise about how awful and incorrect the rising gold price was. Even showed their hand at managing the price a little so it didn't go up too fast. All the while saying they were fighting for all they were worth to keep it down! Truly, the last decade shows naive Gold Bugs just how much in control they were and are of this so called "free commodity market in gold". Oh well, back to your point.

You see, the dollar is going to fail now because a good alternative is available now. All this has something to do with the coming new gold valuation, but that new price level is not related so much to gold backing a currency again. (more on that in a min). The dollar is toast because most of the world doesn't like the management policy. They didn't like it in 71, but tolerated it because gold was suppose to keep flowing in repatriation payments. And if they didn't like it back then, they god awful hate it now!

We like to think that the dollar is what it is because we are so good. (smile) But, the truth is that for over a two decade period +, none of our economic policy, our trade financing policy, our defense policy or our internal lifestyle policy has pleased anyone outside these borders. We managed the dollar for us (U.S.) and the rest could just follow along.

Our fiat currency has survived all these years because others have supported our dollar flow in a way that kept it from crashing it's exchange rate. We talk and think like we are winning the tug-of-war when, in fact, they just aren't pulling to hard. Waiting for their own system to form up.

Truly, most of the world likes the most conspicuous aspect of the euro that we describe as it's biggest weakness; it's management by several varied nation states. All supporting different thoughts, cultures, backgrounds and perceptions of government policy. Some compare it to the many nationalities in the US, but it's much more competitive than that. It's thought that this mixture will produce a more good for all management of a Euro world reserve currency. Truly, because gold plays no part in today's dollar management or the Euro, then political styling is all that's left.

My friends, a national fiat in our modern world only functions if the whole world uses and supports it's flow and most importantly likes it's management (political styling is the catch word). This support and use of our dollar can and will change faster than many think possible once the Euro is finished. Our dollar is not going to become a

"banana" or "nada" in the future, as auspec notes. It already is and has carried this trait for some time now as does every fiat today. The only thing that keeps them from cascading away is world support and use.

Point:
When most of the major players that styled the Euro decide to swing even 1/2 support toward that new money, the exchange rate for our dollar will plunge to it's true worth! That dollar value is there now, you just don't see it yet. The price inflation that many (auspec) don't / can't see happening, will be the result of our currency management changing to confront the nature of all the above. The world economic financing, pricing, saving, settlement and opinion is shifting toward the Euro. As this happens the US will have to raise rates ever higher, even as it massively prints more currency to support our internal economy. Our entire economy will slow and fail as this price inflating process moves on. Some will call it stag / flation, but will change that description as the it becomes more of a crash / hyperinflation.

Right now, the actions of our fed is telling this truth. We must inflate while we watch the Eurozone enjoy it's basically internal trade economy. As other nation blocks embrace that zone, they will pull economic function from us.

You write:
---

*Comments: Again it is easy to see the dollar as losing a large piece of the action, but hard to see its total demise or its falling out of use. The US as the largest military force in the world certainly has its overriding benefits. The US has enormous resources; physical, financial, and spiritual. American creativity and "know how" has changed the world. This country will not turn over and simply give in! Let's look forward to the next 5 years and place probabilities on what is likely to happen as far as the dollar/euro is concerned. I will rank these various scenarios in what I see as their most likely odds of happening:

Auspec, before I list your most likely odds, I would like to comment on your above.

We must not confuse a currency's "total demise" or "falling out of use" with a "loss of identity". In our time there have been few major moneys that went away. Today, we have a whole world of national fiats "in use" and "not demised" that still carry their nations identity. They lose value at an incredible rate, are mismanaged to the highest degree, are laughed at and despised. But, still they are "in use" as they function for their governments and economies. Usually, they function along side whatever major reserve currency is in vogue. Today, the dollar, tomorrow the Euro. Make no mistake, the entire internal US sector can and will function as it's currency runs a price inflation just like these third world countries. We will adapt as they have by dropping our living standard accordingly and adopting the Euro as our second money. Also:

The prestige that we have the largest military force in the world does not help our money problem. We talk as if we will let any country die that does not use our money or support our currency. I point out that the British also made such

comments and it didn't stop their downfall. Nor the Russians. Also:

I point out that many, many other countries also have the same "enormous resources; physical, financial, and spiritual" that we have. But the degrading of our economic trading unit, the dollar places the good use of these attributes in peril. Besides, the issue beyond these items is our current lifestyle. We buy far more than we sell, a trade deficit. Collectively, net / net, using our own attributes and requiring the use of other nation's as well. Not unlike Black Blade's Kalifornians sucking up their neighbors energy supplies (smile). We cannot place your issues up as example of our worth to other nations unless we crash our lifestyle to a level that will allow their export! Something our currency management policy will confront with dollar printing to avert. Also:

NO, "this country will not turn over and simply give in" as you state. But, we will give up on our currency! Come now, let's take reason in grasp. Our American society's worth is not it's currency system. Around the world and over decades other fine people states have adopted dollars as their second money, only to see their society and economy improve. Even though we see only their failing first tier money. What changes is the recognition of what we do produce for ourselves and what we require from others to maintain our current standard of living. In the US this function will be a reverse example from these others. We will come to know just how "above" our capabilities we have been living. Receiving free support by way of an over valued dollar that we spent without the pain of work.

Your "various scenarios" with mine notes added :

1}Ongoing MODERATE debasement of US Dollar. {Brisker} Business as {than} usual.

----Near term, yes.-----

2}Gold and/or Oil breaks away from the dollar.

---- Oil is already doing so for a year now. The gold market is in the process of self inflating it's paper side of the function. The first minor lease rate signals are already behind us. The ECB and BIS are coming more in control as the dollar faction must either sell it's gold also or begin to fold. If they want the game to continue a little longer the US must not put it's gold on the market or the BIS and ECB would bid it with their dollar reserves. Ending it all then and there.------

3}Dual and competing reserve currencies. "Co-Currencies" in Reserves. The currency war that is in clear sight {thanks to ANOTHER and FOA}.

----- I would add that the vision of co-currencies is just a passing function as we get from here, dollar reserve, to there, Euro reserve.-----

4}Status quo.

----- We have not been here in our life times (smile).--

5}All out war that distracts/rescues the dollar and extends its life. Wag the dollar.

------ As we enter the down side of our economic function (like we are doing now) the massive money printing by the fed will risk the dollar's slow slide to becoming a super slide if a war breaks out. People run to the best managed world money in a war, not just the one with the current best exchange rate value. In the past the dollar was the one, today the Euro would receive the flow. The US would be risking killing it's last bit of dollar timeline with any war today.---------

6}Dollar merged with euro/backed by euro.

------ I know a few people that make a lot of sudden money wealth and give almost all of it to the church (or charity). Others are much more smarter and support the church (or charity) for the rest of their life. Retaining some control over how the charity is used. This is how the EuroZone would handle us. Actually, it's the same way we handled them after the war. We didn't just merge our checkbook into theirs, did we? Net / Net, they will have the wealth to be offered, not us.------

7}Brazillian or Weimar style hyperinflation of the USD, the Big Banana, or the 'little banana'.

------- Full on, wide open, in your seat, flat out! It's in the pipeline!------

You write and I comment:

Debt is designed for default as fiats are for debasement.

--- My friend, debt is the very essence of fiat. As debt defaults, fiat is destroyed. This is where all these deflationist get their direction. Not seeing that hyperinflation is the process of saving debt at all costs, even buying it outright for cash. Deflation is impossible in today's dollar terms because policy will allow the printing of cash, if necessary, to cover every last bit of debt and dumping it on your front lawn! (smile) Worthless dollars, of course, but no deflation in dollar terms! (bigger smile)

At $30,000 POG the US as we know it will be no more, agreed?

-----Agreed, but still in use. Just like all those Pesos around the world! But remember, at the very least, the first $10,000 of that figure would represent the current purchasing power of the dollar today. We will most likely get there long before price inflation jumps way up. Once the current dollar gold market fails and gives way to a free physical price, we will see that figure even as our economic function drives all other hard money metals into the toilet. I talking about .50 cent silver. while gold races past it's first grand. When we see it we will understand it.----------

What advantage would it be to the Power Elite to destroy the dollar.

-------- Wrong context. What advantage does the Power Elite gain by expending assets to save an already failed currency. Better to do what major players have done for centuries and are doing now, buy gold and evolve your power base to use the next reserve.----------

The end of a currency's lifetime always ends in gold debasement?

---- In almost every case. Sometimes in the open, sometimes hidden.------

Ok, this is going overtime (smile). I will try to cover more (and others) in a day or so. Also, the question of Another at his keyboard? I reword things from him quite a bit for bare readability. But, his delivery is pure. I don't always pretend to understand it. Then, that's a whole other story (smile)

Thanks
TrailGuide

Trail Guide (04/20/01; 09:28:07MT - usagold.com msg#: 52252)

Notes

ET and Elwood:
I'll try and address your points next (full day today, don't know if I can?)

Randy:
Thanks for your efforts, both on and off stage (smile)

Chris of GATA:
Oh boy! That one's out of the bag! Now we can do some real discussion about what's ahead!

ALL:
You people better read MK's news letter. Make's you smarter!

Search Engine:
After all that Centennial has done to build and maintain this hall,,,,, a search engine should be made avaliable to clients of CPM only or, by extension in return for doing business. Perhaps password based? After all, buying gold from CPM at these levels is like paying them a free fee for an outstanding venue, yes? IMHO

thanks
TrailGuide

Trail Guide (04/20/01; 14:28:01MT - usagold.com msg#: 52270)

Quick note

Thanks all for your reading and your nice comments. Even more so for your own points of view.

Looks like I can not make it back today. I'll try another time.

Randy, MK, hope I didn't place the wrong idea here about the search feature. I meant it as a thought only. My thought may have been completly out of line and off context to your business plans. My mistake, my friends.

Thanks
TrailGuide

Trail Guide (04/21/01; 16:44:58MT - usagold.com msg#: 52312)
Online

I'm making some green tea, then back to further carry on our dissusion (smile). Be here a little later.

Gold Trail Update (04/21/01; 21:12:53MDT - Msg ID:52319)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (04/21/01; 21:12:52MT - usagold.com msg#66)
Of Money and Men

Hello again!

Continuing along with our discussion, clarifying some points and positions, we once again offer some straight talk. Elwood has some points in his Elwood (04/19/01msg#: 52225). Sir, you referenced our last full hike on the GoldTrail #64, quoting first this portion:

"Many hard money philosophers have pointed their finger at others for the fiat situation we use today. It was the bankers and governments, the kings and cohorts, big business and robber barons or some communist manifesto that forced us to use this type of money. Well, you may not like the process and consider yourself above or apart from it all. You may even declare all of them evil. But, in the end, one fact remain; society may govern itself in many ways over thousands of years, but it has never stopped the evolution that corrupts the use of real money as official money."

Then you write:

------ Thank you, sir, for sharing your deep thoughts. True, your words are, but why is this a reason to abandon the fight for sound money? Surely you must be aware of the massive inefficiencies that will accompany a system with two moneys. There will be two prices for every good, one stable, the other not. Would not the timeline of such a system be extremely short compared to that of a system of sound money even though the sound money eventually becomes corrupted? How is this system better (or even different) than what we have today?---------

Hello Elwood (smile),

The fight for sound money is not dissimilar from the ages old fight for peace in the world. Mankind has been striving for peace over our entire existence and still it does not come. Countless lives and fortunes have been lost and the same battle continues. Perhaps we should reexamine our collective needs and try something different. Truly, what is to be lost? This is the same mind set our new political styling is shooting for. It's a good effort because history is on their side.

Yes, it's a noble effort to try and get the world on a sound money program, but after failing at it for centuries, a little side trip cannot hurt. (smile). Most people, like yourself, say sound money and think sound currency. Usually it's some form of gold

backing that makes the currency sound. The trouble is it cannot be maintained. The logic in my words above are evident and the last part of the statement demonstrates the selfreplicating nature of our dealings with "sound money". Again, in a restructured form:

"""Society has never stopped the evolution that corrupts the use of real wealth (gold) as it strives to use it as official money"""

Elwood, I don't care if all of it is legal or illegal, moral or not, right or wrong, because the larger issue overwhelms these arguments. That being; we have never been able to control our power structures in a way that disciplines the printing of currency. The Romans alloyed other metals into their gold in a form of modern day paper printing. Even in the so called wonderful days of the various gold standards, be they actual coins or paper substitutes, the world debased the system from the start. Also you write:

----Surely you must be aware of the massive inefficiencies that will accompany a system with two moneys. There will be two prices for every good, one stable, the other not.-----

We never intend to have two moneys. The concept is better seen as the Euro and a wealth reserve. Still, to defend against your thrust, what do we have now? Travel the world, my friend and mingle in the world of currency. In almost every country of the planet there are several prices for ever good sold! All depending on what nations currency you choose to use. Today's system is working with perhaps hundreds of moneys!

------Would not the timeline of such a system be extremely short compared to that of a system of sound money even though the sound money eventually becomes corrupted? -------

My goodness, we have used a dollar system that has been debased and on the way out for 40+ years. Well before our 1971 gold break, this country was printing IOUs as if they were currency. Yet, the thinkers of our time, the same ones that employ two week trades on the stock markets, all ask for guarantees of decades before considering a new currency? Planners simply cannot employ the logic of a group that trades options, futures, strips and swaps, then asks for longevity before the fact.

-----How is this system better (or even different) than what we have today?---------

The real issue is our misunderstanding and misuse of the term "sound money". That thought has been bantered around for hundreds of years. Truly it does not exist except in the minds of men.

Money, the term, the idea, perhaps the ideal,,,,,,, is something we dreamed up to apply to one of our chosen units of tradable wealth. Usually gold. We could take almost every item in the world and use it in this same "money fashion". Still, this form of trading real for real is just exchanging wealth. It isn't exchanging money as we understand money.

Gold is no different than anything else you possess as your wealth, it just so happened to be the most perfect type of tradable wealth in the world. So it evolved

to be used the most and eventually labeled in the same function of what we consider to be "sound money".

Now, consider that all wealth is represented in and of itself. You cannot reproduce wealth through substitution, like giving someone five pieces of copper for one piece of gold and then have then think they now have five pieces of gold! This is the process we try to perform within the realm of man's money ideals. We have always debased trading wealth by duplicating it into other forms and calling all of it, collectively, "our money".

This duplicating, this replicating, this debasement is the result of taking the concept of a credit / contract function (paying in the future) and combining it with the concept of completing a trade at the moment. Think about that for a moment?

As an example, I'll give you a paper contract to pay you later for some oranges and you give me the basket of oranges. Better said, I just gave you modern man's actual concept of money.

Or I trade you a basket of apples "or gold" for those same oranges and the deal is finished, done! We have been taught to think that this is also the concept of money trade.

The first uses what our currency system has evolved into, what is really money in our mind. Where the second uses no credit form at all and is more comparable to trading real wealth as the ancients traded using gold.

Contemporary thought has always blurred these two notion; saying that these two methods of trading are one in the same and both forms use the same idea of what we think money is.

Further refined; we evolved our money ideals into a perception that credits and contract payments can be used as if they contain the same value in payment as trading real wealth. They could and can if managed correctly. But, we have never managed credit money to match the same proportions as existing real wealth (gold). We have tried to manage this combination of wealth trading and money credit for as long as we have been seeking "peace"!

So:
We use, today, many forms of wealth holdings, all standing right beside our dollar use. Many of these wealth items have and do perform much better than our fiat currency. One has but to use one stock holdings as an example.

You may have $5,000 in cash in hand and in a checking account, while also owning $200,000 of ,say, Microsoft? Obviously, the stock is a competing, dual form of currency wealth. It's value rise has overshadowed the gain on your fiat. But, is it driving your currency out of circulation? Seen anyone recently using this superior form of competing wealth to pay for a fillup at the station? No?

We all need and must use some form of fiat currency to operate in this modern world. It makes little difference if MSFT went to $10 or $10 billion, you would still use the currency system in trade as a more efficient form of modern trade. Society now uses these " money" systems without any form of gold backing, not because they are "strong" or "stable", but because they work more than they fail.

Still, over the last several decades, we now have come to expect an attempt at "political styling" our fiat money that benefits more than one nation block. Further, we expect a wealth asset to not so much stand behind the system but to measure it's speed of failure or success. Knowing full well we will accept and expect some loss of value as payment for this use convince of Fiat Euro.

This is the road ahead. A fiat no different from the dollar in function, yet a universe away in management. A wealth asset that also stands beside this money, yet has no modern label or official connection as money. In this way modern society can circle the earth, to once again begin where we started. Having learned that the concept of wealth money and man's money were never the same. We shall see.

Thanks
TrailGuide

Trail Guide (04/21/01; 22:32:50MT - usagold.com msg#: 52322)
Comment

da2g (04/21/01; 12:12:17MT - usagold.com msg#: 52302)
Trail Guide- Silver

Hello da2g,

You write:
-----Is not a hyperinflation ultimately deflationary in that there is a dearth of credible means of purchase? Why would silver not benefit from this, at least temporarily? Could this be a means of transiently parking purchasing power, superior to paper that is quickly losing value? Could not
silver benefit from demand as money? Could silver be a means of barter that changes hands in commerce, whilst gold is held in the background as a wealth asset?------

Well sir,
The coming super inflation of our dollar could more accurately described as a super currency devaluation. Where the Euro becomes the dominate settlement currency and our dollar reaches a level to match it's long term history of over creation. In making this point before, I pointed out that the dollar is going to reflect it's "unsupported value", where it is no longer propped up on world
markets.

During this type of devaluation, the internal price inflation, within the US will have all the attributes
of a real hyperinflation. With one compelling difference; another currency will be available for use. Foreign exchange controls will be in play, I'm sure, but will not reflect a total freeze on currency flow. The same will ultimately be true for gold. Mostly because we must import oil and other
necessities and gold will be tradable as the one true measuring asset officially market to a free market. I also fully expect that our government will endorse the ownership of physical gold by it's citizens, if for no other reason than to blunt the rush for Euros. Still, as in my last reply, US reactions could be uncertain for a time. Therefore, the holding of rare / old coins is absolutely a
must.

So, in this montage of events, in time, there will be ample dollars, Euros and gold for ownership. All reflecting their own values, of course, but trading never the less. Considering this point, this blunts one of the main attributes of owning silver as a trading vehicle in place of a usable median. More than anything, silver will reflect it's industrial use demand of which the US is the current major user by a wide margin.

Further, comparing the worth of an ounce of silver against an ounce of gold today is liken to balancing two entirely different structures. Such as asking which is heavier a ton of bricks or a ton of feathers? Obviously, they weigh the same but the weight comparison is worthless. Today, I could easily say that gold is much more a bargain than silver because an ounce only costs $260 where 100 ounces of silver cost $450. Any fool could see that gold is the cheapest and what a bargain for sharp investors! (smile) But, we don't do this because it isn't a valid value comparison. No matter the unit weight or size. Yet, the silver bulls try to sell this to anyone that will listen.

Also:

------ unless I am mistaken, I seem to recall ANOTHER stating years ago that silver may have some value in this situation.----------

Well sir, Another does hold this view and he has a grasp for the human dynamic like nothing I have ever seen. But, I will at least take a middle position in that this transition, from a US standpoint, may not politically follow my outline. There is always the unknown when at the peak of financial
crisis. Still, most major players, both historically and today, hold gold bullion for such a situation.

Just as investors ran to bullion (and dollars) in the past, they will run today with their currency portfolio into the best managed currency. Right now the ECB has the best ship to sail during the storms preceding the coming transition.
For the hard position of their wealth they will run for
the most officially supported free market. In the near future, gold will hold that position, hands down.

Further, when in a crisis, you don't want an investment and that is what all the statistics about silver are all about. In a major international currency war, you want a wealth holding that the world is running to. Not some idea about a return that will work this time yet, has failed more than a few billionairs in the past.

Thanks
TrailGuide

Trail Guide (04/21/01; 23:06:29MT - usagold.com msg#: 52325)
Comment
Mr Gresham (04/21/01; 17:01:59MT - usagold.com msg#: 52314)
Trail Guide: Silver

Mr. Gresham, hello,

I own some silver and everyone here that has read my posts knows it. But, just like gold stocks, it's a minor position compared to gold bullion.

More importantly, I have talked endlessly about the possibility of our paper gold market falling in price as these contract securities are sold into oblivion because of default fears and the piling on by shorts. Enforcing a situation where physical gold runs in the opposite direction.

There is a whole world of people out there that are leveraged to the hilt in silver waiting for the big event. If our paper gold market tanks, the pressure on the silver price will be enormous! In many ways reenacting the very leverage these bulls are looking for, but all of it in the other direction.

There are few people that will retain a position in an "investment" like silver if the paper pricing market is hit, bigtime. Forcing the selling of everything. Where as in gold the world community will grab all the free bullion available (jewelry included). Because gold is not perceived as an investment nor as an investment with an industrial use component.

In the initial crisis, silver could hit the floor and stay there for some time. It all depends on how this plays out. For myself, with the explosive potential of physical gold to show it's real value, I don't need silver. (smile)

Thanks
TrailGuide

Trail Guide (04/21/01; 23:21:44MT - usagold.com msg#: 52326)
Comment

ET (04/20/01; 08:42:22MT - usagold.com msg#: 52251)
Elwood

Hello Elwood,
You write:

-------"But, sir, none of these things are gold. Is it not the *label* of money, but its *use* as money that makes a thing money? How can we officially deny the use of pencils for writing, yet still maintain the "free market value" of pencils?" Yes - despite the volume of words, this simple point is left unaddressed. Thanks for your keen
observations! ----------

Sir,
Can you use a "promise" as money? Sure you can and often do today, because that is how you paid for your last fillup. You use it, but that doesn't make it wealth money, just a fiat money. My talk to Elwood on the Trail covers this deep concept. (smile)

I'm gone now
Thanks
TrailGuide

Trail Guide (4/22/01; 13:43:32MT - usagold.com msg#: 52342)
Note

Trail Guide (04/21/01; 23:21:44MT - usagold.com msg#: 52326)

Comment

All,
I made a blunder in this post (above)when addressing it to Elwood. Actually it was to ET, who was commenting to Elwood. But, I suspect most of you were able to read through that mistake (smile).

I have a large function to attend now and cannot comment on the next series of points from you. Even though they make a good connection for me to carry the discussion right into the West Point business. That's the first real break in the dam that shows the game in play. Not exactly as it was explained, but close (grin).

Mr. G,,,, Elwood,,,,, others, I will comment later.

Thanks
TrailGuide

Trail Guide (4/23/01; 06:18:34MT - usagold.com msg#: 52387)

Mediterranean Arab Free Trade Area (MAFTA)

http://www.usagold.com/DailyQuotes.html
Just a few items. Looks like it won't be long before someone sees the advantage of using Euros only in the settlement of trade! Could oil trade settlement be far behind? And all of this started in 1995, before EMU,,,,,
==========

Arab states look to create offshoot of Euro-Med free trade
agreement By Rana Awwad

AMMAN — Arab member states party to the Euro-Mediterranean Association Agreements are set to study the possibility of establishing a Mediterranean Arab Free Trade Area (MAFTA) during their next meeting in May, officials said on Sunday.

The meeting, to be held in Brussels, will also examine the harmonisation of rules of origin amongst the Arab partners as a first step towards achieving the trade area.

The Jordanian-EU bilateral agreement was developed under the Euro-Mediterranean Partnership, a governmental forum comprised of the 15 EU member states and 12 Mediterranean countries, including Jordan.

The 1995 Barcelona Process which established the Euro-Med partnership, calls for gradual trade liberalisation between members, with the ultimate goal of establishing a Mediterranean free trade zone.

Meanwhile, European imports will be granted preferential treatment depending on the agreed schedule of reducing tariffs.

Gold Trail Update (04/23/01; 20:30:05MDT - Msg ID:52424)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (04/23/01; 20:30:04MT - usagold.com msg#67)

Replies and Custodial Gold

,,,,,,,Two French men were fishing in a boat, just off of Nice. Several other boats were within close sight, always watching to see if these guys found anything. All of a sudden Henri hooks a huge one and brings it to the surface while Pierre nets it. Both of them look at the fish in the net and hesitate, not wanting to bring it onboard. "What is it", Henri asks? "I don't know, can't make it out, but it's a good one, I'm sure" says Pierre. By god, whatever you do, don't haul it in. If we can't name it the other boats will laugh at us. Let's just keep the net in the water, pointing at it and talking loud while we circle the boat. Eventually, one of the other boats will get a look and blurt out it's name,,,,,,,,,,,,,

,,,,,,, Eventually, the ruckus attracted hundreds of other boats (the miracle of marine radio and the internet) and they stormed in close to see the news. During all this action, none of the other boats saw the fish very well, therefore no identifying name was mentioned. Eventually, tired from throwing out various possibilities of the significance of the catch, Perre and Henri pulled the thing in for all to see.,,,,,,

,,,,,, To their amassment, no one else knew the exact name or significance of this exceptionally fine fish! You see, there just wasn't enough details about it, "floating around" (smile) to know it's purpose. But still, all hailed the duo as superior fishermen and brought them drinks and dinner in port!,,,,,,,,

The moral of this story: In this game of life, we all fish from time to time. But, to a sportsman, the size or type doesn't matter because it's the art of catching that counts. Besides, every catch has a name and we will eventually find it's "namer". (bigger smile)

---

elevator guy (04/23/01; 00:07:49MT - usagold.com msg#: 52371)

second thoughts

------ I seem to be caught in an internally conflicted spiral of wealth logic, due to my having grown up in Dollar Land. When some prominent poster here said that GATA was "barking up the wrong ree", I felt GATA had been given short shrift for their efforts. Now ----------

Hello Elevator guy,

Thanks for attempting to understand it all. If you follow our lead, we will not change your mind about anything. Rather, you will have the "luxury" of seeing things in a different context from the usual Western Gold Bug fixation. With that perception becoming part of your "Total" overall understanding, as events occur, you may choose to interpret their impact differently.

After my above story about Custodial Gold, more in a min.
==========

ET (04/22/01; 21:30:40MT - usagold.com msg#: 52361)
Hey FOA - thanks for your thoughts. You write in part;

"This is the road ahead. A fiat no different from the dollar in function, yet a universe away in management. A wealth asset that also stands beside this money, yet has no modern label or official connection as money. In this way modern society can circle the earth, to once again begin where we started. Having learned that the concept of wealth money and man's money were never the same. We shall see."

I happen to know from history that your idea will fail. It will fail because there is no difference between wealth money and man's money, despite any forthcoming "new age" management. You see, FOA, markets can't be managed, and every time it's tried, they fail. Yours will be no exception.

Hey ET,
I think yourself and anyone else that takes your position on my posts should reconsider my thrust. Our libraries and history halls are chock full of records that endorse our perception fully. All of your great money thinkers engaged the very same problem; trying to force society's power structures to use gold and it's decline as official money.

It's not the management of money that was the problem, it was the management of man's authority to maintain gold and it's decipline. Over and over, we watch good monetary theory fail as society fails to control their controllers. Then, your good scholars document the "every reason" and "what for" of why it failed. We read it all, teach it all in schools and once again, history repeats. The money presses come on!

The road before us is to not manage gold. Rather, stop it entirely. Forget about calling it official money and let it seek it's own level against every fiat as a worldly wealth. In every other asset, we now have countless examples of other forms of wealth that walk side by side with our current dollar system. Practically all of these have far outperformed (thanks Mr. G.) our pure fiat dollar. Some doing so at incredible rates! And to date, none of them have obtained more settlement use than our digital currency. Even the underground people go back to currency eventually. This ongoing fact is an enormous experiment happening right before our eyes. For twenty+ years this has happened as our dollar is proclaimed, unusable! Yet, Gold Bugs loudly proclaim that gold would supplant the Euro if allowed to seek it's own level as wealth.

My friend, you should also read your scholars books again, for they tell the very same tale we do. We have read a few (smile) and embrace their position, but our position stands aside the needs of a modern Gold Bug that prefers a "fiat" gain on leveraged gold investments. We present it from a Gold Advocate's stance, that holds gold itself as the wealth while embracing society's pennant for fiat.

==========

Elwood (4/22/01; 11:17:14MT - usagold.com msg#: 52335)
Trail Guide You write:

We never intend to have two moneys. The concept is better seen as the Euro and a wealth reserve. Still, to defend against your thrust, what do we have now? Travel the world, my friend and mingle in the world of currency. In almost every country of the planet there are several prices for ever good sold! All depending on what nations currency you choose to use. Today's system is working with perhaps hundreds of moneys!

---does the ECB intend to hold works of art, boats, land or any other wealth items as part of its reserves? Will they officially mark their currency against any of these other wealth items? Can you understand my skepticism regarding this attempt to "un-money" gold? ----------

Hello again Elwood,
My analogy using various art works was meant as an example of how other wealth holdings currently ride next to our dollar system. Just as above in reply to ET, wealth can and does outperform fiat and people do not short circuit the system in a major way.

The ECB is treating gold completely different than the dollar faction. Where the US has seen gold as a competitor for their failing currency, they tried to destroy it's "known dollar market" value through paper manipulations. Something we have been chronicling for years, now. Prior to EMU, gold was the dollar's only replacement and because of the dollar's massive, overwhelming printing, was a major threat. Understand that it wasn't just the printing of this fiat that threatened it's replacement, it was it's one-sided management in a many sided world. For the US, keeping the dollar price of gold down was, for a long time, the only way to keep some nation states using it. Allowing the markets time to cycle gold for dollars at ever lower exchange rates.

The ECB is using the current leveraged paper gold market as a way to force the dollar faction to break itself. Their marking gold to market is a hangman's roap, just waiting for the prisoner to climb the stairs. When the US "WALKS" FROM HONORING CUSTODIAL GOLD, once again like in 1971, that will be the end! The system wide banks of the ECB will allow the dollar gold market to soar. Creating a wealth reserve not unlike their holdings of other currencies, only far more true to human perceptions. As the dollar crashes on foreign exchange markets, these CB dollar holdings will be just cast down, as Another said. No need to spend them.

Elwood, they are not trying to Un-money gold! They are going to un-Westernize gold so it performs it's historic function of acting as a tradable wealth holding. No longer following the Gold Bugs view that governments need to control gold so it acts like real money in the fiat sense. Truly, the BIS and ECB are today "Walking In The Footsteps Of Giants"!

Elwood writes *my words* then comments:

"Now, consider that all wealth is represented in and of itself. You cannot reproduce wealth through substitution, like giving someone five pieces of copper for one piece of gold and then have then think they now have five pieces of gold! This is the

process we try to perform within the realm of man's money ideals. We have always debased trading wealth by duplicating it into other forms and calling all of it, collectively, "our money".

This duplicating, this replicating, this debasement is the result of taking the concept of a credit /contract function (paying in the future) and combining it with the concept of completing a trade at the moment. Think about that for a moment?"

Yes! This is what we need to fix. As long as man believes that he can (without cost) create value, capital or whatever by making a bookkeeping entry in a ledger, we will live in a world possessed by the ìcopper into goldî illusion, no? But there is nothing wrong with credits and contracts as long as they are backed at par by real money, because there is no illusion in this. We are capable technologically of creating such a system, and we will have a prime opportunity politically when the dollar reserve function dies.

Sir Elwood,
Today, our perfect gold system has been bastardized into it's current form. Over a half century or more, we eventually came to this. No there is nothing wrong with hard credits and contracts, based on the discipline of gold. But, we as a society cannot create a force strong enough to save our children from the eventual inflation this abuse creates! Gold or no gold, as with peace and war we end up with fiat anyway! The illusion is in our calling gold money and using it in a fiat credit function. For thousands of years, from baskets to computers, carts to cars, guns to rockets,,,,,, this new prime opportunity of which you speak,,,,,,,, has always been blowing on the wind!

Again Elwood writs *my words*, then his:

We all need and must use some form of fiat currency to operate in this modern world. It makes little difference if MSFT went to $10 or $10 billion, you would still use the fiat currency system in trade as a more efficient form of modern trade. Society now uses these " money" systems without any form of gold backing, not because they are "strong" or "stable", but because they work more than they fail.

No! Fiat is used only through threat of force. ANOTHER implied as much when he stated that this was a way to get oil off the dollar without war. I ask you, sir, look around you. See all the things in your life brought to you by voluntary exchange through the market economy? An economy capable of all this is certainly capable of producing a free-market medium of exchange, no? This is what I mean by sound money (the Rothbard way).

Elwood,
Your note of Another is out of context from the discussion and events of that posted time. I completely agree that our market economy is a sophisticated, remarkable thing. However, Rothbard tells the way it should be done and history tells the way it was done. Indeed, while we may never overcome the human failures of war and fiat inflation, the wealth of common man does not have to be expended while society

tries yet another time.

Thanks for your thoughts, sir. (smile)

==========
Mr Gresham (4/22/01; 14:01:22MT - usagold.com msg#: 52345)
Book 'em, Dan-o!
==========
BH (4/22/01; 13:53:50MT - usagold.com msg#: 52343)
TRAIL GUIDE---ESF/Bundesbank-----
==========

Hello Gentlemen,

I suspect the gold in West Point was reclassified in a show of good faith to those that own some international gold paper. I'm talking about people who's reasonably priced product you cannot live without. I doubt the gold has outright swaps written against it or was swapped into the enemy's camp (so to speak). While the ESF has the right to trade currency swaps against other's gold (and they do do this). Our gold has yet to be possessed by others. Just as in 1971, when many dollar holders thought US gold was "in custody" for them, so to does the current world dollar gold markets. However, this open certification shows just how tight the system has become.

We have said for some time that the dollar faction has inflated paper gold and done so with very limited actual bullion of their own. We maintain that most of the leverage created in this arena has been done with the gold of private Western owners. Modern GoldBug owners that once held physical gold but now seek gold leverage and gold industry investment instead of gold wealth. That gold has now been leveraged for all it's worth as it filled the use void. Today, we are reaching the mathematical end that that game can be played. Others know this and the West Point business is an attempt to counter this perception. Even if it was only a political move. We are getting close though (smile).

There is no logic in that the Bundesbank would risk it's gold. They were major supports of the Washington Agreement. Counter to perception, the entire EuroZone CB system awaits the day when they can convert failed paper gold borrowers into Euro borrows. As our paper gold market fails to function, shuts down and physical gold soars, there will be no bookkeeping market to offload these paper positions into. The conversion ratio into Euros will then be something to behold. Along with the demand for currency Euros and physical gold! The BIS /ECB is delighted that the dollar faction is lending all the "gold on paper" the dollar market can stand. Eventually, the US will walk right up to the gold window with the intentions of selling, only to fall away as they stair at a mountain of foreign CB dollars.

"""We watch this new gold market together, yes?"""

Thanks
TrailGuide

Trail Guide (04/23/01; 20:51:15MT - usagold.com msg#: 52425)
Comment

abudahhab (04/23/01; 18:15:47MT - usagold.com msg#: 52412)

@Trail Guide re Arab free trade zone

Thank you abudahhab,, fine observations! I just read the forum and found yours.

TrailGuide

abudahhab (04/23/01; 18:15:47MT - usagold.com msg#: 52412)
@Trail Guide re Arab free trade zone
Trail Guide,

This one has been in the works for some time now and indeed, there is a direct tie to the Euro zone. The economic and trade news from the region as has been quite remarkable as of late. Indeed, we have the beginnings of a natural gas grid between, Egypt, Jordan, Syria, Lebanon and Turkey. The same countries have also agrred to a common electrical grid. The free trade zone has gained momentum since the end of the Lebanese civil war in 1990. There has been much talk in the Arab press (Jordanian in particular) about reviving the pre-WWI "Greater Syria" concept on an economic monetary and trade level. The EU officials have been making the rounds in the countries and discussing free-trade arrangements.

As well, earlier this year there was a important summit meeting between the Gulf Co-operation Council and the EU. The idea of including the Gulf States in the EU trade zone while allowing for payment of oil in Euro was openly discussed at the summit. I have a hunch that this deal is now basically in play and much oil is being sold in exchange for Euro.

Perhaps the most compelling feature of the Euro is the queaterly mark-to-market of its gold reserves as measured in $US. Once the on-going gold default begins to affect the $US price, it is highly concievable that the Euro could be made fully conertable into gold. This would solidify its use in the Arab speaking world.

On another point, is the Treasury - Budesbank swap the ultimate trap for the US? Perhaps its ultimate maturity is the trigger for the coming hyperinflationay tsunami?

Abudahhab

Gold Trail Update (04/24/01; 06:03:57MDT - Msg ID:52445)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

ANOTHER (THOUGHTS!) (04/24/01; 06:03:56MT - usagold.com msg#68)
test
thank you

Trail Guide (04/24/01; 06:53:27MT - usagold.com msg#: 52448)
Comment

Sir Belgian,

We have partial evidence that a gold swap between the US and the Bundesbank is

considered legal. But no evidence the event occurred.

We have evidence that the Bundesbank has lent and sold some gold. But, their accounting over time does not show any drop of gold stocks larger than expected. Further, their gold lending could have been (and probably was mostly) in "nominee" form for the BIS.

We have evidence that the ESF can do swaps of their currency assets for other's gold. But no evidence that they have attached the West Point gold in exchange for other's gold.

The only "big fish" that was caught (and it is a very big one GATA should be proud of for sure!!) was the actual reclassification at West Point. Truly, this "event" is right in line with our view of current "political actions".

We shall see.
TrailGuide

Trail Guide (04/24/01; 07:10:41MT - usagold.com msg#: 52449)
Recession still on the cards
http://www.usagold.com/DailyQuotes.html

From USAGOLD news feed:

-----Recession still on the cards despite Fed cut----

by ANDREW SMITHERS

The US economy has several problems. Among the most serious are too much investment and too much debt. The stock market bubble has been the root cause of both. Capital has been too cheap.

The Federal Reserve has just cut interest rates, saying it hopes this will encourage more investment. If it does, it must also mean more debt. As the adage has it: 'Those whom the gods wish to destroy, they first make mad.'

Investment is unlikely to stop falling just because borrowing is cheaper. Companies have invested too much, so there is lots of spare capacity. There is no point, even with lower interest rates, on building more plants. Already, businesses can make more than they can sell.

If investment keeps falling, the outlook for the economy is poor. The big risk is that consumption will also weaken. This would turn a weak economy into a full-blown recession. ----------

http://www.thisislondon.co.uk/dynamic/news/top_story.html?in_review_id=384044&in_review_text_id=330122

==========

Randy, keep up your good work of noting the Fed's money printing! As this recession bites, you may need a full crew to document the cash flow (smile). What a combination;

hyper-inflation,,, cheap contract gold,,,, and exploding prices for physical gold. We just got to see it to believe it!

Thanks for all you do
TrailGuide

Trail Guide (04/24/01; 20:23:14MT - usagold.com msg#: 52494)

Replies that help articulate

Parsifal (04/24/01; 01:13:36MT - usagold.com msg#: 52434)
Comments/Questions on Latest Trail Hike

Hello Parsifal, you write:
--------Me:
If the U.S. held gold in custody for others, and then reneged on the custodial arrangement and denied the rightful claims others had on that gold, that would be outright fraud, theft, no? I expect that theft of gold has been going on since forever.----------

Sir, We need to remember that most of this "showing off of gold stores, from this point forward will employ a lot of political gamesmanship. Not unlike the BOE auctions. In that case they aren't really selling that much gold into the market. The BIS could have taken it all real easy, but England wanted to drag it out for effect. That way they got the most exposure and time. Allowing some of their favorite BBs to escape before the Pound goes EMU.

In the same light, most of the real gold that has left the CBs ended up in other CBs as statistics show. Political gamesmanship! Same thing is in process with our West Point business. Political jockeying for more mileage. As an example; watch a newcomer ride into town pulling an open
trailer of cash. Every real estate broker from miles around will be at his feet. Now. that cash isn't in their possession, is it? Yet, it sure looks like it's been put on a trailer format for easy spending (grin). Custodial gold has the same effect in international gold paper players. Like these real estate agents, gold players now think they have USA bullion in the bank just because it's been placed in a trailer! (big smile)

Ha! Ha! Forgive me, I am laughing at my own story. My wife hates it when I do that while talking in public.

Parsifal, to more relate to your point; today, it's almost impossible to prove legal intent in the paper gold market. So, whether gold paper is backed or not is not worth asking. It's become so convoluted, the paper trails lose even the BBs. Note: If you want to own gold in storage, forget the
boiler room, leveraged shops that lure you in only to sell you something else. They will only sink with the flood tide that's coming. Deal with a straight, clean operation that traces your ownership in an unbroken line, right to the vault. In allocated storage. I saw the name of one of those dealers just a min ago? Starts with a C.

You write
-----Why do any of the EU CBs lend any of their gold at all? If it is so valuable, why lend it a such low rates (into certain default?) and why are they so anxious to sell it? It seems the sales quotas were met very quickly.------

Go back and read through the archives. We went through a lot of storage space on that one. Even so, we will return to that subject as this all unfolds.

You write my words first , then yours:
------Trail Guide:
Eventually, the US will walk right up to the gold window with the intentions of selling, only to fall away as they stair at a mountain of foreign CB dollars.

Me:
I don't understand this part. Would that be the U.S. govt. doing the selling? What would the U.S.
be selling, physical gold or paper gold? And what would the U.S. be trading for, ?????

Sir, It's all just political games, as in my analogy above. We will hear of the US getting ready to sell
as the the end time comes closer.

Thanks
TrailGuide
==========

Mr Gresham (04/24/01; 11:18:01MT - usagold.com msg#: 52459)
Belgian, Econoclast, Trail Guide

Hello Mr. G,
You said: ----- It looks like the German document (which I haven't more than glanced at yet) is an "example" of possible transactions, and under the ECB umbrella at that, and that the press release made more of it than it should.---------

Sir, you may have hooked a "big one" yourself. Such wording being possible transactions under the ECB umbrella is a prelude to some big time card dealing between the US and ECB. How about a gold for currency swap? US gold for Euros? (smile) Don't laugh too loudly, this may come yet!

Thanks
TrailGuide
==========

USAGOLD,

I read in your Commentary & Review page that requests for info is way up! -------
Over the past weekend we received a flurry of requests for information packets -- one of the top weekends in USAGOLD history. ----------

That is very good to hear, indeed. The more we investors get the message and help ourselves to your services, the longer we can talk in your back yard (huge big smile)

Thank You, MK, for all your fine efforts
TrailGuide

Trail Guide (04/24/01; 20:25:28MT - usagold.com msg#: 52495)
Replies that help articulate
Simply Me (04/24/01; 03:46:37MT - usagold.com msg#: 52439)
Welcome and Thanks----
Welcome back Another and Trail Guide!----------

Thank you for reading, Simply Me. Hope it all has some impact on your thinking.
TrailGuide
==========

Econoclast (04/24/01; 08:35:58MT - usagold.com msg#: 52451)
-----I feel discouraged right now. Not because the gold price is low, not because of what is happenning in the gold market, and by extension the financial world, but because of the fact that what I see for the future is more of the same.--------

My friend, our message and our position is that we are in one of the most exciting times of all the history of gold! We have seen that during times with the most radical transitions, the majority are usually defending the wrong asset. This unfortunate situation need not impact everyone today. If better judgment is the result of a full understanding, then some who read here will be exposed to
tools that could help them avoid the mistakes of our Western hard money majority.

For Western Gold Bugs today, their culture, their system and their recent knowledge is all ensconced within the last 30 years of paper wealth. Yet they are using a hard money defense, written by masters preceding our modern era. They struggle to use that logic out of context, as it is thought to apply to this gold market today. These two precedents are leading them to reflect their gold values in some form other than physical ownership in possession. This mistaken detour from gold's true purpose will once again prove, by reality, the value of owning real gold.

Standing aside this group is the Physical Gold Advocate. For them, for us, these times will contain the greatest gain in real wealth ever seen. For those who are falling behind, gold is still within your grasp.

TrailGuide
==========

Belgian (04/24/01; 09:17:49MT - usagold.com msg#: 52454)
Official Gold
Trail : Do agree with your correct observation. And...

Hello again Belgian,
you write:
----------We still remain completely in the dark as WHAT the intensions of the Official Gold-holders (OGH) are !--------

This is always a primary reason to own real gold, in possession. Gold Bugs talk endlessly about how these OGHs cannot forever manipulate the currency price of bullion. Then they go out and place themselves at the mercy of our warring OGHs, by owning gold investments that totally

depend on the OGHs not holding the currency price down.

My friends, wars evolve battles and battles destroy weapons. In this case, the main weapon of the dollar faction is their control of the paper price. As the ECB strikes this stronghold's credibility, that pricing structure of gold will completely fail. Throwing most Gold Bugs into disarray and their investments into valuation uncertainty.

Sir Belgian, I bid you success in your quest for security in physical gold. But disagree in your comment of: ------- We must all realize that there is NOT ENOUGH gold to permit a free market.------

There is enough gold in one ounce to service the entire world's wealth needs. Broken into single atoms and alloyed into coins (MK may agree on this (smile)) that single ounce would work for us all. At the right price, a free price, all the gold owned now could be enough. No more gold would need be mined for the rest of humanities time.

It is the price of gold that has been managed and distorted into a perceived commodity value range. Because gold does not fit into man's credit money systems, man always will attempt to use substitute gold for added supply. Even in a pure gold system, if gold is lent between two humans
they will try to alter the metal's purity to ease the pain of repayment.

thanks
TrailGuide
======

Trail Guide (04/24/01; 20:37:31MT - usagold.com msg#: 52496)
Comment
Randy (@ The Tower) (04/24/01; 12:17:45MT - usagold.com msg#: 52461)
Trail Guide, you in particular may get a smile out of this...

Hi Randy,
Nothing holds still for long, does it. Good post, sir! I'll be back later to comment on more of the fine words said here today.

Thanks all
TrailGuide

Randy (@ The Tower) (04/24/01; 12:17:45MT - usagold.com msg#: 52461)
Trail Guide, you in particular may get a smile out of this...
http://www.imf.org/external/np/exr/facts/gold.htm
since it coincides with the latest discussion regarding subtle changes to verbiage of official gold reporting.

Naturally, you remember we discussed the IMF's late-1999 through early-2000 off-market gold operations conducted with Mexico and Brazil. It seems the IMF, in small degree, capitulated to the better "international practice" of recognizing gold's market value rather than maintaining the arbitrary fictional valuation of SDR35 per ounce.

It now seems that the IMF is *****smoothing the way**** for other future steps in this direction toward recognizing the free gold market value. In March, the IMF changed the language on its website regarding the balance sheet valuation of its gold

holdings. Instead of the old proclamation that the majority of its gold was held at SDR35 on the balance sheet, the IMF now states its gold holdings are valued on the balance sheet "on the basis of historical cost".

While this is valuation remains numerically consistent with the prior method due to the original arrival of much of this gold at the SDR35 equivalent "cost", it certainly cracks the door a bit further toward easily and openingly recognizing the higher free market value for gold, and might thus signal full capitulation in this regard all the sooner.

Trail Guide (04/25/01; 15:04:48MT - usagold.com msg#: 52536)
Comment to Randy

Randy (@ The Tower) (04/24/01; 10:38:48MT - usagold.com msg#: 52458)
Follow-up on my comment last week that China has lately been a net been seller of silver

------Philip Klapwijk, managing director of GFMS, explained at Monday's conference of the Gold and Silver Institute that China sold near 60 million ounces of silver in 1999, with additional sales of 40 million ounces per year likely over the next couple years. Continuing...----------

Your words:

--------China is simply lagging by one Century in performing this act. Many of the other nations of the world unleased their silver reserves near the arrival of the 1900's when the usage of silver was abandoned as redundant within the banking sector. And in contrast, not surprisingly, global gold reserves have GROWN since those days. Further, the dollar can be expected to suffer a worse fate than silver when it, too, loses its particular reserve and settlement role within the international banking system. And gold? All reasonable signs show that it shall maintain the king position as THE reserve asset par excellence for a long time to come. Get you some. ----------

Hello Randy,

You know, your thoughts got me thinking (grin). I have time to do that right now as my files are restored.

Following your chain of thought about China silver,,,, I noticed a comment from Bush that we would fight them over Taiwan. Then silver gets hit real good. Could it be they are unloading silver so as to buy Euros and gold prior to calling it splits with us? They do have more silver than their needs require (possibly more than all of us require).

If they are, indeed, going to run with the Euro later and the ECB is marking gold (not silver) as their main "wealth reserve", then it makes sense for China to position themselves this way. It also makes sense because as an addition, Hong Kong has so many dollar reserves they, too, could never unload them. Following the Euro system lead, they could afford to let their dollar reserves burn as
long as they had even 15% of that value in gold prior to full "Euro roll-in".

Further,
If any EuroZone based gold paper they own that had a US originator defaults, with China's approval, that paper could be restructured to pay back in Euro currency assets. Courtesy of the ECB /BIS. Forcing the US originator to dump dollar based gold hedges (that's a lot of paper gold) as they buy Euro coverage to ensure exchange matching. Of course, extrapolating this system wide, we would see paper gold credibility plunge (therefore it's bid price also) aside the Euro exchange rates spiking on the dollar. All the while out right trade in physical gold or "five day" (super spot delivery) would spike to the heavens.

I do wonder if we are, as I said a number of days ago, seeing history in the making with lease rates doing strange things now? (smile)

Thanks Randy
Also welcome back Sir ORO!

TrailGuide

Trail Guide (04/25/01; 15:17:21MT - usagold.com msg#: 52537)
Needs clairty before reply
Tree in the Forest (04/25/01; 14:53:58MT - usagold.com msg#: 52535)

Hello Tree,

When I spoke of how all the current gold in the world could be enough to act as a wealth reserve if the currency price was high enough,,,,,,,,,,and expanded on that position,,,,,,

How is that in context with your:

---
1) Metal sits at Comex; there's plenty of gold
2) Lease rates up; there's a shortage of gold
3) Trail Guide says; there's plenty of gold
4) CB's tighten sales; there's a shortage of gold

Now, is that clear as mud?----------

You are right Sir Tree, not very clear? What is the thrust of your argument in respect to my position?

TrailGuide

Trail Guide (04/25/01; 15:57:37MT - usagold.com msg#: 52540)
Question

Fair enough Econoclast,

How would you outline a method of locking society into an honest money system? If you were our ruler, how would you make us stay on a pure honest gold money system?

Monetary laws don't help, the evil ones will go around them. We could kill all the government officials and most especially bankers? (smile)

How do we stop this ages old evolution of "thinning our gold" when our economy slows.

What is to stop "me" , an evil private gold lender, from lending paper credits instead of gold? Especially to people who don't qualify got real gold?

Tell us your thoughts?

TrailGuide

Trail Guide (04/25/01; 16:19:14MT - usagold.com msg#: 52543)
Comment

beesting (04/25/01; 13:33:39MT - usagold.com msg#: 52530)
How do We The People Arrive At a Fair Honest Price For Gold?

----- So, the question remains, how do we keep each other honest,----------

Good thoughts beesting. But aside the daily buying selling using cash (gold coins and gold receipts in your context), how do we default on our borrowed gold? How do we stop the voting public from demanding that our leaders demand of our bankers, that more borrowings be allowed. To cover what we could not pay now? Some extra fiat gold credits, perhaps? Just until we get back on our feet? Does it not always evolve this way? Even during the glory years of the old gold standard?

You see, credit and honesty do not mix well in humankind. Better let the fiat show go on while the average person retains his wealth in Free Gold, no?

TrailGuide

Trail Guide (04/25/01; 18:00:42MT - usagold.com msg#: 52549)
Comment

(Sir, this was written before reading your recent post I'll read it also and reply later.)

Journeyman (04/24/01; 13:39:01MT - usagold.com msg#: 52464)

Mr. Journeyman,
Excellent presentation of your position! Thank you.

The main point I am making about gold and money is directly related to your first statement.

You write:

-------we DON'T need fiat, and neither "the people" nor "society" decided to go from the classical gold standard to FED fiat. That change was foisted on "the people" AND "society" by the banking-government cliques, with the express purpose of profiting these two groups at the expense

of the rest of the population. --------

Absolutely Journeyman. Your articulated account is regarded as an unshakable law amongst our Western hard money crowd. Indeed, it is this very perception that drives the rethinking today about fiat's relationship with gold. That thinking is spelled out in self evident form in this passage from the trail:

"" It's not the management of money that was the problem, it was the management of man's authority to maintain gold and it's discipline. Over and over, we watch good monetary theory fail as society fails to control their controllers""

This is the root problem we face in advancing another of your classical gold standards. The people could not rebuff the forces that "foisted" the evil upon them. The problem is not deciphering whether someone else did the deed, it is in the understanding that it can and will happen again.
Society nor mankind itself can manage those that can and do these changes for their own gain. This is what we face, this is what we address.

As a further measure of defining and rebuffing this dilemma, I went on to say:

"" The road before us is to not manage gold. Rather, stop (to stop managing) it entirely. Forget about calling it official money and let it seek it's own level against every fiat as a worldly wealth""

Even if the charge of returning us to a "classical gold standard" was given unconditionally to Sir Journeyman, this person would face all the exact same pressured his predecessors faced. The account of history and our experience with human nature all say he would do no better.

Further, to mitigate the loss all of us experience as this repeats, I made this point:

"" Indeed, while we may never overcome the human failures of war and fiat inflation, the wealth of common man does not have to be expended while society tries yet another time""

That simple reply, my friend addresses all our experience with moneys.

Also, to your point of:

-------As far as the euro being backed by gold,,,,,,,,,, and But is their currency tied to that gold in any meaningful fiat-supply-limiting way?----------

We do not in any way consider the Euro gold reserves as being tied to that currency. For the benefit of everyone, gold will be a free priced reserve once the paper dollar forces are cast aside. If the Euro fails, as the dollar has, it will do so in a world where gold in the hands of man will balance the loss. With no incentive to match gold to any form of currency exchange rate, the Euro will for the first time a world reserve that's valued for it's collective management alone.

Thanks
TrailGuide

Trail Guide (04/25/01; 19:38:57MT - usagold.com msg#: 52560)
Comments
Econoclast,
I see that more than a few are taking a shot at this problem. Still, we all look forward to your answer also. (smile)

Henri, I forgot you were a poster here. How does it fell to go fishing in someone else's story? Ha! Ha!

Journeyman,
I have a reply for your 52546. But, before posting it would you please indicate if you are in any way connected with E-Gold. Or communicate if your passion for this company is overly strong. Understand, this site is provided by another gold based business and I am uncertain how I should tread this ground. I could restructure my reply so as not to
attack the merits of this enterprise (E-gold)if this is personal to you.
Thanks for your answer.

TrailGuide

Trail Guide (4/26/01; 05:19:39MT - usagold.com msg#: 52599)
Comment
ALL:

I decided not to use my completed reply about "electronic gold". And will rework it for posting
later. It will hit on some of the good points our Randy just made (and then some).

Elwood, Now you are pulling all the parts together (smile). Nice post.

Black Blade, all of your fine documentation of our ongoing energy problem is highlighting the structural control oil has today. In this position that power has the ability to shift economic stress onto the most weak of our two current fiat systems. Both affected with only one surviving. The
transition continues.

Thanks all, be back later
TrailGuide

Elwood (4/26/01; 01:20:05MT - usagold.com msg#: 52598)
Of Austrians and Arabs

Hello, everyone. Trail Guide, I think I'm beginning to understand finally. Thank you. (smile)

"gold and oil will never flow in the same direction"

A simple statement, but one which I don't think I really grasped until recently. It simply means that as long as Arab oil flows, the Arabs will use that flow, or part of it,

to buy gold. As long as Arab oil flows. Be it 10 years, 50 years, 100 years or a thousand.

Being a frugal shopper, the Arab is like us all. He's in the market for the long run, and he's always on the lookout for bargains when he can get them. Today, the Arab, he has a problem though. Everywhere he looks he sees "low gold prices," but, being a big buyer, he finds very little "low-priced gold." It's like a sign in a department store window: $40,000 SONY STEREOS!, TODAY ONLY $270. You go to the counter with your money, but the clerk says "sold out, want a raincheck?" When you say yes, they never call you back. If you complain they'll gladly offer your money back, but you can't sue them for delivery of a $40,000 stereo which doesn't exist, eh? This is the problem the big gold buyers, the Arabs, face today. The world dollar gold markets say "Sale on gold today!" When the big buyer Arab arrives they say, "Sorry, want a raincheck?"

Now all you "Austrians" out there, listen up. I have a sneaking suspicion that Trail Guide, even though he be American, he's a little bit Austrian, too. We Austrians say, "Fiat be bad, gold be good," for all the reasons we, as Austrians, know to be true. But let's lay that aside for the moment and think about what Trail Guide says. After all, he has earned that much from us, no?

As Austrians, we dwell much on mediums of exchange, fiat and government intervention, etc. Let's look deeper, not at the medium of exchange, but the *object* of the exchange.

Leaving aside the medium of exchange we could say that today's worker (us average joes) exchanges his labor for food, shelter, electricity and everything else which he consumes, invests or saves. The Arab trades not labor but oil for all these things. He also consumes, invests and saves, but…..after getting all the Mercedes, palaces, common stocks and what not that he can use, there's still more oil to be exchanged. He exchanges that for gold.

But wait! Didn't Elwood just say he's going to leave the medium of exchange out of this? Gold is certainly a medium of exchange, history says so anyway. But the Arab is thinking differently. To him gold *is* the object of the exchange, not unlike your house to you. The gold is the object of the exchange to him, not a medium in the way we think of fiat or in the way we think of a gold medium.

You would have to be pretty hard up (hungry?) to be forced to trade your house. Why? Because you have your labor. Likewise, he would have to be pretty hard up to be forced to trade his gold. Why? Because he has oil.

To him, gold is a medium of exchange, but only in the same way that your house is a medium of exchange to you.

We trade every day for bigger and better houses, but, for the Arab, is there a "bigger and better" gold? (If you said "silver," you get the booby prize. (smile)) Yes, thinking like this, he would have to be very hard up indeed to be forced to sell gold. The Arab is correct to think this way, for there is nothing in the world he cannot buy today with his oil……except gold.

Think, there are people in the world today who have become so rich…..who have become so wealthy, that gold (to us, a medium of exchange) has become the

object of their exchange. Hard for us common folk to imagine, isn't it? Trail Guide's task be large, no?

Ok, let's toss back in the role of money now. Let's get to the fiat! We Austrians say gold be the best medium, history says this, no? Yes, history does say this, but there be no oil in history! History says (at various times) more people need cows than need trinkets, so cows best medium. Then more people need wheat than need cows, so wheat better medium. Then world becomes richer and people say this wheat different than other wheat, and this cow different than other cow, so use gold as "standard" or "benchmark" medium even though no one "needs" it.

Today oil is a better medium, because ALL people need oil (even more than need cows and wheat), and oil "standard" is good enough. Gold returns to luxury, "wealth" item as second-best to oil. And silver? She be a base industrial metal, tarnished with age.

Oil is the best medium, but can't buy a diet soda and Doritos with oil (too inefficient), so Arab agrees to use fiat as long as fiat creators keep gold price reasonable (gold is object of their exchange, remember?).

Today, Dollar gold price very reasonable, but where is gold? Tomorrow, Euro gold price still reasonable and there be gold.

Austrians say "Gold trade next to fiat? Fiat will die!" I think now, this Euro trade next to gold and survive……if Arab agrees.

Austrians say "Why not force direct trade: gold for oil?" I think, then gold price in oil not be reasonable. It be too high.

When Arab well runs dry or oil's timeline be ended by technology, on that day Arab wake and wish for higher gold price, because then he becomes seller.

What say you, Austrians?

Elwood

Trail Guide (4/26/01; 17:57:30MT - usagold.com msg#: 52647)
Reply

Journeyman (04/25/01; 17:32:04MT - usagold.com msg#: 52546)
Keep'n 'em honest @Trail Guide msg#: 52540

Hello again Journeyman,

Your comment on my question to Econoclast was an excellent example of the mind set I have been pointing out. It seems that with each step up the ladder of economic sophistication, we also perceive a need for a more sophisticated way of using our money. It is here, at this nondescript moment in the minds of men that we always attempt to combine receipt forms with wealth forms.
Throughout history, each one of these new ideas were embraced as a way that was sure to undo the prior problems. Each time the wealth of common man, his life long savings, is risked and then squandered once more as the world tries to make gold something it isn't.

It always starts off as a fine idea, a reasonable method, a way to better define our security of wealth and surety of payment. With each invention and improvement to our economic lot comes a better way to use gold without giving up any of it's historic principles. Principles of wealth form that
serve us by not cheating us. All done as we proclaim that "us humans" would conform to not cheat these principles in exercising this new process. Such a proclamation is repeated relentlessly until the ears of countless generations become numb from poorness without real wealth.

Truly, as mentioned on the GoldTrail, the money of our ancient fathers was not money unless it was wealth and it was not wealth unless it was possessed. Yes,,,,,,,, that one law of money that so convolutes our souls today as we struggle to contrive a way around such an unsophisticated rule of common sense. As surely as breath and air complete the circle of life, gold in hand, underrepresented by a claim, is the money we children have never known.

Sir, you write (condensed for space):

------I think I know how the baser human tendencies ---------- with the
added advantages modern technology makes possible. We may perhaps best begin this particular trail with the French paper money experiment ----------"To reach the climax of ferocity, the Convention decreed, in May 1794, that the death penalty should be inflicted on any person convicted of 'having asked, before a bargain was concluded, in what money [assignats or specie (gold and silver)] payment was to be made.' The great finance minister, Cambon, soon saw that the worst enemies of his policy were gold and silver. Therefore it was that, under his lead, the Convention closed the Exchange and finally, on November 13, 1793, under terrifying penalties, suppressed all commerce in the precious metals." -Andrew Dickson White, Fiat Money Inflation In France ----
--------Simple self-interest caused the French people to discount the paper assignats vs. the precious metals, so much that the "authorities" had to attempt to drive gold and silver out of the market places in a vain attempt to save this their latest paper scheme. It took the French about 10
years, door-to-door to clear things up and get back on honest gold. In fact, Napoleon was the follow-up to that paper experiment, and he fought most of his major battles financed directly by gold. You see, history is _not_ the paper context punctuated by sporadic honest hard money we all assume because we've all lived in the midst of the paper. It is rather, honest hard money punctuated by relatively short bouts of shakey paper money. ----------

Sir,
This account is but one portion of the story. The corruption of wealth did not begin or end with this moment in time. Walk backwards from 1794 and view the context as it is punctuated with debasement of the metal itself in between and before these bouts of shaky paper. A search of our
manuals will indeed pinpoint the exact time when gold the money wealth became the object of wars and revolutions. That year was when man decided to combine the wealth concept of gold with the credit concept within him. From that moment on gold began it's troubles.

Now, walk only a short step forward from the French period as they strive a resolution of their money problems. Here we see where it all began again, even into this day.

You write:
----- It's our misfortune to be near the tail-end of the latest and most wide-spread paper experiment in history. So far, in pure form, it's lasted only about three times as long as the ten-year French experiment 200 years ago. It's longer because it's more wide- spread.----------

Sir,

The British before us were lending and printing credits long before the US learned how. We should not judge their gold period a sucess either. Just because they brought the world a long period of gold based money did not hide their inflation. Political styling, as it were then, demanded a constant search for subjects so as to steal through warfare that gold they did not have. Inflationary expansion through expropriated gold is inflation by any means necessary and the same mind would print for the same purpose, if needed to achive a political end. Hard money historians would have us think the King would not have printed gold receipts if he had no gold. When gold is money, it will be inflated by a society unable to controll their controllers.

You write:

----- It's a little different this time. Things are daunting for other reasons, but the out-come will be the same, reinstitution of transactional gold.----------

--------TG, you already know gold shines as the premier wealth preserver. If title to it can be transferred securely and easily from person-to-person, it once-again becomes the odds-on favorite for the inflation-proof transactional medium it has always been. It's the very fact of the ease of electronic transfer of title made possible by the internets, combined by the legendary advantages of gold money that nearly guarantees this outcome.----------

Sir,
I do not consider gold as a wealth preserver. Nor does any other Physical Gold Advocate. We consider gold itself as wealth. Indeed, "odds-on favorites" you say? Our history is full of new forms of paper receipts that would better work as the transactional medium of their day. As I told ET and others on the Trail, man cannot control his controllers, nor can he discipline fiat with gold.

To young ears, (and I know Another will smile while reading all this) this speed of electronic transfer sounds like new news. Yet, with each new form of paper currency came the next generation of faster settlement. None of these advancements, including your latest item, addresses how it will avoid the political stress such systems face during downturns, crisis and war. As the turn of these events is marked, so to is the national money also marked. The cry goes out, if fiat is our money, we must borrow it. And if gold is our money we will borrow that too. We will make money as needed!

While it's true that all wealth is appropriated during crisis for the good of all, anything that is fiat and
receipt in nature is inflated the worst. Your "electronic gold" is nothing new in function, only new in promotion. It will succumb to the same human faults all gold receipts fall into, greed, corruption and paper inflation. No matter the safeguards in place. The Physical Gold Advocate moves forward in modern times to use and embrace the same fiat society will tamper with. All the while owning the wealth of ages as the ancients did, in your possession. In this way, the average family will know their wealth is real while society at large fights their historic war with man's credit money.

Thank You all
TrailGuide
==========

Trail Guide (04/27/01; 06:13:36MT - usagold.com msg#: 52685)
comment
Cavan Man,
Thank you for your comments on our discussions here. You mentioned that I was a class act,,,,,,, Well, you should see the look in my wife's eyes when our large dinner functions conclude with a silent room and me talking about politics. HO! Ho! No thoughts of class in those eyes! (grin)

LeSin and Lafisrap,
Speaking of eyes,,,,,,, at our G7 coming up,,,,the ECB will be getting a case of the dry eye (no blinking) while everyone else in the house is crying! I'll do my part to console them in their hour of "transition". (smile)

Journeyman,
OK, my friend,,,,, you have made your case and I mine. Now we watch this all unfold and weigh the evidence. By the way, didn't the electronic gold companies have a major problem making any market at all after the Washington Agreement? I think MK or Randy may have commented on that item because customers were complaining that E-Gold (or one of these) couldn't buy or sell for a while. Funny, there was a 24/7 market for my gold during all this. (big smile while digging for old bones) Natural for me because I do a lot of digging for,,,,, old gold,,,,,, gardening and,,,, peoples
perceptions and intentions.

Thanks all
Later
TrailGuide

Trail Guide (4/28/01; 07:59:31MT - usagold.com msg#: 52738)
China Gold!
http://www.usagold.com/DailyQuotes.html

From the USAGOLD News Feed (see link above):

Parts of article -----

China to Reform Gold Management System

------China is going to abolish its planned management system for the unified purchase and distribution of gold and to set up a gold market in its stead, said Dai Xianglong, governor of People's Bank of China.----------

----------For a long time, China has instituted the planned management system featuring "unified management, purchase and distribution"---------- the problem featuring the lack of pressure and vigor for gold production and operation brought about by planned management has become increasingly conspicuous and has, to some degree, hindered the further development of the industry in gold production, processing and sales. It is therefore imperative to reform this system. ---
----

--------Dai said that the basic ideas in reforming the system are: to set up a !!!!! gold market !!!!! to replace the aforesaid planned management system----------

--------The main contents include: first, to cancel planned management of gold. set up a gold swap market in Shanghai ---------in the form of a membership system ----
------

(MY NOTE: Not to be confused with a paper ownership swap in the context of our recent discussions)

---- Second, to abolish the licensing management system for the business such as retail, wholesale, processing and management. ------ Third, to relax control on !!!gold imports !!! in light of the process of !!!!! foreign exchange system reform!!!!.

(My Note: Don't you just wonder what they mean by that? Almost makes one think that someone,,, somewhere,,,, has decided to use gold in a different context. Almost like using it as a wealth reserve asset that's market to the market every three months. Strange, though, there is no
mention of a "redundant" (thanks Randy (smile)) metal helds as this asset???)

-----Currently, the People's Bank of China is actively carrying out various items of preparatory work in line with the general arrangements for the reform of the gold management system---------

----- it will start up the gold quotation system as quickly as possible, formally carry out the purchase and distribution of gold; it will intensify efforts to adjust the current gold management policy, to ensure that the gold retail business license system is abolished in the first half of this year. ----------

http://english.peopledaily.com.cn/200104/28/eng20010428_68866.html

Ok,,,,, looks like they are moving towards the "big Bang" coming in the second half. Come to think of it, the EMU is making plans to circulate currency at the end of the 2nd half??? It's time for me to talk to a few friends. later

TrailGuide

Trail Guide (5/3/01; 04:48:34MT - usagold.com msg#: 52966)
Comment

Hello again!

Had some interesting conversations with a few friends recently. I'll try to convey those talks into a trail walk this weekend. Another sent me a letter and has offered a new reply post to the forum. I intend to convey that letter and his letter also. As a change, we are going to post his Thoughts on the Gold Trails page.

Now that my computer is finally back up to speed, will begin replies and comments to some of the great posts offered here a few days ago. Will return tomorrow!

TrailGuide

Trail Guide (05/05/01; 20:46:10MT - usagold.com msg#: 53119)
a little late
USAGOLD (5/3/01; 19:40:36MT - usagold.com msg#: 53004)
Randy. . . .Argentina

-----FOA, maybe you'd like to get in on this??? ------

Hello Michael and everyone!

Oh yes, I not only would get in on this but think I am "in it" up to the old arm pits already (smile). This world of ours is changing fast these days.

Actually, I only just now had time to copy several days worth of the Forum for reading. I'm late to my own invitation here, I know,,,,,,,, but as they say,,,, better late than never! I took the time to finish several things so as to clear up my writing schedule. Have a lot to say and reply to,,,, and this coming week will be very, very free. Oh yes,,,, one other thing,,,,, ET,,,, did you (or anyone here) ever drink in the "monkey bar" in central Oahu (Hawaii)? I know it's long gone now,,,, but there was something up on the roof of that place that you may be interested in. Much more interesting than that huge jungle cage of monkeys behind the bartender. (big grin)

OK everyone,,,,, I'll be back here as soon as I unpack and take care of some things,,,, then it's time for some real give and take.

TrailGuide

Gold Trail Update (05/06/01; 20:30:53MDT - Msg ID:53184)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (05/06/01; 20:30:52MT - usagold.com msg#69)
A Tree in the Making

Hello everyone!

Let's gather around and begin with a talk first, then an extended hike. I'm sorry to be so late and am also happy you didn't decide to start without me (smile)!

It's good to see so many familiar faces. It looks like the whole forum is here! There is MK with his warm cup,,,, Randy away from his tower,,,, and Mr Gresham who is just back from a historic visit to the "The Pearl City Tavern". His visit there (see #53150) was in response to my recent return post [#53119]. More on that in a moment.

I brought something with me today, as an example of human foresight. Yes, this fine ancient rosewood Bonsai tree. It's one of a collection I own and is quite old. Some of you may have already experienced these "works in progress" at The Bonsai National Arboretum in Washington DC.. Or perhaps you traveled to Elandan Gardens (in Bremerton, Washington State), where Dan Robinson has collected and displayed some of the oldest Bonsai known. Indeed, he has collected them from all over the world! They are priceless.

It's important, for our talk today, to understand the difference between many of the Elandan Garden ancients and most of those at traditional museums. Mr. Robinson retrieved many of his specimens from mountain tops after they had been growing for hundreds and hundreds of years. Untouched by man's hand, they formed most of their shapes by fate of nature long before Dan found them. The more traditional Bonsai, started by people, were formed and trained from birth. Hence, their more standard styling.

So,,,,, what does all this have to do with the old "Monkey Bar" at the Pearl City Tavern? The same bar that our Mr. G just paid a mental visit to? Well, many years ago I was there for wine and dinner. The place was rumored to be a hangout for spies and international intrigues, but I didn't
happen upon any (smile). Later in the evening, I was taken up on the roof and given a private tour of their Bonsai collection. One tree, in particular, was a spectacular item that had been passed through over ten generations of Japanese lineage. It was here, on the roof of the Monkey Bar, that I first began to understand how societies endeavor to manage the events of life yet never fully control it's outcome. And further, it seems the difference between great leaders and simple manipulators is perfectly demonstrated in the art of Bonsai.

The blatant controller will twist and turn, cut and destroy,,,, in an effort to replicate an image he has seen in the past. The beautiful landscape scene he remembers as perfect,,,,, all good and all right for himself and perhaps society at large; this system he strives to repeat as the bonsai grows. In the end,,,, he fails,,,, unable to reproduce what once was. Killing the system,,,, the tree,,,, the old currency. The very thing he and we all wanted so much to grow.

But, greatness is within those that know life is dynamic,,,,, what we do is never certain and subject to the leadership of nature. That person will spin the Bonsai on a table for hours, days, and even years as he styles what will work for that period of growth,,,, perhaps planning the timeline in a currencies development. A cut here,,,,, a change there as time grows the next limb. In the process creating something we all recognize, can use, understand and enjoy,,,,, yet,,,, different in many ways from what we knew or saw before.

Onward a bit

Thank you Michael, for your outstanding post today (#53135). I suspect, my friend, you have always raced before the wind! Perhaps a fine example for others to see as

they drag anchor on the rocky bottom of history. It's sometimes good to seek safe harbor, I know, but this time the prize will go to those that outrun the storm (smile).

I see that our poster ET has gone away for a golf trip. Too bad, I wanted to remind him to be sure to bring plenty of currency along to pay his travel expenses (grin). In this world we all need much; blessings from above,,,,, family,,,, home,,, friends and good health. But after all that, one must have currency *and* an enduring, tradable wealth asset that places our footing in life on equal ground with the giants around us,,,,,, gold! Understanding the events that got us here and how they will unfold before us is what this GoldTrail is all about. Everyday our political world is pruned like two Bonsai, in an effort to shape a more healthy future. The dollar tree is failing because it needs so much dead wood cut off,,,,,, but if it is pruned it will not resemble the mighty Bonsai it once was! The Euro tree is growing as it is being styled,,,,,, what it will look like we have an idea,,,, but not a complete picture. It's hard to imagine that anyone can look at an early Bonsai and shape it's future some 20 years out? But, that is exactly what someone did with a tree on the roof of the Monkey Bar in Hawaii; indeed, this is what has been in process for so long with our changing money system.

OK, it's late for me and I plan on walking for some time this trip. So, let's camp here and rest. There is more trail ahead.

Thanks
TrailGuide

Gold Trail Update (05/08/01; 09:59:55MDT - Msg ID:53233)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (05/08/01; 09:59:55MT - usagold.com msg#70)
A Tree in the Making #02

Well good morning everyone!

Waking up on the trail is always a great experience. Our thoughts are fresh and the air is clear. Indeed, clarity is something that us real Gold Advocates are now fully experiencing in these latter days. Over a fresh cup of coffee, we can look around and for the first time begin to place the GoldTrail landscape in proper perspective. A perspective that breaks the old illusions of gold's paper worth and replaces it with an understanding of it's coming dynamic value as real wealth.

Down the trail,,,,

gold will no longer be able to successfully carry the Western name of Money so as to allow for it's political price fixing. A process that, it seems, has been with us for generations. Enslaving millions of hard workers by always officially classifying the terms and value of both their paper currency and their metal savings. Always inflating *both* items for the good of society's never ending political agenda. Then, never allowing Another currency to command an equal reserve position so as to engage and weigh the motivations of more than one political arena. Engaging and weighing these fiats not just within the exchange rate function, but additionally

against the real wealth function of gold. (see MK's post below)

Allowing FreeGold to circulate as a wealth asset would denominate it's true worth through the much larger real demand of "Wealth Possession" instead of paper possession. Such a gold scale would measure our world reserve currencies against each other instead of against our Western concept of gold as official money. But, in addition, on a more higher level, prevent any one country from subjugating other nation states through fiat dominance. To more fully grasp the impact of "Possession" and why ancient gold was worth so much more as FreeGold; hike again that part of our trail (FOA (04/18/01; 20:20:06MT - usagold.com msg#64) Lombards, Normans and Franks.)

Both as official wealth and private wealth, physical gold will march with us into a future at values the likes of which we have never known. Understanding the how and why this would all come about took time and personal reasoning for each of us to sort through. Much of our background building would not have been possible without this modern internet. Further, without the fine folks at CPM, this unfolding story would not have been defined in mass, for all to see. Events now slowly build the story on their own as we become ever more secure holding physical gold for the acts that will follow.

Onward a bit:

I'm handing out these reprints of two important explanations of what we have meant and the perception that has been created. These are perceptions built upon not only our ongoing discussions and hikes here but also the refining input of the thousands that walk with us on the USAGOLD forum. Below defines their authors take on Another's thrust. I would say they are very much on the mark. First, from Randy at the Tower (USAGOLD sitemaster):

Randy (@ The Tower) (04/17/01; 13:37:02MT - usagold.com msg#: 52046)
Mr Gresham, nice question (msg#: 52041) --- *"Was the Washington Agreement the most significant event in gold since you were last posting in 1998?"*---

If I may be so bold, let me anticipate ANOTHER's answer with an answer of my own.

The most significant event in gold since the dollar's gold default in 1971 has been the successful launch in 1999 of a long-awaited new currency system built upon neutral (meaning, multi-national) management and, more importantly, a floating gold reserve structure that finally abandoned the now obsolete "fixed" gold legacy of the failed Bretton Woods structure.

With this new reserve structure, the prevailing institutional incentive -- from '71 to the end of the millennium -- need no longer be one of "price suppression" for the perceived market value of gold.

In this light, the most significant element of the Washington Agreement is seen to be NOT the amount of pre-announced gold sales, but rather, the self-imposed curb on gold lending operations by these European central banks. And if you think about it, this action with the Washington Agreement was nearly just a predictable inevitability from the moment the eurosystem committed to provide for freely floating gold

reserves. The "tools" of the prior suppression are on the outs. Believe it. The WA simply announced the foregone conclusion in a package suitable for newspaper headlines.

Just as the value of the post-'71 paper dollar has long been propped by the international yet artificial "mandate" to hold these dollars almost exclusively as reserves (acting in tandem with the dollar settlement for oil and the overhanging debts of the "Third World"), through this new currency structure gold (and its price/value!) has now been "officially" set free to replace these dollar reserves (savings).

The reason this full transition has not already occurred is that institutional interest still exists to foster the smoothest practicable transition until that unknowable moment where the final remaining *SNAP* in the adjustment occurs.

Speaking for The Tower and personally, I continue to buy gold with excess funds because I prefer the real wealth of gold over managed paper (and digital) contract currency. As a bonus, the real wealth value of same gold will provide a pleasant benefit upon full completion of the transition in world currencies' reserve structures. (An understatement, to be sure.)

Absolutely, Sir Randy!

As clear as mountain air. Next, the most recent treatise from USAGOLD (who is this guy? smile):

USAGOLD (05/06/01; 09:48:35MT - usagold.com msg#: 53135)
ET et al. . . .On Currency Competition Quote from ET:

Randy asked me the other day what I thought about the "suffering" that has been caused by the US currency hegemony. Why do you think he would ask this? My guess is that he believes great suffering has come to pass and I certainly agree with him. However, he then goes on to say we should adopt another version of the same thing, apparently so the suffering can be spread around a bit. ---------

I have spent more than a small amount of time analyzing and interpreting the Another/FOA message, and I think you have reduced their message to a very narrow interpretation that falls short of of the mark. The statement above is indicative. As a result, I thought I should comment on the subject because I think you've missed a great deal of their message. I hope to add to your thinking as well as to others who may have fallen into the same misreading of their analysis. The danger in this sort of thing as always is that I may not be saying things with which FOA and Another agree, but I think my recapitulation accurate and if I'm missing something, I hope the other participants will fill in the gaps. I will not comment beyond this on this subject, because, as always, I am sensitive to playing too large a role here at this esteemed table. Those who are bored with this sort of thing, I beg your indulgence. Those who revel in it, I think you will find much to chew on. . . .per below.

Onward. . . . .

You and Randy are correct in pointing to dollar hegemony as a source of much suffering in the world -- intended or not. In fact President Bush has expressed the same reservations, more or less in a backhanded way, in his criticisms of the IMF during the campaign. So none of us are alone on those concerns. I think however that you need to expand your understanding of what Another/FOA are trying to convey, because it is not a simple advocacy of the euro over the dollar -- but a much deeper and important advocacy of competition in currencies, much as we have competition in other realms within the economy. This lack of competition is the problem with dollar hegemony and makes it possible for New York based multi-nationals and international banks to make bad (non-repayable) loans in the third world and then turn around and impose stringent conditions through the IMF that strap the local economy and eventually send the people into the streets -- ala Indonesia a year ago -- agitating for "economic" justice. (And of course that's just one example of the excesses of a monolithic reserve currency) Years ago, such injustices would have been fertile ground for Communist agitators, but now with the fall of the Soviet Union perhaps the multi-national crowd has been unjustifiably emboldened. In the long run, competition for this market from Europe, with an agenda of its own, would be good for the dollar and the international economy as well as the U.S. and Europe, and therein lies the real thrust of the FOA/Another analysis.

Let me take this a bit deeper:

I do not believe that Another/FOA are advocating a fiat euro which would "replace" in toto the dollar. Instead they advocate the euro, dollar and gold should "compete" for the hearts and minds of ordinary people (in terms of the currency they employ to store wealth), important financiers (as a hedging methodology), and, yes, central banks and nation states (as a reserve asset). In the case of nation states, the competition would inherently create circumstances leading to each doing what is necessary to make their "reserve" better than the other "reserves."

Under such a regime, the importance of gold ownership, for nation states, as well as individuals, would not be diminished because any nation state is capable of dalliance along the road to currency inflation making it necessary for the other participants to "hedge" their holdings. It is in fact a novel concept built closer to the von Hayek foundation of competing currencies -- including gold -- than possibly your own reliance on a gold standard as the ultimate and only magic dart that will find the target's center.

In fact there is a danger there that you might have overlooked. Take for instance the widely disseminated Kemp/Polyconomics New Bretton Woods proposal of a gold standard being bandied about in the conservative press. That proposal pegs the price of gold at $300. A major problem quickly surfaces: Whatever's left of the U.S. gold supply would disappear completely within six months of posting the $300 price -- the work of Continental Europe begun in the 1960s/1970s will have been fully rendered. The danger of course is the gold standard you would like to see is not remotely connected to the gold standard others, more politically inclined would like to see, so you always end up with this warmed-over version of a gold standard that gets right back where we started.

As a matter of fact, I see the FOA/Another currency concept as closer to the tenets

of libertarianism (and Jefferson) than a gold standard because of the exchange restrictions which inevitably follow. In other words, we would very well be right back in 1971 with the United States once again facing the prospect of shipping its gold reserve to Japan and Europe in defense of the over-produced dollar. (Unless of course, the price were set at something like $3000 to $5000 per ounce -- then you might have some equilibrium.) Idealistically the gold advocate would most certainly would like to see a gold exchange standard -- but at what price and what would be the economic consequences if it were to be set where it should be? Polyconomics offers up this
arbitrary $300 price because it wouldn't break the current international system, but when it comes to real political/economic policy ideals and practical reality often clash. It's always nice to hear someone like Jack Kemp speak glowingly of gold, but before we roll over and cast adoring glances at the politician perhaps we should better understand what the politician is actually stumping for, and in the Kemp/Polyconomics case it is more currency hegemony under the guise of a free international gold standard, a hegemony paid for by the American people in the form of its gold reserve.

Currency hegemony is precisely the opposite of competition -- it is, in fact, the imposition of a currency, even gold (at a stated currency price, of course), on the population. As such the euro is important in that it challenges that hegemony, and does so with the key concept of utilizing gold as a "currency without a country" to act as a reserve for interventions if required -- a breakthrough. Re-read Mundell on this. You and I and the rest of this forum could be talking about the need for a gold standard now, tomorrow, the day after that and for all the days remaining in both our lives, and I do not believe we will be any closer to its imposition then than we are now -- thanks to the wayward and half-baked thinking on the part of some of the very gold "advocates" who are supposed to understand economic history well enough to anticipate some of the consequences. In
other words, the gold standard probably isn't going to happen. In the meanwhile, practically speaking, the best option is for all of us, including the various nation states to own gold as a talisman against our own worst instincts.

If Randy is concerned about hegemony and its effect on various populations, I don't think it's because he would like to replace that same hegemonic error with another. I think he agrees with FOA/Another that competition paves the road to a better international monetary system. I do believe, as FOA/Another do, that with the euro we are talking about the currency of the future here, and I believe that the dollar will eventually be modeled after the euro. Not only that, I believe we are talking about, not just the currency of the future, but the international monetary system of the future -- for what its worth. Sometimes the world heads off in a direction even if we don't want it to.

Once again I'll reiterate what PH hinted at in his post: For most investors the world over, the ownership of gold is a pragmatic undertaking, and what FOA/Another are advocating is a practical, hands-on solution for the average investor -- personal gold ownership. I think Randy agrees with this position, as do I. I can envision private gold ownership as a necessity even under a gold standard -- because there is little doubt in my mind that if the government were to undertake a gold standard even under the best intentions, with Lewellyn Rockwell serving as Chairman of the Fed, it eventually would botch the whole scheme -- politics being what it is. (By the way, I can't imagine a currency regime at this late date that would allow only the circulation of specie. Therefore, you will always have various derivatives in circulation along

with the government largesse, currency printing, tinkering with the gold price which threatens the value of the paper. Gresham rules.)

In the end, he who owns the gold, makes the rules. And it is the personal ownership of it that will carry the day on a practical level while governments will do, well ..... governments will do what governments do.

Ha! Ha! Now, that was good! What chance do us poor hikers have against a mountain climber like that? Legs like tree trunks and a mind the size of Bolder (Colorado?). (grin)

My friends, think carefully about these while I go over to see what Econoclast dug up on the trail. I asked him a question on 04/25/01 usagold# 52540 and I think he found something! A little later today we will continue the hike as I address the views above. Even later, I will post Another's latest Thoughts here on the Trail. Events are unfolding and it seems the BIS is thinking of making some changes.

Thanks
TrailGuide

Gold Trail Update (05/08/01; 20:54:49MDT - Msg ID:53254)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (05/08/01; 20:54:48MT - usagold.com msg#71)
A Tree in the Making #03

Across the high pass,,,,,

The other day I came upon Econoclast working the Trail. After asking him to define what his actions would be to defend a modern gold standard, he replied and his answer hit some gold! My initial #52540 request in summary was: ---- How do we stop this ages old evolution of "thinning our gold" when our economy slows?---------

Hello Econoclast,
I'm going to take parts of your find and comment on it out of sequence. You write in #52646:

------Any system that could possibly be thought of or proposed must include the use of law. Part of the answer (transparency) includes a complete treatise of the "new" laws written in simple, direct English (8th grade level-2 pages instead of 2000). The laws would be directed towards controlling the bankers, not the people for a change. The laws would be written with input from bankers, but not by bankers. Penalties for financial fraud/counterfeiting/etc. would be severe. ----------This new gold dollar system would function alongside the current FED system. Any large debts (mortgages, business debt, most importantly, govt debt) would be denominated in fiat dollars. That way govt could continue to operate (maybe, ha ha) and the banksters could still have their play money to manipulate and try to capitalize on. A free market would exist to redeem back and forth as necessary. This

free market would show the relative worth between the two currencies. ----------
-

==========
Excellent thought sir. Econoclast, using your thrust as my platform:

One of the major problems faced by past hard money planers was that any time real wealth, gold, is denominated as credit money, it always placed the relationship between the rule of law and the rule of gold at odds. If our laws defined gold as official money, and lent it, then by association the law had to define a portion of gold that did not exist in circulation. That portion was the contract asset held as bank savings. Yet, a person's claims against it identified said gold as real. This was and is an inherent contradiction because no law can define the value of real wealth held in contract.

This particular fiat form of hard money owed it's existence upon a continuous function of the economy. What the above means is that you cannot take something real and lend it over and over, as banks do when lending fiat, and still demand that the law recognize said contract moneys as hard legal tender.

I would state that no form of lent gold be recognizable or enforceable in the court of law as a legal tender contract. One may borrow gold, relend it, or even borrow against it, but that gold would not be valid in the payment of all debts both public or private. It could not, by law be legal tender. This is not to say the trading of gold would not somewhat supplant currency in function. It could and most likely would to a degree, but it would no longer carry a credit quality that fiat would in the form of a time function. Indeed, in our modern economic structure, a credit time function is very valuable and gives digital contract currencies their demand.

To deal in the future,,,,, to borrow,,,,, to capitalize would require the use of a fiat function. Gold could / would be a final trade; I'll give you ten cars (or gold) for your house,,, deal done. If I want more time to pay, I and we must engage a fiat loan.

==========
You write:

-------weaving OUR gold supply, literally, into gold dollars--------Contracts could be denominated in gold dollars, however these "gold notes" are strictly non-transferable. If someone wants to sell their gold note, they can't. It is only enforceable between the parties that entered into it originally. All forms of paper gold are illegal-fraudulent. Any debt larger than the legal tender law amount has to be denominated in fiat, smaller can be negotiated.----------

Well sir,
Once again, it looks good at first but later evolves. By mingling your gold currency into the contract / credit realm, it once again creates gold loans that are at odds with human nature. Yes, the gold notes may not be transferable, but the lent gold currency is. It is at once someone's asset while also another's liability. The gold currency in circulation expands thru the nature of loans. When these loans fail on a national scale (major downturn) the legal tender laws defining our new gold currency will be changed. We thin our gold again in an ages old cycle aimed at covering debts that are the common citizen's savings.

Still, we are not far from the position you see. We must remember that neither currencies or gold define society's economy. Business can function using fiat alone. We have been doing just that for a number of decades. Installing a trading medium outside lawful money that acts as a wealth savings and a final trade will not destroy the bankers, governments or paper credit inflation. But, it will allow society a way to judge political efficiency. A nation's productivity will then have two scales to measure with, one it must live with (final payment) and another it cannot live without (future payment).

We shall see (smile)

Thanks for digging deep
TrailGuide

Gold Trail Update (5/9/01; 07:20:23MDT - Msg ID:53279)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (5/9/01; 07:20:23MT - usagold.com msg#72)
A Tree in the Making #04

Sun's up, time to move:

We have covered a lot of ground and this framework, when viewed in context, helps explain much of what has happened with gold over the last twenty or thirty years. Even more so over the decade of our 90s.

Many hard money investors drifted with this evolution, right into it's most volatile decade. Thinking they were part of a much more efficient, changing, paper marketplace. A market that was utilizing all the modern trading system in order to not only advance gold perception but add profits to their accounts. It's been a painful mistake for many.

Our modern gold market and the price illusion it creates, is little more than a fiat dollar system that denominates gold credits in contract form. Is it a free market? Why yes, very free. But only free in the sense that supply is unlimited. Investors and the industry in total, brought into paper based gold and yet they fully well knew 90% of it had only cash equity as the collateral on the other side. Then, somehow expected that those contracts were limited in creation by the fixed amount of gold in the world. Their mistake, not the markets.

Clearly, anyone schooled in classic hard money Thought should have known that this was but Another inflation, a transitory era between systems. This was a time to gather gold over years, not invest in the leveraged aspects of gold's new fiat versions. Nor, to buy into the gold industry that owed it's life and cash profits to the maintenance of such a system, transitory as it was.

Onward,,,,,

In USAGOLD #53135 (see earlier), the perception was stated that; -------*As such*

the euro is important in that it challenges that hegemony (my note: dollar's), *and does so with the key concept of utilizing gold as a "currency without a country" to act as a reserve for interventions if required -- a breakthrough.* --------
=========

Indeed,
a currency without a country! In order to implement such a currency, gold would require laws that would keep it within it's wealth concept. Gold in possession would be wealth in possession as long as governments could not use it as credit money. In my discussion with Econoclast, I took his legal meanings and applied them to this "wealth without a country" position.

Keeping gold out of the fiat arena would be more simple than many hard school advocates envision. The key to that is found in the implementation of international law. The leading economic countries (EuroZone in the future) would have but to establish a protocol that forbid the enforcement of collateral attachment anytime physical gold is traded, lent or involved in a trade. In this context, no banker would lend you gold to buy a house if, in a default, he could not claim your house in a court of law. Even private parties would never lend gold if the asset behind the loan could not be claimed for nonpayment. It's that simple. With a stroke of written law, the trading of gold as wealth would become a final payment with no possible credit implications. Our official fiats and wealth without a country would never again function as one.

When USAGOLD went further to say that; ------*that competition paves the road to a better international monetary system. I do believe, as FOA/Another do, that with the euro we are talking about the currency of the future here, and I believe that the dollar will eventually be modeled after the euro. Not only that, I believe we are talking about, not just the currency of the future, but the international monetary system of the future -- for what its worth*.----------

Yes Michael, this future is before us. As hard money advocates, I think we failed ourselves by falling out of the loop of economic evolution. Truly, we have circled the earth and now return to our roots. Only, once unearthed after all these years we cannot recognize them.

We lost our ability to advance with the advances,,,,,, to grasp that ours is a credit society compared to none before. Even the world's gold dealers operate on credit,,, on loan,,,, on fiat! It's our accepted way of life,,,,, to function within this era,,,, as loans both personal and official live and fail. We gamble,,,, we bet,,,, we play at life. Sometimes suffering the loss, no matter the gain.

We are no less than the citizens of Rome, only they knew how to keep their wealth aside the "games people play". They understood the "possession of gold"!

Further on we walk,,,,,,

Within this perception we can separate the actions of goldbugs and gold advocates. Western goldbugs strive to fix the current system. They hasten to make right the paper markets that have failed their gold industry investments. In doing as much, they push for a return to a status quo that never existed, failing to see that this past decade was but a passing,,,,,, an evolution,,,,, a transition that started long ago. I doubt Gata will ever see the end they seek as our gold market will fail sooner rather

than "in time" for their legal resolution. They fight a good, worthy fight and call needed attention to the situation. But fail to "seize the moment" by clinging onto the past. The gold industry is lost as time and marches past. As events transpire, gold in the ground will be of less importance to common man and officials alike that gold on the surface. Gold will be produced, but it will be a far less profitable experience than our future gold price will dictate. Truly, it's a gamble no different than guessing the future of dollar fiat. Perhaps a small win, but more likely a large loss.

The future a Gold Advocate seeks is not found in Euros, Dollars or just gold. Rather it's found in understanding the Euros impact on the dollar's value and how that will change the gold markets,,, forever! The political motivation in all of this is the show of the century and worthy of our respected attention. Even now, the oil card we have discussed for so long is changing our dollar way of life and quickening it's fall. As seen in the Black Blade chronicles. Was this connected to the planning for gold and Euros? You bet, grasp it or no, we will feel it's full effects later.

Onward, my friends, this trail is only just now becoming extremely interesting. Truly, the ownership of physical gold will make this trip even more so,,,,,, perhaps even,,,, fun? (smile)

More later
TrailGuide

Trail Guide (5/9/01; 12:07:17MT - usagold.com msg#: 53295)
Comment
ORO, everyone,

I was going to comment more before moving on with some of Another's recent political thoughts. But it looks like I have said enough to warm the fires (grin)!

OK,,, ORO let's talk some on this forum. (smile)

Be back later
TrailGuide

Trail Guide (5/9/01; 18:04:25MT - usagold.com msg#: 53314)
Comment

Hello ALL,

ORO made some interesting comments and I want to take issue with a few of them. I'll start with his first post. (also, a big welcome back to you sir!)

In your post ORO (5/9/01; 11:40:43MT - usagold.com msg#: 53294) FOA - NO LAW,,,,,,,,,,

you write:

--------My take on Europe and the Euro are that they are desperate attempts to save European governments from competition among each other and the rest of the world, and of their trying to maintain the political hegemony of the small bureaucratic and political elite within Europe.------

No ORO, that view does not hold water. Europe, along with imput from many other non dollar nation states, has been working on currency union from the most early days of the "European Economic Unit (EEU). That one thrust alone dates back into the early 70s and even before that they have tried to match their economies by presenting united exchange rate mechanisms.

If their current objective is the object of a desperate attempt, you will have a hard time defining desperate over such a long period. My take and that of quite a few Europeans is that their union has been well planned yet very complicated to establish. Indeed, most any political analysis would describe their drive as remarkable given the enormous roadblocks the US / IMF / dollar faction has thrown at them. Truly, if "political hegemony of their elite" was all they were after, they would have scrapped all dollar support at the Jamaica Accords conference. They could have easily matched the economic deterioration that action would have caused, against the cost of no longer supporting
the dollar. These countries inflated their own internal currency systems in order to maintain a world dollar standard. This alone flies in the face of hegemony on their part, both then and now.

You write:

--------The purpose of the Euro is to trap capital and trade within a political block controlled by this elite ---------- It has only to do with political power attempting a last ditch effort of governments of Europe against the forces of globalization and economic and technological progress.--------It has nothing to do with any of the following: political subservience to the US, the
cost of using the dollar for international trade, the dollar's wobbly past or future, trade efficiencies, free trade or liberty of any sort.---------

That's a pretty broad statement. Sounds like the history of the world from beginning to end. (smile) Yet, I can find nothing in European culture, ideals, nationalism or society in general that I do not find here in the US. Usually the motivation is functioning under a different name, though the effect is the same. Americans have in the past thrust their protocols upon the Old World culture. In this light, some of us think this shouldn't effects a Euro policy response. Hello? Good perception comes with understanding and loose observations are useless when seen using tunnel vision.

Consider:

------We Americans trap world capital through dollar hegemony and call it "Americans for free trade" ------- We shutter at the thought of Euros in our pocket, as a second currency, and would impose any amount of foreign exchange controls to limit such. But we are very open to globalization at any time. ---- Trade efficiencies are great as long as they favor our lifestyle above other nations.
----- Further, our liberty is a good thing, but the liberty of others is unimportant if it interferes with our national interest. --------

Still, if the Europeans are trying to attain our same position in international affairs, it's seen as their elite power block holding on? No, that doesn't clean the laundry either.

Perhaps the difference of perception is seen on our last Trail Walk; --- As such the euro is important in that it challenges our (dollar) hegemony-----. This alone, ORO, is enough for us to structure for the outcome. Whether one can see the political motivations correctly or not, their Euro
will re-balance the world of currencies and have an outsized effect on the US.

You write,,,,,,,,,,

--------The legal provisions you talk of will not destroy or prevent a future gold banking system that might compete with the fiat insanity. It will destroy the countries that sign on to it, which are likely not to include the US and most of Asia unless taken over politically by EU influences (which
are not that strong there). ----------

Sir,
First of all, you should stay within the context of my discussion with Econoclast. We were presenting positions, not launching ICBMs. The position I presented is valid in limited circumstances that would include a fallen dollar. This has been discussed by others "overthere", among other criteria. You speak of fiat insanity? I point out to you and ET and Journeyman that hundreds of millions of us have been living with such a currency for some time. Insanity is a bit
cheap of a description when the world has endured wars and multitude human infliction for thousands of years. If this whole transition fails, we will still live out our lives with fiat, like it or not.

When you state the following:

-------The attachment of collateral to gold is innate in the action of trading gold. Without that, there is no trade in gold possible at all. All trade involves the creation of a debt, at least temporarily. The debt may be secured by the items traded, but transactions must involve a debt. Transactions also must involve a contract. Ownership of anything is title, either assumed through possession, or
documented. A system that does not allow collateral backing a contract denominated in gold is a system that does not allow gold to trade, and endangers title to gold not in possession. Doubtless, the purpose of such law would be to allow governments to confiscate gold held in custody (not in
possession) if the attempts to prevent monetary use of gold fail.----------

You are right, it is innate to this current fraud of a dollar gold market. I know you are thinking in terms of the current dollar gold market function because the rest of this thrust sounds like it is right out of our current bullion bankers notes. Both past and present and is completely based upon a continuation of the same. We have no intention of traveling that road again.

Further you write:

------It is another attempt by EU governments to block the exits from a future Europe they imagine they can control. If implemented successfully, it will be Europe that will be destroyed by the absence of an efficient credit system keyed to effective gold denomination of debt. --------

The world has traveled this road before and failed to control it's controllers. Gold as official money is dead at the starting blocks, my friend. Send your best salesman

around the world to sell that position for a living. Most certainally he will die of old age or lack of commissions before anyone will deal with him. If gold debt is what you strive for, then carry your torch and do your best. Just
don't ask the common man to suffer wealth loss again while we try to do it one more time.

Further by your hand:

---It would mean that the only interest rate available would be the innately incorrect one set by monetary authorities.------

Where is this at odds with a functioning fiat Euro that's controlled by the ECB? I will tell you, it is set with one/half an eye on the Euro price of FreeGold. Far different than the current world rate being played off a failing currencies economy and set by a paper gold market.

ORO,
All of the rest of your argument is an endorsement for gold debt in our constant fiat world. It has failed before and will fail again if allowed to be mingled into a political arena. The world's first gold coin was never money and yet was a perfect trade for another good. No debt was involved then at the time of trade and should not be now. The hard money school that has lead us down the gold / money path never stopped to consider that banking and gold do not and cannot coexist without corruption. We have learned from them. We know now what not to do!

Explain your position in point by point fashion and it will not amount to a "sellable conclusion". That's because the Old World culture chooses not to close a gold window again. We will, indeed, see how this all plays out as "time will prove all things". I will own physical gold and scoff at your bankers pleas for "one more try".

As always, thank you very much for your impute and opinion. (smile)
TrailGuide

Trail Guide (05/10/01; 12:55:28MT - usagold.com msg#: 53354)
(No Subject)

ALL,

I have not gone anywhere and will be posting more as soon as I can. Don't take our (ORO's & mine) comments to each other as burning down the stage. My goodness, we can take morning
water balloon shots at each other across the backyard fence and still share ice tea in the evening.
(smile)

TrailGuide

Trail Guide (05/11/01; 14:32:34MT - usagold.com msg#: 53425)
Of ORO's World

Hello again. I'll try to address several posters with this.
More comments on our current discussion, proceeding from my #53314.

ORO (5/9/01; 12:53:15MT - usagold.com msg#: 53296)
--------If Europe continues to expand and deepen regulation (as it has of late) while the US simplifies and thins regulation, the advantage would play in the favor of US industries despite higher dollar exchange rates.-------

Of ORO's world:
All of his conclusions above the closing (that statement is printed above) are based on the ongoing dollar reserve system as we have known it over several decades (even further back). Included during that time are all the excesses and faults dumped on the fiat money world by our nation making the best of it's dollar dominance. Also, included in that period were all the defensive plays taken by other nation states. To be sure, those plays were also filled with excesses and faults, but what else do we expect from political societies.

The ongoing over taxation, deficit spending, fiat inflation, deficit trade balances and mismanagement of private economies has always been with us. Yes, under different names and different degrees, that's true, but no recent period in money history, gold or not, was without an ongoing effort to cheat the system. It was always in a process of decay, no matter what the books tell you. To think otherwise is to disclaim humans as they are.

How often have we heard that some special "hard school of thought" has all this terrible process documented and neatly explains where it all went wrong? Then, goes on to show us how to set it all up again so as to start over on the right foot.

So, trying to present the society as a whole, as "the awful, all controlling big government" on one side and the "good private economy on the other side" argues the lesser side of the larger issue;
-----hard money policy cannot work for long in a credit based system----!

It makes absolutely no difference if we are even on a 100% gold use money system, if we as a society engage in credit commerce, we will break links with gold.

Consider:

I borrow 100oz of money gold from ten people so as to spend that gold doing commerce business. The hard money theory has us thinking that if I fail and cannot pay back the gold, this little portion of the money supply contracts. Thereby the gold system is perfect, as it slows the economic excess.
This is a minor example of gold banking. On a tiny scale. It works, as long as we don't act out our motions in a political way.

Conversely, if gold was not part of a banking,,,,, credit,,,,, lending system,,,, rather it is just a tradable, non-lendable non- official money asset,,,,, then those ten people would have given me their gold and became part owners in my (ours now) enterprise.
When it fails, our gold money is gone and no credit contract is lost in the process. Society at large will not come to our collective defense, no matter the scale of the loss. You see, we lost our assets, not society's official money!

The difference:

When gold is lent,,,,, when it's part of the banking system,,,,, when it becomes the object of a credit contract,,,,,, this whole hard money system falls into political RISK! No matter how perfect the "schools" have show this to work, in real life, political risk degrades our perfect credit money. This is the gray area that's not ironed out because we cannot iron out society's emotions. Let's see:

In the above, the ten people I borrowed gold from would be holding my IOUs for that 100 ounces. Be they private citizens, banks or corporations they have effectively lost their gold money. The very money of the nation state!

Rather than see their losses made final, and cause harm, they partition the government to intervene by recognizing those money (gold) loans as good on the books. Further, the government is asked to lend some of it's gold (collected through taxes) to me to extend my business life. I continue to function in a small way as I pay on those gold (money) loans. Further, those loans (held by ten lenders) become marketable as they become seasoned. Then, at a discount to their face value, they can be sold or kept as collateral assets. Over time, this is the political risk that seeps into any hard money system. Over time, even a gold credit system is expanded,,,,,, inflated,,,,,, until outright fiat
must come into play.

It never starts out as "big corrupt government and their awful bankers" controlling the "good honest people",,,,,, rather,,,,, it's when a large enough segment of the "good honest people" are threatened with losing enough (gold) money that it could take down the economy,,,,,, they demand (elect into office) that their government and therefore bankers, expand the (gold) credit enough so as to slow
the fall.

Further,

Now, if this remained on such a tiny scale as the above ten, nothing politically would change. But, modern economic structure is never on such a little scale. This is why I say "we are them"! Many are indignant that they be placed in such company and proclaim they would never be part of such
fraud. Well, that is the very nature that splits the society into the same half's ORO sees today.

His closing statement comes at the tail end of a drama that was played out over decades. His small slice of context completely excludes how the USA dollar,,,, gold,,,,, reserve system was parlayed into a cost advantage that will not exist once the dollar falls. We will be the ones,,,,,,, much more so than Europe,,,,,, who ""expand and deepen regulation"" as our "advantage falls away"!

PH, I want to comment on your posts and will do so next. Be back as able. (smile)

TrailGuide

Trail Guide (05/12/01; 09:57:47MT - usagold.com msg#: 53470)
Comment

ORO (05/12/01; 00:19:12MT - usagold.com msg#: 53458)

FOA - NO OFFICIAL MONEY NEED BE DEFINED
FOA, you are missing the point of my disaffection entirely.

I'll get back to ORO's, but first PH.

Hello PH, long time no discussion (smile).

In your recent: ------ PH in LA (5/10/01; 10:49:57MT - usagold.com msg#: 53345)
Just a mere interjection into the tirade.----

You write:
----------Rather, he is trying to prove the viability of his thesis, much as we all love him (smile, smile). You put your finger right on his weakest link when you say, "Gold as official money is dead at the starting blocks." Unfortunately, this is ORO's one agenda. So, of course, he is perfectly willing to loosen his ICBMs to defend it. ----------

PH,
I kind of agree with you, but I don't think this is his singular objective. He has a wonderful presence here as his commentary is coterie with the objectives of the forum. Still, I feel this is his most passionate objective and that's why I always hesitated to oppose it. Not that we would be the object of a tirade, rather that our thoughts would be rejected without "in context of the times" consideration.

----------For my part, your proposed solution just resonates right. In the present fiat system, there is really no refuge. The lords and masters have every tool at the ready to debase the product of my labors (ie savings) and the only defense against them is risk. ----------

Oh boy! Don't you know it, PH! This is where I say that all of this is an evolution. Not so much in the changing aspect, but in the slowness of the process. Over years we (most especially Western minded savers) have come to accept the necessity of the "fiat settlement" function as it is needed in our modern economy. Ok, well enough, we can all buy that.

As such, we even understood the inflation price such a system's use places on us. People rebelled against it at first, as it started as an evil throw-back into the past experiences of fiat gold systems; where price inflation meant that the money was about to be destroyed and redenominated. Then, over time, as the dynamics of our world trade became better understood, this price inflation was seen by most users as more of a tax that the system required to function. As long as it was low enough that we could out-gain it thru other investments, the benefits that our fiat trading economy provided was accepted.

We at first feared it, but in the longness of time we have grown numb to the slow hidden increases of this fiat inflation tax. In the US, especially, the full price of the tax is way, way above anything we imagine. Most of it hidden over many years in our "Dollar Reserve" function so as we do not conceive it's full impact upon our net worth.

Again, this world "fiat settlement tax,,,, this price inflation tax, would have been somewhat acceptable in an immoral sort of way, as society stole the productivity and efficiency gains (from those that could provide such) to pay for it. But, hidden theft is just too good of a process for our political system not to expand on. Just as I said in # 53425:

""""" It never starts out as "big corrupt government and their awful bankers" controlling the "good honest people",,,,,, rather,,,,, it's when a large enough segment of the "good honest people" are threatened with losing enough (gold) money that it could take down the economy,,,,,, they demand (elect into office) that their government and therefore bankers, expand the (gold) credit enough so as to slow the fall."""

PH,
When "We",,,, "this Us the political system is",,,, need someone else to cover our economic failings, the government does just what the "MAJORITY" demands and expands the inflation tax just a little more to cover it. Over the recent US dollar experiment, from 1971, "us Westerners" have built up an enormous inflation tax debit upon our dollar based assets. The full debit is unknown because the dollar's reserve function has masked it's exchange rate value, there by covering up the real value of our dollar denominated assets. So,,,,,,,,,,,, to expand on your next:

-----"Invest in _____s!" they say. Fill in the blank with stocks, bonds, real estate, IRAs, (whatever) for all of which they have their fingers on the controlling strings. This is patently unfair. Once earned, the individual needs somewhere to put his savings where he can have control over
them... somewhere beyond the managers' inflationary reach. In our system of voluntary slavery, they hold our noses to the grindstone and make us all work out our lifetimes. ----------

PH, you are so right in this perception. As per my above, we invest in these assets, thinking that our out-sized gains are keeping well ahead of the inflation tax. Basically, people don't want or look for that special "somewhere to put his savings where he can have control ", because they don't think there is a problem. Can we blame them? Some of us even acknowledge that the CPI being so low is a fraud, but our other gains were so large we are still ahead! Still, just look at the lifestyle we all have because of our continued use of the Dollar Reserve Fiat.

Well, that's fair enough. We Westerners play at this game of currency cheating, but don't want others to think of it the that context. Further, if something is wrong, it was the fault of that big government and banking cabal that I never had anything to do with??? (smile)

I know that far too many think the system is healthy enough to go on forever maintaining their lifestyle. It won't. Currency systems come and go with time and our dollar is being phased out. Eventually, as the next reserve system unfolds, our US inflation rate will spike into hyper status. Not because the dollar or our economy is suddenly nonfunctional, but because all the past "inflation tax
deficits" that we built up over decades will come due. Then, not only the price of using our fiat system will be exposed,,,,, the price of all the political bailouts and American lifestyle enhancements will come due also. It will require a hugh devaluation of the dollar to cover this debt. It will appear to us as a sudden, hyperinflation, imposed on us by an unfair, European government,,,, out to get us.

This is the perception ORO is, in a very small way, already bringing to surface.

Many hard money investors have evolved into "morphed goldbugs", no longer the real K-Rand carrying physical gold advocates they started out as. Now, they are wanting the dollar reserve to remain so that their dollar based gold industry investments can survive. Even wanting their leveraged paper gold to make it through the game intact. It won't.

Some of these "morphed goldbugs" want the paper gold
system fixed so it's fictional gold price can rise just enough to make their gold business investments pay off. It won't.

Not only will their "fighting the last war" strategy fail, they rile against any Thought that the Euro may cause all this convulsion to come about. So, they hurl everything they have at it as events play this drama into reality. In the process, our modern goldbugs sound more and more like
dollar advocates,,,,, and in effect their investments say they are.

The system will, in the end, completely fail to function in a way that reflects the physical price of gold bullion. Most of these goldbugs will eventually get some price gain as it all unwinds, but they will be standing at the fence looking in at real gold far out pacing everything in sight. Wondering why they even played such a game anyway. You see, our Western gold bugs are doing nothing more than your other investors, just trying to make some more dollar currency to beat the fiat tax of price inflation. They should be considering owning some of that "currency without a country" we recently heard USAGOLD talk about.

They, like most all the other dollar users will be in the same boat as our dollar's reserve function fails in a "game change" no one understands. The dynamics will rewrite our history books in:

""""what to do when the worlds one and only fiat currency is replaced by another fiat currency based on a gold wealth reserve instead of a gold is money reserve""".

Again, as MK pointed out, this new concept will create a "gold wealth without a country". Only most will perceive it as a new gold money without a country. That's ok, too.

You write:

-----Your proposed system at least holds out the possibility of an asset designed to hold its value in the face of their inflation. Seems logical to me. Seems like a system we could live with. The only system that we'll ever get, will be one that we can all live with. Maybe not anyone's perfect system. Not ORO's utopian gold standard. But at least one that most can tolerate. Who among us can really tolerate a system that sucks the value out of our savings through their insidious inflation if their is no refuge? No defense? ----------

You have a good political brain, my friend (smile).

-------why not declare your advocacy------

In the singular context that your question was asked,,,,,, I ask you, why should we?

What would be added to our effort, what would be gained? More gold or fame? At this stage of life have enough of both. No, the basic value of the message would be diluted. Truly, I add that in this world the gift of understanding is expensive to package and the art of producing it is has no measurement of pay. For myself, it's priceless.

Thanks, PH
more to you later
TrailGuide

Trail Guide (05/12/01; 19:54:32MT - usagold.com msg#: 53492)
Comment

Cavan Man,
Thank you so much for your kind words and respected interest. Onward, my friend! (smile)

Journeyman,
--- Apparently I've been left out of this discussion as far as the-----

If you will just check your back to see that it is all wet. (smile) Not dry yet because of that water balloon I tossed at you in a recent post. No sir, if you write here, you are not out of it(grin).
Thanks for writing, I'll (and others) will be replying !

Black Blade,
Are you, by chance one of those people in the TV show "West Wing"? I'm always amassed at your ability to gather and organize so much material. Thought you were one of the upper level fellas?
Thanks for sharing.

Now, once again, back to PH:

PH in LA (05/11/01; 09:52:22MT - usagold.com msg#: 53412)
Fiat legal tender vs abolishment of futures markets by fiat

------"This note is legal tender for all debts public and private"------So sayeth every FRN used in commerce. This is a topic that has been elucidated here at great length... even and especially by ORO himself. ----------Now, one supposes that any legal system that specifies that gold interest can be settled with any "note (which) is legal tender for all debts public and private" that no contract
could be enforced in gold. -------Does this mean the abolishment of gold as a monetary instrument? ------Are all gold transactions thereby abolished?-----

PH, you sure don't need any Gingko - Biloba to clear your thoughts. This post of yours hit the logic I was straining for,,,,, right on the head! I edited it to do like Randy (thanks Randy) sometimes does to mine. To allow for an expanded point.

Pulling from the thrust of my last comment to you; we all accept, use and somewhat prosper by using this fiat money called legal tender dollars. Further, we all pay our price inflation tax as a cost of doing business,,,,,,, as long as it doesn't get out of hand or we can cover it with other
investments. Or, at least, as long as we aren't able to see the real value destruction

this tax is building up under cover of it's "currency reserve" power. However, for the purpose of grasping our reasoning here,,,,, concerning my recent trail walk talk about changing the collateral rules of gold,,,,,,,,,,, lets look at your counter point to ORO.

He made a long reasoned post, expanding his thoughts on why no authority could enforce such a law. Yet, your point above presents the essence of this concept, in real life as we have lived with it for decades. Fiat dollars, as legal tender, are our money because court after court has upheld that our laws declare them so.

Some say that international law and protocols cannot have an impact? Well, they do when it's in the reining powers best interest. The US now and the EuroZone later. In present context; here we have 200+ million westerners and countless other world citizens,,,, all having lived a good portion of our lives using this very system,,, working under legal tender status,,,, and all doing so under our American law.

Yes, this legal tender fiat money,,,,, this concept of digital trading wealth,,,, is used by most as an "International Protocol" contract,,,,, made common through the IMF and the Jamaica Accords! It's the same US dollar system that made the settlement of debt in gold almost illegal and the common use of of our money a world wide obsession! How about that for not being able to make something stick?

Now; when I proposed to Econoclast (on the GoldTrail); that an understanding could be projected that gold could not be seen in a court of law as attachable collateral in any contract form,,,,,,,, some pointed out that this couldn't be done. Yet, in opposite reflection, it almost already has (smile)!

Our thrust is that; by taking physical gold out of any and all performing credit structures, one enhances the fiat credit process,,,,,,, but more importantly,,,,,, frees the ability of gold to value any and all currencies ---- against each other----- not against gold. Once in place, physical gold value would soar, but not do it as money,,,,, rather as an asset. In this fashion, raw gold value could not be inflated or deflated and in doing such would reflect it's possession value as wealth. Tradable wealth that you or any government could use to buy anything,,,,,,, as long as it was a payment in full without credit.

Some fear that a congress of laws would be required to control such a position? No, just one,,,, kind of like our legal tender law. How about "gold is not subject to collateral attachment of any debts public and private". Of course, gold loans could be written and entered into,,,,,,,, gold options could be created,,,,,, Bullion banks could do a huge business in lending gold and governments could lend it all! But, if any of these contracts defaults and ends up in a court of law,,,,, it dead at the door! I'll leave it to you to figure out how long this business would continue.

PH, we are staring at one of the biggest paper gold lending games ever created on the face of the earth. Further, it's about to completely fail as the main currency it's all written in "craps out" (had to throw in some of my gutter talk (smile)). When all of this washes out, how do you think the next reserve currency owners are going to preserve their hegemony? That's right, I knew you already understood all this.

Thanks
TrailGuide

Trail Guide (05/12/01; 22:36:34MT - usagold.com msg#: 53498)
Comment

Hello ORO,
I know I keep talking about your presentations, but as they say in hollywood; "that's the price of fame"!

ORO (05/12/01; 00:19:12MT - usagold.com msg#: 53458)
FOA - NO OFFICIAL MONEY NEED BE DEFINED

You write:

------FOA, you are missing the point of my disaffection entirely. In my preferred rendition of a monetary system, there is no particular official money, just a legal recognition of a commonly accepted money (and no limitation on it being only one or many, if the markets leave one surviving money – probably gold – fine, if not then two or more are fine). Bankers have no charters, and their liabilities stand on their own. This is not a gold standard unless it turns into one.---------

ORO,
Your heart is in the right place and you have a brilliant mind to keep it pumping. (smile) But, what this entails is us starting creation all over again. My friend, I have studied a little bit about old gold, it's progression throughout civilization's timeline and how we got to this point today. Yes, we may and most likely will return to a period that recreates what you say above. But, that will happen after this bunch of humanity gets through experimenting with it's fiat creations. ORO, the world is just not ready to go again where you are pointing right now.

You write:
-------Lenders and equity investors do not have the expectations you presented. Only bank depositors do, even then only those who think of a bank as a depository and clearing house rather than an investment fund like a money market. For savers interested in a gold vault and clearing
service the markets have long known to provide a service with minimal or nearly no risk. For everyone else, who is investor and saver, it is a traditional bank he seeks. No bond holder would ever imagine the promises in hand to be money or a good substitute for it. They are investments,
NOT savings. They are a fruit tree owned for the future fruit it is to bear, not dried fruit that will last
generations.----------

I agree. However, we are living at the very tail end of what we have called "this currencies timeline". True you are,,,,,, our current world of lenders and investors don't seek a separate wealth form in singular gold. They presently need only the one dollar currency to play with. This view is
indeed the extrapolation of their life's money experience, as they have know no other. I don't blame them and group their perspectives into one, calling it the "Western Thought".

To them, our present currency system will not fail to deliver their wealth, intact, against all odds. In this they save their assets in the position that the dollar's contract will stand. ORO, our society does not grasp the gut feeling that comes with currency default. When an icy stare of a contract specialist leans across the

negotiating table and says "what if we walk"?

They walked in 1971 because of political circumstances (oil figured largely in this), they did it then because they wanted to. This time, the US will walk because it has to! Run the printing press, full out, and retain a super inflating currency system,,,,,, or drop the ball and be subjugated to entirely using the money of another nation block. This is the eventual checkmate.

In this, your investors and lenders will understand the need for Another asset beside their fiat. Another fruit that "will" last generations.

You say:
--------- You may have come across a Barron's article----------It is not that people first had banking and then government came in to bail out the depositors by forcing everyone to accept bank paper instead of gold. It is the other way round, bankers were incredibly cautious when they were not granted any privilege, the few happy go lucky Wild West banks were not at all characteristic of the situation when the central bank was closed down (both the first and second banks of the US did not have their charters renewed).----------Your view is of a world in which people start out with groundless expectations to make foolish decisions after which they cry to government to bail them out. That has never been the case. It has always been government that made promises that it could not keep knowing that the people have no alternate government to turn to if the promises are not kept, and it is this same government that gave privileges and subsidy to banks so that they could make promises they could not keep with impunity because all banks were governed by the same rules, leaving customers no choices and little opportunity (and therefore incentive) to practice judgment. The rules were not made to fit the customers preferences within the confines of the reality, they were set into law in order to frustrate him.----------

But ORO, lets reason a moment? You are absolutely correct in the above and more! Yet, that portion of the story has made the case of every hard money author and it's still only part of the human play. Better said, it's only part of the perception.

Why do you think there were banks at all, back then? They existed to provide a service private people would not perform very much of,,,,,,, lend gold. Back then, nobody wanted to lend their money. Not to strangers, not to schisters,,,, and certainly not to family members (smile). Gold money was cash money and credit wasn't offered in mass. People were suspicious of each other and rightly so. We are all a bunch of crooks! Ha! Ha!

Now banks were, as they are today, just middle men taking your money, lending it to others and trying to profit from it. Back then, there was certainly a growing demand for credit, it's just that no one wanted to take the risk to lend. The same as today, there is (was) a dynamic growing demand for credit that is over and above the function of cash trading. (that is wealth for wealth or gold for goods commerce) Banks were seen as filling this gap and taking the risk the private sector would not provide.

In this context one can understand that society created the demand for banks by wanting credit. By extension, our nation demanded banks and the service they provided. The very nature of society was to want to borrow and accept the risk of that credit, but not to lend with the the risk of losing

their own money. Both then and now this is a basic human trait. One of the reasons most would not keep their money in a bank without FDIC insurance. Don't mind borrowing it, but damn if I'm gona lose it???

So,,,,, this creature that was forced upon us was really something we demanded. You said above that:

-----this same government that gave privileges and subsidy to banks so that they could make promises they could not keep with impunity because all banks were governed by the same rules, leaving customers no choices and little opportunity (and therefore incentive) to practice
judgment.-----

Oh boy, that paints them poor customers as little "darlings",,,,,, Cowboys, New Yorkers and Denver society that just lost their way? (smile) My friend, gold coin was money back then, you didn't have to use the banks for transactions and you didn't have to borrow it's money! We created the demand for their service then, because no one else would lend to us, period! There was choice,,,, there was opportunity to practice judgment,,,,,, you didn't have to borrow! However,,,,, when those little "darlings" lost all their money in railroads, cattle and silver mines (grin), they screamed to high heaven for more credit and damn the gold supply. Had they done their credit business with the wife's father-in-law, they would have been hanging from the nearest tree. Instead, they asked the government to "make them bad banks" lend more, no matter if they had it or no.

You state several questions:

------ Is it structured into human society that political representatives be crooks? ----
Almost as large a percentage as the electorate that chooses them.

----Is the balance of power between the people and their government fixed in nature so that government can always pull the wool over their people's eyes? ------
No, nature gives equal wool to everyone, both public and private.

----Are the people always going to be overwhelmed by government? ------
Only the ones that cannot out think government.

----Will people not learn from their own experience and from history? ------
Most never have and never will.

------Has the availability of instantaneous information and thoughts not changed anything?-------
The answer is no.

ORO, my trite answers are unfortunately true to reality. Ever more so today, we must deal with what can be done, not what should be done.

Next:

Further you went on to use my two examples, one of a gold loan and the other of paying for an asset. However this went out of context in the second as I was establishing an example of paying cash for an asset,,,,,, for a business,,,,,, for anything. The contrast was in not taking on credit to conduct commerce.

You say:

-----In the 100 oz loan,-------
-----In joining a partnership-------

---------I am sure you are aware of the difference between a loan and equity ------

Well, yes I am. In a further extension and clarification of my point; in paying cash for anything we are establishing equity in what we buy. Most financial thinkers try to limit the equity expression to mostly business or financial asset ownership. However, there is equity in any cash purchase. From shoes and cars,,,,, coats and houses,,,,,,,,, electricity (Black Blade) and natural gas,,,,,,, even enjoyment equity in the theater ticket because of the great play one gets to experience.

The problem today is that few of us have established in our minds the dual nature of using our tradable wealth. Credit, we are all aware of as credit cards,,,,, debit cards and bank loans,,,, can and does buy our way. But the closest comparison to using gold in a final, non credit trade is seen in paying cash for everything. In this context, most people could relate to using gold as a trading asset where credit is not wanted.

However, in the gold not as collateral position; Greshams Law would do the work that our ancient gold owners understood. Gold would travel and trade on the road,,,,,, in our day that would mean buying what was dear and most wanted. Gold would be dear, super valuable and saved, in possession as a wealth of ages. Giving legs to whatever fiat the world needs credit in. Fiat would be spent and valued for the credit qualities a digital currency could provide, right beside gold.

In closing I say,

Gold, the money it never was and the wealth it never forgot to be.

Thanks for your great mind, sir. Your comments are always welcome on this trail we walk.

"We watch this new gold market together, yes?"

TrailGuide

Trail Guide (05/12/01; 22:48:10MT - usagold.com msg#: 53499)
(No Subject)
Hello ET,

You say:

----FOA, I prefer free markets over your socialism. The idea of international currency laws is most repugnant. Seems to fly in the face of any kind of gold advocacy.----

Well, you certainly expressed you complete grasp of it all in that. I commend you sir, few can show so much with so little. ??

Good night all
TrailGuide

Gold Trail Update (05/15/01; 09:50:12MDT - Msg ID:53655)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (05/15/01; 09:50:11MT - usagold.com msg#73)
Fed - BIS - ECB - China

Hello all!

Boy, things are shaping up for a real good Trail hike in a week or so! Let's look at some recent items and try to come up with a plan for our walk. Consider:

There was a little mention in some circles about China buying gold recently. I think Gata got wind of it, too. Here is an old post I made at the main forum:

Trail Guide (04/25/01; 15:04:48MT - usagold.com msg#: 52536)
Comment to Randy's post of:

Randy (@ The Tower) (04/24/01; 10:38:48MT - usagold.com msg#: 52458)
Follow-up on my comment last week that China has lately been a net been seller of silver
------Philip Klapwijk, managing director of GFMS, explained at Monday's conference of the Gold and Silver Institute that China sold near 60 million ounces of silver in 1999, with additional sales of 40 million ounces per year likely over the next couple years. Continuing...----------

Your (Randy's) words:

--------China is simply lagging by one Century in performing this act. Many of the other nations of the world unleashed their silver reserves near the arrival of the 1900's when the usage of silver was abandoned as redundant within the banking sector. And in contrast, not surprisingly, global gold reserves have GROWN since those days. Further, the dollar can be expected to suffer a worse fate than silver when it, too, loses its particular reserve and settlement role within the international banking system. And gold? All reasonable signs show that it shall maintain the king position as THE reserve asset par excellence for a long time to come. Get you some.

(TrailGuide responds)

Hello Randy,
You know, your thoughts got me thinking (grin). I have time to do that right now as my files are restored.

Following your chain of thought about China silver,,,, I noticed a comment from Bush that we would fight them over Taiwan. Then silver gets hit real good (the day the

comment was made). Could it be they are unloading silver so as to buy Euros and gold prior to calling it splits with us?
They do have more silver than their needs require (possibly more than all of us require).

If they are, indeed, going to run with the Euro later and the ECB is marking gold (not silver) as their main "wealth reserve", then it makes sense for China to position themselves this way. It also makes sense because as an addition, Hong Kong has so many dollar reserves they, too, could never unload them. Following the Euro system lead, they could afford to let their dollar reserves burn as long as they had even 15% of that value in gold prior to full "Euro roll-in".

Further,
If any EuroZone based gold paper they (China) own that had a US originator (US financial institution) and that defaults; with China's approval, that paper could be restructured to pay back in Euro currency assets. Courtesy of the ECB /BIS. Forcing the US originator to dump dollar based gold hedges (that's a lot of paper gold) as they buy Euro coverage to ensure exchange matching. Of course, extrapolating this system wide, we would see paper gold credibility plunge (therefore it's bid price also) aside from the Euro exchange rates spiking on the dollar. All the while out right trade in physical gold or "five day" (super spot delivery) would spike to the heavens. I do wonder if we are, as I said a number of days ago, seeing history in the making with lease rates doing strange things now? (smile)

end

OK everyone, could it be that Europe and China are linking more closely? With China not only playing the Euro card, but also seeing this future economic powerhouse (EuroLand) as a two way market for their goods? Lets look at a more recent item out of the IHT:

Europeans Grab a Piece of the (American) Action
Mark Landler New York Times Service
Tuesday, May 15, 2001

China Has a Change of Heart on Bond Sale

HONG KONG For American investment banks in China, politics has often been a handmaiden to business, enabling the more savvy firms to elbow aside their rivals with comparable credentials for deals.

Now, with the debut of a potential $1.5 billion bond offering by China, the Americans have gotten a taste of their own tactics. And politics, far from being subordinate, may have played a decisive role.

On Thursday, the Chinese government announced that three top U.S. investment banking firms - Goldman, Sachs Co., J.P. Morgan Chase Co., and Morgan Stanley Dean Witter Co. - would handle its first overseas bond deal since late-1998.

The next day, three European banks - Barclays Capital Group, BNP Paribas SA, and Deutsche Bank AG - issued a statement saying that they had been awarded the portion of the offering that would be denominated in euros.

end

OK. Next, we move to an excelent commentary in the COMMENTARY & REVIEW portion of USAGOLD (get your password if you want to read all of it). In this, Michael Kosares notes how the latest LBMA volume seems to show that the gold lending business is unwinding. He writes:

--- """LBMA April gold turnover was down a steep 12.5%. That could very well be the largest drop since the LBMA started publishing its daily volume figures. If nothing else it clearly signals that something is changing, and perhaps changing abruptly, in the gold lending business."""" end ----------

Combine this with a recent,,,,,, almost permanent overall rise in gold leasing rates,,,,,,,, the start of which began with a rate spike that was only lowered when England was forced to reduce it's London gold sales to 20 ton from 25 ton,,,,,,,,,,,,, then, the ECB no longer following the FED and continuing it's responsible management of it's money rates,,,,,,,,, our Euro creation spawned this new high world oil price from currency competition and that's beginning to bite the weekest financial structure (USA),,,,,,,,, and some thing is indeed changing!

We have completely agreed with the ECB policy, in that they see the EuroZone as the stronger (in overall economic function) between them and the USA. Stronger, in that they could handle a short term dollar oil rise if it lead to Euro settlement. In fact, the recent 1/4 point cut by the ECB, as opposed to the several cuts by the FED, is enforcing that note of distinction upon producers as the FED will and must cut much further. They (the FED) now risks exposing that their purpose of lowering rates is a effort to save the bookkeeping side of it's derivative bloated financial structure, not rebuilding of the US economy at all.

All this, in an effort to slow the dollar killing effects of sharing the currency reserve function with the EuroZone. Only one step in the complete loss of reserve currency altogether. We will see this spelled out as they pump dollar reserves from now on,,,, over and above any possible economic need. The result will be a slow and steady slide into higher and higher price inflation inside the US.
(Look to Randy at USAGOLD to repost this progress)

Further,

The pressure may be pushing toward a colossal "transition" of financial power later this year as the Euro begins it's final stage of EMU; the distribution of circulating Euros. Once complete, EuroZone economic dynamics will lead them to no longer need Dollar reserves for international use or the backing for their currency. A fact not lost on China and other major dollar holders. If events proceed as expected, they (EuroZone and or China) may just discard these assets as worthless. Especially given that with the US running a tremendous trade deficit, dollars cannot return on a "net / net" basis without plunging it's exchange rate to nothing! Perhaps it's worth further

watching how our long bond treasury paper is sold ahead of the fact!

With all this in the background, we now feel a disruption in the force (old line from star Wars movie). The recent BIS meeting may have set the stage for an eventual monumental change in the way gold is traded, owned and valued. The very fact that a major portion of the US gold stock has been changed in status in a way that would allow it's movement (ownership); means that the US has now entertained the same position as England is doing regarding gold and the EMU with Europe. We (the US) are preparing for the destruction of the dollar's gold world. In this, some players will have to be saved (with real gold) if the dollar is to have any existence at all in the new Euro reserve function.

At some point, our dollar denominated paper gold system will crack and plunge in value as it's credibility to be converted into real gold is destroyed. In the process taking down most of the gold industry. An industry who's stock equity value is daily market to and closely follows said dollar gold system. In time, we will all understand the currency supporting function and the industry killing nature of a Free Gold price. As it's surging value more than compensates the dollar's lost value in the hands of foreign CBs.

This particular line of perception is being driven home in recent ECB commentary as their President, Mr. D., has discussed the very mechanism to delineate foreign held Euro money assets. (see Randy's recent ECB news) Assets that, per my above to Randy, will explode in numbers as our busted paper dollar gold market drives these institutions into Euro financing arrangements. These new, increasing, non expansive assets will be balanced by their system's surging gold price and exported bullion from other nations. A process that in part allows the US to adjust it's gold ownership just to stay in the game.

The world is changing and the Physical Gold Advocate will be the ones keeping score!

I'm going fishing now. Both, for the real item and with one that knows the name of our recently caught prize fish. I'll make a few more comments on Centennial's forum before going. Rest up, the big walk is coming!

TrailGuide

Trail Guide (05/15/01; 11:36:06MT - usagold.com msg#: 53662)
Last Comment for a while

Hello all, I have a few replies and comments to make (smile).

Journeyman (05/13/01; 08:26:15MT - usagold.com msg#: 53512)
Human nature and the gold standard @Trail Guide, ORO, beesting, Turnaround, ALL

You write:
----1. According to Trail Guide, "Gold money was cash money and credit wasn't offered in mass."

So, you didn't borrow against future hours of your life to go to a fancy resaurant (and give more of your future hours to banksters in the form of interest). Instead you saved-up from the past hours of your production, had the same meal in that fancy restaurant - - - and _didn't_ pay interest to the

banking establishment. You kept the amount you would have paid in interest - - - which gave you the appetizer in next month's fancy dinner. What's wrong with that? (Of course! - - - The bankers don't like it!)
end

Well, my self evident point was that without banks (back then), people didn't want to loan their money. This is and was a fact. As our world society has matured over centuries, one item has stood out; people want to borrow and borrow a lot. In some ways this is good, in most ways this is
awful. It's our nature to make a mess of our financial lives with borrowed money. Still, this does not negate the reality that credit demand is a somewhat driving force in us. We are willing to pay the relative cheap returns (interest) in order to borrow fiat, but always rebel at the high real returns required to borrow gold. It's been that simple.

No, there isn't anything wrong with paying as we go, and that item was not the thrust of my point. The direction taken was to note the reality we as an economic body have evolved into. That reality requires that we be provided with a fiat currency to borrow, even if it's cheap interest (relative to gold) is adjunct through eventual price inflation. And the tax on our wealth such represents.

You write:

-----Perhaps, you're thinking, "But there would be no money available for capital equipment and development. How then do you explain that the period up thru 1913 (the year we clandestinely went off the gold standard because of the passage of the Federal Reserve Act) was perhaps the
most prosperous in American history with a growth rate well above 4% per year? Without modern credit, people would indeed be more careful what they gambled on, ah, invested in, but history strongly suggests that didn't mean they didn't gamble, ah, invest. There probably would not have
been a .com mania, etc., if we were still on the gold standard. What's wrong with that?
end

Well, you have absolutely made my point (smile). Our economic function, prior to 1913, was constrained by the fact that no one would pay the high rates said gold system demanded. Any type of gold discipline drives down credit expansions once they hit the credit limits that limited gold
demands. This is, as I stated before, perfect in the eyes of our hard money masters and I agree completely.

However, I and we hard money people does not a total society make. The very reason hard money systems fail is because they all engage credit lending. Hard money and credit do not and will not mix because:

!! the economy "us people" built on "this credit" will fail and destroy "our assets" if said credit extension is stopped by a gold standard. That is the exact reason the fed left gold in 1913!!

Once again, every thing yourself and ORO state only builds my case. That is because

all of your examples and demonstrated positions are built upon a singular gold money system that must include credit.

You write:

------2. I don't know who Trail Guide has been hanging-out with these days, but I do know that while I've run across crooks in my day, there are nowhere near the percentage of crooks among my friends and family - - or even among my acquaintences - - as there are in Washington D.C.
end

Well, I have none in my family (that I know of smile). But I have to ask, where have you been while gaining your fundamental economic perspective? I know that in my earth, crooks are everywhere.

As an adjunct, let me repost an earlier relevant post I made to you:

Trail Guide (04/25/01; 18:00:42MT - usagold.com msg#: 52549)
Journeyman (04/24/01; 13:39:01MT - usagold.com msg#: 52464)

Mr. Journeyman,
Excellent presentation of your position! Thank you.

The main point I am making about gold and money is directly related to your first statement.

You write:

-------we DON'T need fiat, and neither "the people" nor "society" decided to go from the classical gold standard to FED fiat. That change was foisted on "the people" AND "society" by the banking-government cliques, with the express purpose of profiting these two groups at the expense
of the rest of the population.
end

Absolutely Journeyman. Your articulated account is regarded as an unshakable law amongst our Western hard money crowd. Indeed, it is this very perception that drives the rethinking today about fiat's relationship with gold. That thinking is spelled out in self evident form in this passage from the trail:

"" It's not the management of money that was the problem, it was the management of man's authority to maintain gold and it's discipline. Over and over, we watch good monetary theory fail as society fails to control their controllers.""

This is the root problem we face in advancing another of your classical gold standards. The people could not rebuff the forces that "foisted" the evil upon them. The problem is not deciphering whether someone else did the deed, it is in the understanding that it can and will happen again.
Society nor mankind itself can manage those that can and do these changes for their own gain. This is what we face, this is what we address.

As a further measure of defining and rebuffing this dilemma, I went on to say:

"" The road before us is to not manage gold. Rather, stop (to stop managing) it entirely. Forget about calling it official money and let it seek it's own level against every fiat as a worldly wealth""

Even if the charge of returning us to a "classical gold standard" was given unconditionally to Sir Journeyman, this person would face all the exact same pressured his predecessors faced. The account of history and our experience with human nature all say he would do no better.

Further, to mitigate the loss all of us experience as this repeats, I made this point:

"" Indeed, while we may never overcome the human failures of war and fiat inflation, the wealth of common man does not have to be expended while society tries yet another time""

That simple reply, my friend addresses all our experience with moneys.

end

This is our direction and thrust. Society would, as ORO makes the point, always pick gold as their tradable wealth. However, it is society's "lot in life" to always want credit,,,,,, then rebel in paying back said credit by diluting the payment terms. Usually by changing the rules so fiat replaces the very gold they borrowed. Hard money thought has always tried to paint the government and
bankers as the villain in this and tried to structure rules and laws so as to control them. Then it all happens again. After all these years of attempting to manage gold as a medium of exchange, we define gold simply be a tradable wealth without credit availability. This lone action would replace thousands of laws and rules our past experiments required. Yet, they failed anyway.

Even ET lays out that such a proposition is in his eyes is "" socialism"" ET (05/12/01#: 53493).

---------I prefer free markets over your socialism------- Seems to fly in the face of any kind of gold advocacy.
end

I say that the only socialist mind is the hard money one that must dilute gold's value through credit. All done for the purpose of extending their Western power structures. Structures that could not achieve the dominance in currency they did without defrauding gold by combining it with credit. Truly, the wise gold advocate can see the socialist slant that motivates a hard money advocate's need for credit. Like tomatos, they start out green and eventually turn red! The same for Egold, sold as pure gold untill credit demands ripen it's creators appetite.

Journeyman, you write in: Journeyman (05/13/01; 00:07:43MT - usagold.com msg#: 53501)

---------"Yes, this legal tender fiat money,,,,, this concept of digital trading wealth,,,,

is used by
most as an "International Protocol" contract,,,,, made common through the IMF and the Jamaica Accords! It's
the same US dollar system that made the settlement of debt in gold almost illegal and the common use of of our money a world wide obsession! How about that for not being able to make something stick?" -Trail Guide (05/12/01; 19:54:32MT - usagold.com msg#: 53492

That's the type of thing people always think (or at least say) when they institute their fiats. And especially reiterate strongly when their fiats are reaching the end of their time lines. And some are duped and many opportunists go along for the ride.

They said it of French assignats - - - up through their first nine-and-a-half years. They said it of German marks - - - until after WWI. They said it of the Brazillian currency just before the "real" and of the Ecuadorian sucre - - - until last year. They said it of the Turkish lira. Etc. They're saying it of the dollar. But if Trail Guide is correct, a similar fate awaits the dollar as well. And it's just around the corner.

end

Well, my point was that if society can institute the dollar as our trading fiat,,,, and do it for as long as they have,,,,,,,, it would be a far simpler proposition to exclude gold as collateral for credit. Did you somehow think I was promoting the above items as proof for the Euro (or dollar?)? I doubt anyone was duped by my statement, especially when read in full context as given.

you write:

--------So what's different today than ever before in history that makes some folks here so optimistic about modern fiats??? In the above contexts, why is it so hard to imagine transactional gold?
end

Everything we have given demonstrated that the Euro will inflate. Only inflate less than our dollar will or has in the past. In this light we are not optimistic, rather realistic. We encourage a floating fiat, full ensconced in all it's government's credit glory. Failing as it will against itself and every other currency.

Further, we do not imagine Free Gold,,,, we embrace it now along with it's creation,,,,and the correct value this system will display for our future generations. Gold held and traded as wealth, not mired in your past credit world Western minds seek to instill.

In closing, I repost my note to Econoclast:

Econoclast (04/24/01; 08:35:58MT - usagold.com msg#: 52451)
-----I feel discouraged right now. Not because the gold price is low, not because of what is happenning in the gold market, and by extension the financial world, but because of the fact that what I see for the future is more of the same.--------

My friend, our message and our position is that we are in one of the most exciting times of all the history of gold! We have seen that during times with the most radical transitions, the majority are usually defending the wrong asset. This unfortunate situation need not impact everyone today. If better judgment is the result of a full understanding, then some who read here will be exposed to
tools that could help them avoid the mistakes of our Western hard money majority.

For Western Gold Bugs today, their culture, their system and their recent knowledge is all ensconced within the last 30 years of paper wealth. Yet they are using a hard money defense, written by masters preceding our modern era. They struggle to use that logic out of context, as it is
thought to apply to this gold market today. These two precedents are leading them to reflect their gold values in some form other than physical ownership in possession. This mistaken detour from gold's true purpose will once again prove, by reality, the value of owning real gold.

Standing aside this group is the Physical Gold Advocate. For them, for us, these times will contain the greatest gain in real wealth ever seen. For those who are falling behind, gold is still within your grasp.
end

Thank you all
TrailGuide

Trail Guide (5/16/01; 05:51:48MT - usagold.com msg#: 53709)
(No Subject)

Just a note and quick comments. Last post, packing to go,,,,,,, will send in Another's (plus updates) when I return.

Beesting, your note about electronic gold is interesting. Ha! Ha!,,, It seems Americans (and most Westerners) never can quite keep their hands on physical gold. Even in the past when minted by their governments. They are always setting themselves up for some paper fraud or eventual credit saving transition that grabs their wealth with a rules change. Could be your lot in life??? With gold ownership reasoning following your paper gold route, is it no wonder the Governments and Banks, that hard money
people always blame, find it so easy to eventually "fiat" the citizens. We ask for it in our rationalizing of physical money / wealth concepts. Demanding a convienense we don't need?? Truly, in the future, why own paper gold when the real thing will do,,,, especially when a paper Euro fiat will fill most (if not all) of our daily buying,,, on credit or no???? Besides, even though we agree that official gold will never again be part of our money system, these same EuroZone officials will promote and endorse ownership of Free Gold for all. On second thought, perhaps it is only in the West that paper gold is always at risk,,,,, who knows???

Things are heating up! Expect this lease rate rise to run for a while,,,, trending higher. With the ECB rates now 1/2% above Fed rates,,,,,, the dollar transition will explode into full bloom. A few news points:

----Traders said talk the Taiwan central bank had been buying euros started the

rally-------

------The well-flagged U.S. rate cut had seen the dollar notch up modest gains against the euro in Asia. But it failed to hold its advantage as talk of central bank commercial orders to buy euros --

------"The bigger issue is, we're four-and-a-half months into interest rate cuts in the States and we're still getting some powerful medicine. People are going to have to start asking, what exactly are we fighting? ----------

Off to catch the big one!
TrailGuide

Gold Trail Update (06/04/01; 09:36:55MDT - Msg ID:55314)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (06/04/01; 09:36:54MT - usagold.com msg#74)
Back On The Trail!

Hello everyone!

Well, it was some trip,,,,, and yes I did catch some fish. Person has to eat you know (smile).

Now,,,,, fishing is a slow sport at times and leaves time for conversation with others on deck. And because this little boat had room for more than two,,,,, there were a lot of Thoughts to talk about,,,,,, even during the dinners of our catch.

So, I be reading some of your recent conversation on the USAGOLD FORUM, and return to deliver some promised letters, thoughts and hikes. Good to be back (smile).

Thanks

FOA / Your TrailGuide

Gold Trail Update (6/9/01; 16:36:43MDT - Msg ID:55766)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (6/9/01; 16:36:42MT - usagold.com msg#75)
A letter from Another to me.

My friend, I must now walk your trail in closer step. Events are closing that bring the changes we have long seen and prepared for. The time grows short as these conclusions prepare to make appearance. The last of these Euro price ranges are in sight and even the Duisenberg hints his work is done for this new currency. A hard task was completed by him, his acknowledge to the French in May 98 was with a

timeframe few could understand. Now his containment is done. With introduction of notes and coins, this money will become it's own director and his work will be well received. A good day, indeed!

All were present at the meeting. I think contractual conversion became topic of some urgency. This BIS must now consider the values these forms will hold in ours and their new futures. Values that will no longer be dictated in dollars, rather realigned in conversion and gold market failure. Truly, this failure of current gold will be reflected as anguish in these western goldbugs, both bankers and investors. All done as the saving wealth for your gold advocates and new reserve bankers finds it's new mark in our time. Your work, good man, has been as trying to reconcile the religions of this world. Telling both they are just while only one can be right in the end. So it is in this day of gold.

Some knew what was coming from the beginning. With the Hague Conference of Heads of State in 1969 sprang Copenhagen Report of 23rd July 1973. We pointed and all continued to turn away to follow where power was, not where it was going. With the Solemn Declaration in Stuttgart (1983) closely followed by the Single European Act (1987) even the BIS then understood the final goal. Margaret (Thatcher) soon expressed that signing that proposition (the Solemn Act) was her greatest mistake in office. While I do agree with her on a strategic political basis, such reflections by British leader only exposes the ignored, nearing failure of their shared singular currency dominance (both USA and England). Little is expressed of the wealth lost of our peoples and that of most Western economies as these government's efforts to preserve this failing system drains real wealth from our world.

Now these leaders full attention must focus on this money transition itself as Blair's next initiative (the Euro) will lead to a realignment of contract values of all kinds. Before the fact! The Maastricht Treaty allows that by Jan. 2002, all contracts will be converted into euros and new contracts must be denominated in euros. Because Blair has overseen the signing of both Amsterdam and Nice Treaties, his closest people understand the full impact Britons intentions will have on this world's paper gold market. As it be contractually expressed in dollars. The credibility of these to not only represent gold but to maintain loan collateral on books will lead to several high level agreements to address this loss. Indeed, how does one transition a metal contract without moving the metal once again? Especially if the Euro suddenly, without explanation, rises in value. A rise that leaves only the door of metal fulfillment? All eyes must now search for a way to transition this beast as it's use and function will fall away as the Euro further expands. Some of your American gold must come into play during this game of kings. It must, as the BIS will sanction a complete disposal of contract liabilities from metal into Euros unless some real US gold is given up. Something your Bush will endorse but not without a price! As contract gold falls in price while expanding the physical price. I suspect it (official US gold) will be given up at the exchange rate of many thousands and even that will be the little drop of water that allows dollars to remain in this game. Our time arrives, my friend. Even as fools make effort to gain wealth in a gold market that will soon exist no more.

Tested now are the economies of both EuroZone and DollarZone with high crude values. The response of both is known. The ways of dollar wealth hasten their demise, even in the face of ECB restraint. Open and outright are they (FED) to discredit their position. This test is done and the verdict arrives soon. As with gold

and oil, Dollars and Euros will neither any longer flow in the same direction.

Another

Gold Trail Update (6/9/01; 19:32:22MDT - Msg ID:55771)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (6/9/01; 19:32:22MT - usagold.com msg#76)
Onward!

Hello everyone!

Keep an eye on any lose rocks and boulders, an earthshaking event could come at any time. While our walks follow historically proven paths, the destruction of many of today's fake trails may hinder our progress of understanding for a while. Big loses by people, both large and small, who don't own what they thought they own, usually cause them to panic down the hill sides. Right into our little physical world! (smile)

I know there are some hikers here that understand the flow of water and how it expands over a "flood plain". But, many do not or cannot perceive how physical gold will rise to seek it's own level. A level equal only to other gold, in the hand and very physical. Or at the very least, gold owned, deeded and individually partitioned in a secure account vault.

Onward:

I am taken by the mind that processes logic for it's own financial advancement. Usually, it (the traders mind) does a good job of gathering the facts, then inevitably it sees said illusion where reality appears. Even to the point of selling this same illusion to others that know it isn't there (smile). Our present gold market is just such a cloud on the wind.

All over this mountain there are guides that promote the huge overhang of contract gold. An overhang that has no real metal supply to settle it, if push came to shove. Even if a large portion of official gold was brought into play, the world paper gold market just could not be traded for real metal. On this most agree. Still, these same traders that understand and sell this concept, spend their days trying to know the exact time the default will occur so they can buy a bunch of paper contracts and profit. In their mind, they see that a major default will bring in an unlimited number of buyers. Both to get new contracts and to close out short positions.

In a very broad way, this view extends well into the rest of the not so visible gold market. The problem is that today, a timeline change in the currency markets is about to completely undo the end result of this strategy. The end result of this colossal change will break the gold markets into valuations of different amounts. Just like water, gold wealth of different properties cannot attain the same level. In the event of a large enough default, the entire world of paper gold trading will be forced into full cash settlement. The question will be presented: "if there isn't enough gold around to settle these commitments, then there isn't any point in letting the price rise further to effect still no metal settlement",,,,,,, " This was a contract trading

market anyway, not a gold market"! Further, the international banking industry, in accords with their governments, will enforce a kind of "position limit" on the amount of gold liability they or their customers can carry. Both long and short. It will have nothing to do with the exchanges, rather it will be a bookkeeping problem being addressed by the banks. Still, it will impact the illusion price we use for gold,,,, downward. The net effect of this will be just the opposite of what paper gold players expect as positions are "force liquidated" prior to even a "cash settlement". This sudden dumping of major contract commitments onto the markets will drive the cash settlement price of gold,,,,, ?.

This is the reality of the political banking world we live in. Neither the EuroZone or DollarZone banking world is going to let the destruction of the Anglo/Dollar gold market shut down their financial system. Take some loses? Sure! But this portion of the pie is nothing compared to the troubles to be managed by the US (our Fed) as the dollar's roll as reserve is removed. Granted, once the game is underway a true Free Gold market, trading noncolateral gold, will come about. It will be endorsed as governments settle a small portion of their political scores using physical gold reevaluated up into the "low oxygen zone". Mostly it will be US gold being moved.

Further

These goldbug guides (mentioned above) are mostly playing for a currency profit, not gold. The same is true of "in the ground" gold advocates. While their profits and loses grow and fall in line with most gamblers, slowly, these players are losing credibility as the paper markets out play these goldbug's net worth. As events they expect to repeat are rebuffed by massive "cash backed" selling of paper gold, the expected "big" profits always fail to arrive. It's been this way for as long as Another said it would! Yes, something could change and send paper gold through the roof before anyone can stop it. If it does,,,,, good! Physical gold will do very well! But, I doubt these profits will ever be sent out as checks in the mail. Believe it!

Witness the recent long blowout of paper players on the comex? The so called "big traders" these guides thought were about to demand delivery. They were not the real "Big Traders" (I know) were they? If they were they would have demanded delivery even if the short side sold 500,000 contracts short. Even it they (sellers) drove the paper price down with empty sales! The reason these real gold advocates (Giants) buy physical gold is because they are waiting for this dollar casino of a gold currency market to shut down. This reality will end in a locked, no delivery market! Once again, Believe it!

Truly, this recent move was long "little traders" wanting to make currency profits without the real assets to back it up. Nothing more. We will see more of this as it all comes to it's end. When the real gold run Another points to comes,,,,, no one will profit anything near the amounts physical gold advocates will.

Keep climbing:

As I have said so often, the numbers we look at for today's gold price are an illusion. Because there is no real physical market large enough in scope to balance the paper trading settlement price. The price for physical gold unknown. To our advantage, gold is sold by past and present owners and this supply helps lend credibility to the market. Without it, we could not buy any gold, only cash settled contracts. A type of settled market that, if you read Another's letter, is not far away.

We all have trouble understand how there is no value known for physical gold. Yet, if we look at another market we could grasp this issue. Take American real estate:

We all have an idea what that house down the street sells for. But consider that that price does not reflect the true value of the physical house. Just watching the 30 year loan rate tells us where most home prices are going. I think (as an unreal example) almost every person would agree that is the fed went into the market to buy any and all 30 year house loans until the rates fell to 1%,,,,,, home prices would explode! Conversely, if all credit for houses was shut off,,,,,,,,, cash deals only,,,,,, home prices would crash!

How does this reflect on our gold market? We can see where a cash house is worth one price while a credit house is at a different level. The physical is the same even though means of trading and owning it generate an illusion value. You don't truly own a house brought on credit, in this light we can see that you live in something actually owned by the bank. But, you benefit by trading it if the price rises. Actually, currency profits from ownership illusion.

Our gold market has been in this same illusion fog for decades. The gold so many in the industry think they own and trade is truly just a commitment of another entity to supply you with said gold. By far, we buy, sell, lend and borrow something of an illusion. Paper trading dwarfs physical by an incredible amount. Mostly because the majority of us investors do not want to actually possess, and therefore use the physical gold. This price illusion is exactly the opposite of my above example. The credit gold price is driven far below the real gold price because supply is easily expanded to extend to anyone wishing to trade an illusion. You have just seen such an event on the US comex recently.

Other guides all point out that this cannot go on forever as eventually "Real demand usage" catches up with available "real supply". I agree. However, society has a way of changing the rules when the economic wealth that their savings are based on comes into risk. Our fiat banks will not be allowed to fail. Just as in 1971, when that real gold demand suddenly expands it's boundaries to include ordinary gold investors, the supply rules will be changed again. Fortunately for us Physical Gold Advocates, the next rule change will evolve from a reserve system that has no threat from a rising dollar gold price. Even if the contract markets crash and physical gold traded in Europe goes into the thousands, the Euro will find strength from such an occurrence. The ECB will embrase it and promote the same.

Dollar gold in the thousands,,,,,, USA inflation going hyper,,,,, The EuroZone dealing with the changes as the BIS settles all our gold dealings,,,,,,,,, And cheap Euro oil making sure Europe doesn't fail too.

Do I wish for this? Only a fool would comment to ask such a question. Am I preparing for this transition? Another would be happy to see that I am! (smile)

Thank you all for walking
I'm here for a while and will be adding more over the days

TrailGuide

Gold Trail Update (06/12/01; 11:23:22MDT - Msg ID:55926)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (06/12/01; 11:23:21MT - usagold.com msg#77)
A discussion

-----Cavan Man (6/10/01; 19:35:39MT - usagold.com msg#: 55822)---It's getting dark on the gold trail.----------

Hello Cavan Man, let's walk a bit!

I just looked outside my cabin, here on the trail, and everything looks very bright to me. (smile)But one has to allow me that view as I saw this "New Gold Market" a long,,, long,,,, time ago and began making adjustments. Adjustments in the kind of wealth I own that would carry me for the whole trip. Not just these little side trails (trades) so many Gold Bugs are still trying to make pay off.

It is difficult for us to define, in explanation form, a new political perception as it evolves. Especially with old Gold players still presenting their gold views in a "has been context". Trying to explain the latest paper pricing moves as if it will fit into their past game plan. It doesn't and as time passes everyone is slowly seeing that something is changing. Michael Kosares has the best game for new advocates and I think some of them are now going that way. Just buy gold from a dealer that sees thru the fog and forget the stories of "has been leverage". True, that leverage payoff may somehow show up for a while, but none of these players will get much of a check compared to what's coming.

Yes, it is frustrating for anyone that cannot see the whole picture. Gold Bugs watch as their portfolios are further impaired as a result of investing habits that cannot evolve. Again, all based on old perceptions about today's gold. While I, too, enjoy watching TI (technical interpretations) and daily movements in the price functions of "gold substitutes",,,,,, none of this has any bearing on what "real gold" values are today or will later be as this all plays out. You see, the drama is in the political game and that game is what will determine how soon and by how much the "real value" of gold is displayed. Non the trillions of paper gold trades made around the world today, on this failing dollar gold market, can define the real value of gold.

Onward

By now everyone should understand that for every dollar that can be bet on a rising price of "paper gold"; three dollars can be made available to create and sell them the other side of that bet. When the big political moves come later and change our currency game, therefore our gold pricing game, this very same fiat contract creating ability will stand against your receiving the later value of physical gold. As expressed in a paper price.

Truly, the market is not manipulated so much as it has found a short term opposing balance. A timely political balance that has used this unlimited fiat creation as the gold price controller. A force being used to smooth a transition from one currency to another. Gold Bugs use this very same fiat creation to buy long "fiat gold contracts" and then complain because the banking reserve system, we all use can do the same.

These "Anti Gold Bug" traders can create and supply just as much fiat power to sell us gold as we can use it to buy gold. Then when our futures / paper price remains the same and it's a cabal killing us. Actually, it's the modern Gold Bug's desire to shun physical gold ownership that's killing him as that desire was discovered and exploited for political means. It's free enterprise,,,,, Gold Bugs created a demand for something paper and a paper supply creation is delivered.

I marvel at how advocates of paper investing spend their time trying to determine when someone is going to buy up and corner this kind of paper market. Forget it, it's not going to happen. No one can force a paper market that has unlimited creation potential. And only a fool would try to demand delivery of a good he doesn't have the assets to pay for,,,,,, and do it in a market he knows doesn't have the metal to deliver. I know this, you know this, the government knows this and the Giants know it. Far better to just keep buying gold that will one day be correctly valued when this market's political use is done. So, have you somewhat positioned yourself for the great cornering of this "gold printing press",,,,, or are you more smartly playing the Kings game?

A few comments on your post items:

--- 1. Comex defaults.------

Yes, once again, here is an area that brings out the most impassioned analysis of most gold bugs. They all watch and wait for this big event so their paper gold substitutes can finally get them back to even. (smile) Still, everyone has their leveraged bets, in some form, waiting for the big one.

On a side note:

I smile at this because we read about the great percentage gains leveraged people are enjoying every time "paper prices" make a little move. Lost in the discussion is that this "New Gold Market" has removed such a tremendous percentage of their wealth already, that several 100% moves in these "gambles" would not make them close to whole. On a complete, long term Net / Net basis.

Someone points out their paper purchase at the lows of say, just a year or so ago, and they are now ahead and you could be too if only your ears could ignore Another. Ha! Ha! Or even buy the lesser metals, as that's where we will make it all up. Always lost in the logic is the fact that these "Gold Bugs" don't or won't advertise their previous adventures. In Hawaii (where I had lived in a small place for some time) the locals have a name for this "thought process"; "Ocean Money"! It floats in on the tide, rots a while, then floats out. (smile) They say:

"Look at that new guy, he's leaving town with a million! Must be a real successful Bro caus he only lost 9 mil to beach rot! Managed to keep some! Came here with ten million and now is on the airplane bragging to his friends. Talking about how they could leave the islands with a million too,,, if all those listening would follow his lead ////// they be rich too!

Ha! Ha! Cavan Man, I think you (and others) get my point as this connects to our new traders at the forum. With good instincts, they will rot only a little also. (huge, oversized smile)

Climbing now

So what are we looking for when I watch the paper gold prices and comex? What gets me excited when the market begins a little move? Well, it's not the fact that it's going up, rather we are looking to see if the impact of political change is working the gold derivative's credibility yet? I am looking for some wild spurt of trading that lasts for several days or weeks. Open interest rapidly surging hundreds of thousands of contracts, then just as fast plunging away. A paper gold market, containing tremendous price changes ($100++ or more per day, both up and down) that begin to call into question the ability of Comex to function. Not so much question it's function as an price setting exchange, rather question if it can later function at all in the metal settlement process.

Where the big positions on the opposite side of the longs (shorts) find themselves in a changing world market without physical supply,,,, at almost any price. Brought on by a currency transition. Where big physical bullion dealings (one tonne ++) between real buyers and sellers,,,, outside and away from the exchanges,,,,, begins to run at a huge premiums to our contract based paper trades. Perhaps hundreds of dollars or percent higher,,,,, even impacting the ebb and flow in the coins world as misguided investors quickly sell for profits only to find no market goods later at twice the price.

In this environment, the big shorts on all paper based exchanges will be selling these new "cash created contracts" to the very limits of their capital. And trust me, they will not reach those limits because an unlimited amount of credit will be made available to them. Remember,,,,, for them,,,,, regardless of the supply,,,, the demand,,,, or the price of physical traded metal,,,, as long as the paper contract price doesn't close "up" too much,,,,, there is no risk or call on their capital. They can just keep on selling.

But, eventually (perhaps over only one day!) the outside the exchange demand for physical and it's escalating premium, will most likely see legal force from their physical buyers driving long players to demand delivery. Even if it cannot be delivered. Long,,,,,, longggggg,,,, before these delivery demands ever fully surface, comex will state position limits, cash settlement and trade for liquidation only. For you new people, this is exactly what they did during the Hunt silver fiasco. They have to do this because the articles these exchanges were created under manifest these trading places as price setting and price hedging establishments. Where the greatest majority of their trading is meant for cash contract settlement, not physical delivery settlement.

In this light, only Gold Advocates understand that default on Comex is really the forced non metal settlement of a contract at a contrived paper price. A price far below the physical traded price. Most likely a last day of trading price that settles out hundreds of percent below the world price for physical metal trading,,,,,, as it appears the very next day.

The big difference today (from the HUNT problem then) will be in the nature of this default. His was brought on by private investors buying a commodity. Today, gold market default and failure will be forced upon the dollar gold world by a sudden lack of "price setting" credibility. And that loss of credibility will stem from the stressed conversion of dollar contracts into Euro denominated units that demand "market based performance" (physical priced valuations) or an escalated (higher) Euro based

cash settlement. This all will manifest in a lack of credibility in paper dollar gold trading that can no longer be marked to the market at the same value of physical gold.

This failure of price matching,,,,, this failure of contract conversion into metal,,,,,, this failure in the world gold market to any longer be able to correctly price real bullion,,,,,, will lead to a wholesale dumping of all dollar contracts that have US based performance,,,,,,and start a fall away of all dealings based on present protocols dollar market gold exchange.

As a side note: This will not apply to the paper silver markets as silver will not have the Euro vs. Dollar political struggle. A struggle where the ECB members are trying to loosen their main asset (gold) as a reserve wealth backing to replace the massive loss of dollar reserves. Remember, further back on the trail we covered how these reserve dollars will be simply cast down. In this light, silver trading will bear the brunt of selling in an effort to balance loses from a gold exchange that no longer works. Because silver has no hope of an official free market, it's paper pricing system may run amuck until it's price plunges to??? This is the reason so many countries that are contemplating a switch from dollar to Euro use are selling physical silver and buying gold (China, India, etc). It also explains to movement of gold between countries that planned outright Euro conversion.

Back to gold's paper pricing breakdown:

It will not lead to the collapse of world banking so much as it will lead to a reallocation of value between assets vs reserves. Which are and which are not. Further, a loss of paper exchange trading will drive gold to it's true physically traded price. Gold in the tens of thousands per ounce will represent:

First
,,,, it's real currency value in today's expanded fiat world,,,,,,, then later it will advance further on the price inflation coming to the USA. This is where so many thinkers cannot see super priced gold. They are seeing the present illusion of gold value as it's base. Later, a gold move from say, $10,000 to $20,000++ will only represent a 50% rise. Liken to an oh so understandable $300 to $600 today.

Second
,,,,, the total rejection of owning gold in any form except the real thing,,,, no amount of gold supply will come close to equalizing this current ownership imbalance built up over many decades. If anything, sellers will be confounded as nothing keeps pace with the gold rise. Once sold, it only costs double to rebuy.

Third
,,,,, a return of old world values in that gold is worth owning as a lifetime wealth asset beside your cash and other investments,,,,,, While the US will experience a massive retrenchment of it's wealth perceptions, our move into gold will be chaotic and traumatic. Other parts of the globe will fare well. Life will go on. Remember, people talk about how the US makes a quarter of the worlds products and services and say the rest of the world cannot do without our operating as usual. But, they forget that we consume all of it (that 25%) and then import more. Our production fall away will mostly be at the mercy of our own slow down. As the dollar tumbles on exchange markets, so too will our cost rise to produce anything (massive hyper price inflation). Rendering a net / net non gain in world trade advantage. In other words,

our goods may very well rise in price faster than our dollar falls. If anything, we become even less competitive with Euro based production.

Further Onward

This new realigned price of gold will offer no threat to the Euro as it does to our Dollar. The open gold value calculations by the ECB proclaim their intention to allow gold to rise as a Euro enhancement. Not a Euro replacement item. Remember, old world values dictated that gold was
not a competing money any more than Microsoft shares are against the dollar today.

Gold, from times past was a wealth asset more so than it was in the form of money. Granted, it became the fastest moving form of wealth, but as it traveled on the road it was still simply seen as a tradable wealth. It has been American and Western ideals that made gold a lend able money and forced it's competition against failed currency systems. We set currencies in fixed gold amounts and then inflated the currency. No wonder gold competed against currencies. The ECB will allow gold to go to the moon and everyone will love them for it. People will use the Euro whether gold is at 1 Euro or a trillion.

Arguments against this new logic (by failing Gold Bugs) are little more than a throw back to their outmoded Western money logic. ET (a USAGOLD poster) even thinks that by freeing gold to rise to whatever level it wants,,,,, we are somehow governing it??? That direction of thinking is caused by "promoted investing". The logic is to somehow invest in gold (the industry or it's paper leverage) more so than owning the metal. Leaving the agenda of physical gold storage to be something the official governments or private enterprise should do for us. They base their concepts on a return of gold recognition as a somewhat official government money after price inflation discredits the local
currency (Dollars).

Such logic suggests we buy into the various SEC sanctioned (government) paper gold substitutes while governments somewhat allow a devaluation of their money against gold. Say to $800? In this way the dollar is saved a little while the gold exchanges continue life as before. This, my friend was a failure in the past and the future will provide a very different rendering.

Higher we go

We have named our big fish and it is Allan himself! The old Gold Advocate, from way back, that knows how to use gold as a system saving tool when backed into a corner. They have reclassified some of the American gold for use later. It is still ours now, to be sure and has not been swapped or sold. It was renamed with the full intentions of our ESF buying dollar reserves from Euro CBs (and others) as the Euro later gains usage (and value) independent of the dollar. In light of the Blair vote, I would rate their move as very smart. This was done (and will be done more so later) to provide backing and settlement against US paper gold commitments owed to and already delivered into oil ownership. This paper is mostly in Euro banks.

This was "part" of the price we paid for oil to flow in dollars this last decade as the Euro was born. This was the price we paid for an extension of dollar use in oil settlement. It will be moved when gold trades at a much,,,,, much higher price. It backs Another's point of long ago that oil was traded for gold in the thousands at

that time,,,, we just had to wait for the real price to be shown. It will!

This is the decades long game we are playing for, my friend. This is the big one we own gold for. This will be the defining moment in our time that changes perceptions about the value, reserve currencies and the wealth of ages. Watch with me now, as events prove all things!

Thanks, Cavan Man
TrailGuide

Trail Guide (06/12/01; 14:26:11MT - usagold.com msg#: 55936)
Comment
Hello RossL,
You write in:
-----RossL (06/12/01; 12:35:52MT - usagold.com msg#: 55932)
FOA gold trail msg#77 - A discussion-------

-------This is a misrepresentation of ET's position. ET stated that the (FOA proposed) restriction on using gold as collateral was a limit on the free market, and thus governing the gold market. ET's argument is for a totally free market.----------

No sir, I contend that "his position" itself is a misrepresentation of a free market. Attaching the rules
of credit principals to any tradable item subjects it to local contract law. As we have seen over the centuries, local laws inspired by the society of nation states always end up mired in further control issues. Usually it begins when someone or some large group cannot pay back the loan. In this case it would be gold. So the majority or most powerful institute round about measures that in the end
dilute the freedom of the market.

As it is, we as a people have not been exposed to the essence of free trade of almost anything for some time. It's no wonder that we rile against a concept that says we must be free, we cannot borrow or lend this sacred wealth of ages. In this day in time, a free market must have laws to truly make them free from themselves,,,,, less the advocates of "gold as money" storm the gates with entanglements that can only entangle further.

Promoting gold as money, even credit money is the very socialist ideas that always start out good to the ears and later cause men to chafe at the yoke of slavery.

Free Gold,,,,,, traded without credit,,,,, without the rules of men.

Thanks
TrailGuide

Trail Guide (06/12/01; 15:10:36MT - usagold.com msg#: 55941)
Comment

Hello again RossL,
You also write in:

-------RossL (06/12/01; 12:35:52MT - usagold.com msg#: 55932)
FOA gold trail msg#77 - A discussion http://www.usagold.com/goldTrail/default.html

------Also, in the gold trail msg#77 - A discussion, FOA stated:

"Such logic suggests we buy into the various SEC sanctioned (government) paper gold substitutes while governments somewhat allow a devaluation of their money against gold. Say to $800? In this way the dollar is saved a little while the gold exchanges continue life as before. This, my friend was a failure in the past and the future will provide a very different rendering."

Using the prior gross misrepresentation as supporting evidence for this statement renders it a non-sequitur. Et suggested nothing of the sort.----------

Well Ross,

You took the above item right out of my post and failed to attach the prior. Here is how it should read with the proper leading context:

-----They base their concepts on a return of gold recognition as a somewhat official government money after price inflation discredits the local currency (Dollars).

Such logic suggests we buy into the various SEC sanctioned (government) paper gold substitutes while governments somewhat allow a devaluation of their money against gold. Say to $800? In this way the dollar is saved a little while the gold exchanges continue life as before. This, my friend was a failure in the past and the future will provide a very different rendering. ----------

Now,,,,, that's much better! (smile) My point was to reject the persons basic thrust of having gold as money again. Most of the modern ideas of "gold is money" advocates always want gold to be endorsed and stamped by officialdom to somehow make it "more real as wealth". They talk a lot about gold but always in the end return to these basic themes. Themes that always require more rules to enforce them.

This has been the killing problem for gold from the beginning. Men following a socialist slant while hiding behind the cloak of hard money. "We must lend gold" they declare, for it to truly be money. In effect these declarations plagiarize the wealth of gold by expanding the effect of it's use almost like inflating it! It's lenders have gold in the form of loans while the new ownership spends it until that expansion, too becomes permanent. Then we embark, once again on the road to inflating fiat gold and breaking down the official money. The very thing hard money types always say can't happen but always does. Truly, if you want hard money, stop the socialist from borrowing and lending it. Think that hurts their basic thrust? Just listen to them rile against giving the people Free Gold to save and fiat to spend. Kind of kills the very leverage Western power was built on, doesn't it? (grin)

Further:
Using the prior gross misrepresentation, you presented Ross, as supporting evidence for your statement, also renders it a non-sequitur. Beside my poor wordmanship, bad english and rushed trail walk, I suggested nothing that didn't correlate against ETs views.

Thanks
TrailGuide

Trail Guide (06/12/01; 15:19:44MT - usagold.com msg#: 55943)
(No Subject)
Buena Fe (06/12/01; 14:31:14MT - usagold.com msg#: 55937)
TG
------Hear Hear Mr. Speaker.....I second that motion!------ Amen

Well! Well! There is one with a sword! By the sun that shines, I'll stand the same ground weapon in hand.

(smile)
TrailGuide

Trail Guide (06/12/01; 15:40:16MT - usagold.com msg#: 55945)
Comment

Randy (@ The Tower) (06/11/01; 14:36:10MT - usagold.com msg#: 55874)
"Dawn of a New Gold Market"

Hello Randy,
How does it feel to do the thinking of 50 men and turn it all out under the name of one? Ha! Ha! Very good job, sir.

Your title above is so very fitting to the evolution at hand. I think things will begin to move considerably faster now that Blair is in the drivers seat. He is getting some moral help from Spain and Italy as these two members side more with opposing forces against the ideology of Germany
and France. This is so very healthy and is the basic foundation that makes the EU a world apart from single republic rule. Out of such broad based design comes a more equal system that all nations can hope to deal with.

Here is a sample of some recent commentary:

CNE NEWS - May 21st 2001

Spain Alone No Longer

It's always good to have friends in high places and with Berlusconi leading Italy, Spain's Jose Maria Anzar will finally have some conservative company in the EU. John O'Sullivan, editor-in-chief of United Press International, who previously held posts at the London Times and the London Daily Telegraph, notes that "Until now Spain was the only major nation in the EU with a conservative government. Now he has a powerful ally in intra-European disputes." O'Sullivan further notes Berlusconi is "an Atlanticist as much as he is a Europeanist" and that both Berlusconi and Anzar have more politically and ideologically in common with America's George W. Bush than with Germany's Gerhard
Schroeder or France's Lionel Jospin. ----------

Good stuff, right? This kind of balance will allow Blair to sell the union in a better

image. England truly will not be the only non conforming member. I also think that the time is right for the ECB to gun the Euro. Another said as much and suspects the recent BIS meeting was a prelude to this new initiative.

Now with Bush being killed in their public opinion, especially with his "socialist steel" stance. Oh boy, the shoe is on the other foot now. Expect our gold markets to begin to reflect these incredible power struggles by locking down the real supply as this year runs by.

Thanks
TrailGuide

Trail Guide (06/12/01; 15:55:40MT - usagold.com msg#: 55947)
Reply

Camel (06/12/01; 15:36:17MT - usagold.com msg#: 55944)

----I have not had the temerity to ask before but I have often wondered why the U.S Government couldn't adopt a similar policy, that is , mark the US gold to market and therefore cover a lot of the excess dollars. I guess you hint as much as when saying that Greenspan knows how to use Gold when backed into a corner. I can't quote the exact figures,but the U.S. theoretically still holds quite a lot of gold(valued at $42?). Not quite as many tons as the combined European totals but still quite a lot.----------

Hello Camel,

The US could have did this very same revaluation in 1971. But they blew it! The problem then would have been that the dollar would have been marked way down on the common exchange rate systems in force at that time. We would have had a gold backed dollar at say, $3,000 oz, but also a tremendous price inflation as the dollar's buying system repriced itself via other trading blocks. So we decided to stiff the world because we wanted to retain the great life style our overprinting of dollars brought us. Simple yes?

The problem was, and still is that the world started working on a new currency right then and there. It took a long time. Today, no other nation in the world will accept the US's promise to back our dollars with even $20,000 gold. Because it would be meaningless. We would just do the same thing again. After all this work, better to arrive at the door step of a better system and just walk on in (grin). Couldn't be any worse. Besides, at least the ECB is flashing the gold light at everyone that wants Free Gold. Believe me, that bunch includes a large segment of world population.

Further, besides,,,,,,,,, would the US really ship their gold out if asked? (smile) No, my friend, we will be forced to ship gold slowly as dues to just keep out dollars as trade vehicles. Lesser vehicles to be sure, but sovereign money never the less.

Thanks
TrailGuide

I'm going to eat and be back in a bit.

Trail Guide (06/12/01; 19:26:58MT - usagold.com msg#: 55977)
Comments

Several replies:
======
RossL (06/12/01; 15:59:25MT - usagold.com msg#: 55948)
---------Your point is well taken. However, I believe that the viewpoint you are countering is more often voiced by Jude Wanninski or Alan Greenspan-------

Ok Ross, fair enough. But worth a thought anyway. (smile) thanks Ross
==========

Camel (06/12/01; 15:36:17MT - usagold.com msg#: 55944)

One more thing Sir Camel,
It would be almost impossible for the US to defraud investors holding an IOU for gold in the form of a gold backed currency (the dollar),,,,,, then later return this very same currency back into gold loan status. As I understand it, every BIS member (outside the US of course) would demand their dollar reserves replaced at the old gold rate. Now, that ain't gona happen. The best the US could
do would be to print a new currency. Still, once taken,,,, never again? (grin) Thanks Camel
==========

Max Rabbitz (06/12/01; 15:53:48MT - usagold.com msg#: 55946)
Some Australians know what's coming

Hello Max,

Yes, the whole mine sector is up to it's ears in bank dealings. Even the US fund favorite, NEM, has enormous debt. Yes, it's regular debt but we have to expect that every financing function in the industry will be in hot water once these BBs start suffering. Loans, both good and bad will be
called because everyone will be exiting a sector that is suddenly seen as in turmoil.

Once the largest cross segment of our gold market starts to fail, taking paper prices to the pits,,,no one will want to chance holding mine paper of any kind. Even if physical is soaring. Fact is, at first, no one will believe the new price is real and will not bit the mines that credit. They will mark the mines to the comex price first.

Let's face it, industry supporters unleash their strongest attack at the notion that the marketplace could be in trouble. This is the area that they know is their bread and butter as far a stock valuations and new credits are concerned. We will never get an honest take on the risk with that much on the table.

Gold Bugs like to point out that the mines could just use their metal as money. But, with all the cross ties in the gold lending business,,,,,,, the various governments tax policies at odds with non legal tender accounting and in general the failure of knowing what price of gold would be,,,,,, this avenue of metal use would be closed for some time. The banks would forbid it.

This is the reason I invest a very small portion in the best of the industry. I expect it to pay off, only after the mines valuations fall far away first. Later,,, after big

taxes,,,,, the very best mines left may make some fantastic profits on the last $2,000 and ounce. That's giving at least $18,000 to the government. (grin). Besides, what a head throb? Just buy gold outright.
Thanks Max.
==========
Randy, I will discuss your post next.

==========
Mexpat (06/12/01; 16:55:28MT - usagold.com msg#: 55952)
Trail Guide
"Free Gold,,,,,, traded without credit,,,,, without the rules of men."

Hello Mexpat,
you write:

------I like it! I like it a lot. But I find myself wondering just how the wealth value of this free,
tradablevgold would be determined vs. other assets, and vs. the fiat currencies which would still be used for daily commerce. Would you see some type of Exchange still existing which would handle transactions in physical Free Gold between miners and end users, for instance, at which a daily
price in some fiat currency would be set? Or how would it work do you think?------

Well,
I expect gold to be a wealth holding no different than,,,,, stocks that pay no div.,,, antiques that have no earnings,,,,,, diamonds that buy us love,,,,,, treasury bills that are brought at a discount and appreciate over time,,,,,,,,,, raw land,,,,,,, and cash in a box!
I do not expect it to be used as daily money any different than shares of IBM are used to buy food. I think we will hold it for it's record over time as the best trade able tangible asset one can own. I expect taxes will be levied on it's use if it is traded. No different than the taxes people record the world over when taking and paying cash in commerce.

Your post:

-----If I want to trade some of my shiny gold eagles for a beach front condo in Veracruz, priced in pesos, how am I going to determine how many of my eagles to give up? I'm trying to envision just how things might work on a practical basis once physical gold breaks free from paper gold.
Perhaps you could comment.-------

If you have a good relationship with a physical gold dealer he would sell the gold for you or perhaps just charge a trading fee to record and ship the gold to your property's seller. Your paper records would suffice for paying the correct taxes. Not much different than trading physical now???

One big difference will be that Michael will most likely be part of a physical gold dealers group. Perhaps called the EGBE (Euro Gold Bullion Exchange). An organization of world physical dealers that buy and sell gold for their customers. MK would, instead of checking the comex price, simply call a nearby (in denver) member and deal the metal or get a going price.

From South Africa to Shanghai,,,,,, from Berlin to Dubai,,,,,, the new physical exchange will change the dynamics of gold as never before.

Will this work for you, sir (smile). Thanks MexPat
==========

Hello Megatron, your words,

megatron (06/12/01; 17:26:20MT - usagold.com msg#: 55958)
Reality check
------I wonder what happens when TG or Another go through the checkout at the supermarket and are forced to pay fiat money to live day to day. "I'm sorry ma'am, this fiat you call money is worthless, and the gold I'm holding has no value that you could understand'silver is worthless I've
decided, so what I will do is work off my debt, in euros, to the
store"....."Your going to have to put those groceries back'sir".----------
--

Meg,

do you know how many national currencies in the world today experience an average of over 20% inflation rates? Do you know how many of those nations also experience almost hyper rates? More than a few, my friend. The point is that even in super inflation dynamics, modern people still use the fiat. Even as the governments lob off zeros weekly. Sure everyone has gold and hard dollars,,,,, but they don't spend them as much as they do their currency notes.

My point is that we will all be doing just as in Mexico; spending pesos while holding dollars and gold. Only in America we will be saving gold, putting aside Euros and spending inflating dollars. When the dollar goes completely hyper, we will resort to Euros, not gold or silver. The times have changed, my friend, you are fighting a war that will not begin. The world will use only one hard metal as wealth, gold! Because as Randy puts it: " we don't need a redundant wealth asset to hold in reserve". Silver is a good commodity but has no future in the either the Euro System asset structure or my private wealth. Gold is the place to be and the events to follow will show this to be true.

"Time will prove all things"

Thanks
=========

TrailGuide

Trail Guide (06/12/01; 20:51:08MT - usagold.com msg#: 55984)
Comment

Hello again Randy,

Yes, Duisenberg will be leaving and will have guided the hardest portion of Euro formation; the initial expansion. Once the currency is finally in circulation, this balancing act will end. I think Trichet will then have the most satisfying portion as he powers the Euro into world class status. It's hard to believe that this group of nations

is such a power house. This bit of info makes a startling point:

"When the national aid programs of the 15 member states are included, the EU provides 55 per cent of the world's development aid and 66 per cent of outright grants".

So much for the idea of a broke bunch of countries.

Also; yes again that the ECB is holding firm in it's position of being non political . No grand show of cutting rates to pump the economy at the expense of the currency. Traders like to dismiss this body as ineffective because they have not produced the currency valuations that put money in their personal derivatives trades. Instead this Central Bank is following a course that is putting them in
good standing with major dollar reserve owners. Owners that are now voting with their feet to exit the dollar as markets allow. It doesn't take much view to see that a further rise in oil prices is about to push the US well over the cliff. To date the impact has been muted with the EuroZone showing
about as much impact as the US. It will be the next rise the shows the difference and much more greatly impacts the dollar's standing.

With Blair beginning his Euro pitch, expect an all out effort out of Europe to remove gold off the market now,,,,, a certain firmness in the Euro and an outright overt push by the US fed to gun the money supply at all costs.

The combination of all this should break the US paper gold pricing system, drive US inflation rates well past the Euro rates (even making a joke of the CPI numbers), raise all prices in local US investments such as Real Estate, and the Dow. and drive real bullion premiums through the roof
(over paper contracts).

We have been on the road to high priced gold for some time and now should begin to see the results spill over. It's going to be some history lesson.

Thanks Randy,
TrailGuide

Trail Guide (06/12/01; 21:00:47MT - usagold.com msg#: 55985)
Reply
megatron (06/12/01; 19:56:48MT - usagold.com msg#: 55979)
TG
If a mining junior had ******** what would stop the person
with a 2 digit IQ from figuring out this is the thing to own? ********* a person would be stupid NOT to buy. They cannot be forced by anyone or gov't to do anything. They can sit on it practically for years. You MUST QUALIFY your statements about mining. Many will go the road you say like 'miners' Barrick, Eldorado, Normandy etc. but many won't and you are doing a dis-service to the people who follow your posts, by making such patently WRONG predictions and gross generalizations.

==========
Ha! Ha! My sir Megatron, to all of your 2 digit IQ people I say but one thing that will QUALIFY my statements:

-----Compare an investment in bullion to an investment in
----------BRE--X ---------- the one that sounded just like your baby but wasn't!

thanks TrailGuide

Trail Guide (06/12/01; 21:24:43MT - usagold.com msg#: 55987)
Reply
goldfan (06/12/01; 19:45:38MT - usagold.com msg#: 55978)
Trail Guide (msg#: 55941)

--------However, I cannot agree with you that in such a regime, gold to save and fiat to spend, there will be no gold loans. If it is in people's interest to borrow or lend gold, then they will do that, no matter what the government proscription against it. If the pressures are great enough there will be a black market. ----------

Thanks for reading sir!

Did you know that in most countries around the world, the US dollar is not legal tender? Yet, it is brought, sold and traded just like it was. Central banks own dollars as reserves and allow their local use do to IMF treaties and accords. Still, most major countries don't legally recognize our currency as money in their economic system.

All this and we can circle the globe and use dollars almost anywhere. Why is that? Because the dollar is covered by a US law that makes it the money within the domestic US. It's not a law in any other land but it binds the dollar's use as a protocol of understanding.

Now, if gold was to be declared non tender and non collateral in Euroland, the same force that binds us to use dollars the world over would also repel us from contracting in gold. The world over. The legal status of a major reserve nation can have the effect of internationalizing a law into policy with respect to the conducting of business.

In other words, I'll lend you some gold here in Brazil, but you will not get a good rate because of the risk I take that you may end up in Europe where I could not enforce my right to that collateral. Better you borrow these pesos or Euros at a lower rate, yes?

This is how a local law becomes accepted protocol in business dealings the world over. Besides, why would it be in anyone's best interest to borrow gold when they could borrow fiat? Truly, if fiat is the money, like the dollar fiat is today, modern people will borrow it first, no?

Gold find's itself in it's current predicament because it still competes with the dollar. In a Euro world, it won't be in that box.

Thanks TrailGuide

Trail Guide (6/13/01; 04:49:08MT - usagold.com msg#: 56014)
State will not seek to alter the Nice treaty, EU told!
http://scripts.ireland.com/eurotimes/geneurotimesnew.plx?http://www.ireland.com/newsp

aper/front/2001/0612/fro1.htm

All: This almost sounds as bad as American politics?? Does this mean the Europeans are now just as good as us Americans? Sure they are! (smile)

------The Government has told the EU that Ireland will not seek to renegotiate any part of the Nice Treaty in advance of a second referendum on the issue.

The Minister for Foreign Affairs, Mr Cowen, told a meeting of EU foreign ministers in Luxembourg that the Government will seek to ratify the present treaty before the end of 2002.

In a joint statement, the foreign ministers reaffirmed their commitment to the process of enlargement and said last week's referendum result would not affect the pace of negotiations with candidate countries.----------

ORO, good posts. I have a few comments. later

TrailGuide

Trail Guide (6/13/01; 07:29:00MT - usagold.com msg#: 56021)
Comment

ORO (06/13/01; 00:09:42MT - usagold.com msg#: 56002)
FOA, Another, and the use of force

Hello ORO,
I have a few points to make. You write:

==========
--------- I say again, no financial system has survived the span of three years, and most had not survived a year without trading gold at a set par to financial assets. The future euro system presented by Another and FOA is no different from its failed predecessors. ----------

The problem with this comparison, ORO, is that no financial system has ever been introduced where gold is included as a non money reserve asset. Taking your point further; this oversight is the reason "every financial system" has failed. Not just those lacking gold. In this light the new Euro
system is different from any major reserve fiat ever employed in modern time.

Through out history "hard money socialist" always fought to include gold in the currency / banking system so they had an escape rout. None of them ever could live with gold moving through society as a singular wealth asset that was traded next to cash. Making it an alternative pay as you go, non
credit, pull up your own bootstraps way to survive man's money systems. Sure, taxes would be paid on this very asset every time it was used. But, that fee is no where close the wealth tax burdened upon the economy by an exclusive arrangement that combined gold and money. Then common people had no recourse to own a wealth that could offset the social printing press as man inflated the official

gold backed money.

In hind sight we now know that the flaw in the system was in allowing gold to be entangled in the basic purpose of banking,,,,, lending. This opened the door to social engineering; in that lent gold could become a permanent fixture in the national money supply by simply printing more gold than was held.
==========

--------- The core of the argument from Another and FOA is the FORCED liquidation of contracts having dollars on one side and gold on the other. The mechanism for this is not related to performance on the dollar side, nor to the particular degree of leverage in the bullion banking
sector, or any market set rate of exchange between euro, dollar and gold, but solely and completely by action of law (the EU treaties) to FORCE GOLD CONTRACTS IN LONDON
TO BE CONVERTED TO EURO.----------

Oro, this is the core as you see it. A distinct Western view that incorporates the need for inflating qualities in a money system. We never said that this drive was about bringing the Anglo based gold lending system to justice? I'll leave that to GATA. We seek to dismantle it entirely and hang the cost upon whoever will carry them. Looking beyond your closed understanding one can see the need for change.

The USA initiated the idea of "Forced liquidation of contracts" in 1971, when they defrauded the world of it's gold. Their's was also a "sole action of law" that forced gold owners the world over to become US fiat holders. Further, this was done while the US kept it's gold ownership illegal for American citizens. So much for a Republic that plays a tune to the world of how a money system should run? To the Europeans credit, the destruction of this current breed of "American gold Tender" will at least offer a new currency that recognizes the asset value of gold and encourages it's ownership by the masses.

This combination was not contrived lightly and is the desire of peoples the world over. Nation states that wish to thrust the American experiment onto it's home turf. Truly, I don't blame them. Let us Americans print our own destiny, but leave the world to it's gold.

Besides, how else could one divest themselves of Dollar gold paper without moving into gold itself or another currency unit large enough for the task.
==========

------The reaction to this plan would not be the one the EU intends. The contracts would not convert into euro but instead leave the EU jurisdictions even if the UK joins the euro.-------

Your position is based on current context. This drama will appear different as it unfolds. US inflation will be driving upward, it's economy slowing and our Fed printing like mad. This very trend is currently on track as we and others have been pointing out. No one thought that Allan would embark on such a confidence killing rout and it is the bankruptcy of American financial policy that is driving this. The dollar is at the end of it's timeline and our expansion of derivatives was but an effort to save the system for a while.

Let's see; you have a gold loan on the books, physical supply dries up forcing a premium on metal over contract gold, the contract and futures markets freeze up and your asset in the form of loan paper is worth zero. Then the ECB in conjunction with the Euro faction of the BIS offers to restate the now worthless gold loans into Euro denominations and you are going to walk? Where? To the US?

In this context, the next reserve system is saving a portion of assets that were already destroyed by US special interest. US policy destroyed before the fact as much as the US printing presses destroyed the dollar gold ratios in 71. Think again, my friend.
==========

----------There is nothing that would force gold producers or buyers to go to London or Zurich to do their trade. As both groups would prefer to go to alternate jurisdictions. Seeing the forced redenomination of contracts coming would simply leave the euro using jurisdictions which threaten
to change their contracts by force. ----------

As I said above, no one is going to force anybody. Producers and buyers will head for the best system and in this case it will be the only one in operation.

----------Furthermore, the contracts remaining in EU jurisdictions would be hedged into euro liabilities of ECB member banks long before the fact. This is something I believe was done leading into 1999, whether this hare brained plan goes through or not. ----------

At the very least gold assets will balance a portion of this. We never said that the Euro would not have to expand greatly to cover the dollar's removal from reserve status. It will. It was never intended for the world to lose trillions of dollar assets and not have at least a few trillion of that replaced by Euro System liabilities. As I pointed out so many times, the coming rise in gold will at
first only be reflecting past dollar expansion that took place without real gold pricing to track it. The illusion of gold price we today call accurate will give way to recording just how much the US over borrowed itself. This rise in gold is the real base the Euro will expand on in an effort to fill the world hole left by a fallen dollar. At the very least the EuroZone is not trying to create an illusion of Euro power without gold rising to reflect that. All so very contrary to past American dollar policy.

-------Thus a euro - gold pump would have been created with FURTHER EURO AND DOLLARS being created for each rise in the gold price in either. Thus a gold market boom would be against the interests of both the ECB and the Fed. ----------

Again, your idea of a Euro gold pump completely misses the root cause of this new gold price in the first place. It will be but a recognition of dollar failure and a replacement of those lost values through high priced gold. Both official and private gold the world over will represent asset wealth lost by the dollars demise. At first inflation will have nothing to do with $10,000+ gold. The dollar has already seen to that. To say this is against the interest of the ECB is to ignore both logic and our modern economic reality. Yes, there is a major problem being fixed and the FED and American Social engineering at the world's expense is that problem.

----------Contrary to the thinking in political circles in Europe, the markets are more

powerful than they are and will move to destroy the credibility of their plans just as they destroy the credibility of the Fed if it continues to inflate beyond debt repayment demand. ----------

No sir, contrary to political thinking in America, Europe and most of the world sees how the US market is manipulated in a way that ignores all past Fed inflation. We continue to move the money supply bar upward in an action that says "you just inflate one more time and it's all over boy"! As if all the past dollar wealth destruction is ok. Truly, the feds credibility is already destroyed even as they now embark on the final inflation. Your observation of markets ability to destroy credibility is a joke that has been circulating for decades now. Your faith is in a market that exists in illusion for the good of political advancement. Witness Bush's backtracking on numerous items of ideology
importance. And he is the best conservative this nation can put in place.

----------That the ECB member central banks were supplying this physical gold liquidity at par with the paper would make the ECB (and EU and the euro) more suspect than the paper gold - future dollar exchange system they are trying to destroy. ----------

Who said it was at par? If you are speaking of the current illusion of price, then par is most certainty above that. You don't know who brought the gold if it moved outside the world CB system and you don't know the full extent of assets traded. Both gold and currencies are traded with perceived future value in mind. Especially gold that is known to be revalued later.

-----As FOA indicated, the paper system is such that unavailable gold is traded for unavailable dollars - future gold delivery is traded for future dollars earned. As the (previously) future dollar earnings do not appear, neither does the demand for making good on the contract with physical gold delivery.----------

Yes, and this structure is the market you promote that can shake governments to the ground. Truly, once the gold supply is locked down, the demand side of these phantom price setting contracts will dislocate the entire gold market place. Your capital seeking the best return will, at this time of stress, opt for any market that works at all. Much less works at a profit.

---------There is always a difference between gold (savings) and other financial assets (investments). Gold holdings remove consumption demand from current goods and services, thus allowing their use in investments that produce future goods and services the excess of future products over those used in investment is the return. The value of gold credit vs physical gold, as is the case for all credit, is simply the reflection of the ratio of expected future production of goods and services to current production of goods and services.----------

Not true in the context of today's economy. These rules have been rebuffed by the markets failure to destroy non performing assets in the face of government bailouts. Fiat policy under our reserve system expands and retains all forms of created production, no matter the return. Capital has no risk basis to regulate it's flow. We expand until the currency is dethroned. All the while common man has no wealth storage unit to transcend the process.

In today's fiat systems, consumption moves right thru gold holdings as the assets

used to buy them are deployed by the metal seller. Gold credit is not needed in our fiat world because it's function is replaced by fiat credit. What is lacking is gold in a non credit stance so savers can store wealth outside it's relationship with money. Once gold is removed from competition with fiat, the return on gold is in regaining the inflation wealth lost to credit and the wasted production assets such credit made permanent. This is the reality of our common money world today. We will never return to anything that decreases our creations. With this concept now a law of human function we strive to live with it. In this, gold will be our anchor in the present, future and beyond.

----------Gold is and has been the only money of substance. A currency not attached to it will not be borrowed because it will not be lent. None wish to hold a perpetually diminishing asset such as a currency denominated contract detached from gold would be. Countries that impose capital
controls lose in the financial market place and become economically isolated. Even the EU can not afford that.----------

Credit money systems will be with us for our lives and beyond. They will all fail, taking gold with them if gold is entangled in man's credit schemes. In modern minds money is not money unless it is entwined with credit. In this perception lays the trap that renders gold to never be a money substitute again.

The fact that our Dollar use has expanded the world over for almost 30 years without being tied to gold rejects the logic ORO implies above. There is a whole world of people, savers and businessmen that have and still use our "perpetually diminishing asset". Even as it is detached from anything hard. Further, Capital controls are only controls when they prevent socialists from inflating gold for their self serving interest. For the benefit of our present world trading structure, let's strive to replace the flawed, failing dollar with one that allows savers the right to retain their hard won wealth. Let the these Western Capitalists work the fiat tools they enjoy and for them may the best gamble win. Just leave my wealth so it may travel the trail I seek it to go.

For Gold Advocates, the Gold Trail is the only road to security.

Thanks
TrailGuide

Trail Guide (6/13/01; 09:26:14MT - usagold.com msg#: 56029)
Comment

Once again, we talk,

ORO (6/13/01; 01:10:10MT - usagold.com msg#: 56006)
FOA, Another - Fallacies in economic arguments

--------The crux of the matter is that the unit of savings dictates the unit of contract denomination (including debt), which dictates the transactional unit. The markets function best when all are the same units, and when the markets are free to switch between monetary units as reality requires. ----------

This "crux of the matter" is that Western hard money proponents always use an ill-

defined definition of peoples wealth. Such ideology segments our savings into money form. This makes the distinction that only money can be the topic and concern of a societies ability to determine what it's worth is and what it can spend. Reasoning that units of savings do have to be in the form of transactional bits enslaves us into some form of money system. This thrust ignores the fact that our total wealth is just as spend able and tradable for other wealth and therefore is our life's savings also. Money is but a function of denominating said wealth. In this light, history has proven that when real wealth units are combined with our credit money, credit inflation blurs our ability to measure our worth.

To say that markets function best when free to shift denomination power between fiat and gold ignores the fact that when combined there can be no shifting. Further, credit money has always been in a process of credit inflation decay and can hardly be seen as "functioning best"!

---------- The idea of separating the unit of savings from the units of contract and transaction can only result in no contracts and no transactions, or no savings in the unit dictated. In reality, transactions and savings would move out of the euro into gold (all transactions in euro would be followed by exchange into gold), and contracts would simply not be signed within EU jurisdiction where they could be annulled, but signed under a "tax haven" law----------

No one has this idea in mind. Your point is given in the context of gold being some form of money unit. It will not. I will be free. Once again, we have been contracting in gold - less fiat dollars for decades and no savings have rush out of this currency away from dollar contracts. The logic is lost in that a blind man can see where contracts and transactions have continued. If this was true the world would have ran from US legal tender jurisdiction and traded in all the other forms of money. Especially after our 1971 repulsion of gold as a contract able US money substitute. The rest of your paragraph rebuffs a condition that will not exist once gold is outside the money arena. Besides, once again, if this loss of function didn't happen to the dollar why should it suddenly happen to the Euro.

-------The similarity of the Indian gold and contract markets to this UN-free-gold idea goes far beyond goldfan's observation. The limitations on contracts, business formation (80% of Indian business is done without license and without enforceable contracts), and private property in India are exactly what has kept so much of India in its poverty stricken state. That is the true alternative to the so called "Western" view of money. That is what you say Europe is working towards. If so, I wish them a quick and painful demise such as they intend to impose on their own people and those of the world at large.---------

Your wish for destruction stands you at odds end against the desires of a good portion for the world. The alternative to our Western experiment with money is to retrieve gold from the clutches of this same Western banking establishment. The very same group your failed hard money position seeks to have us all try once again. Europe is working to place gold in the hands of common man, not again on the books of credit lenders.

On the contrary, to have the world's money system remain attached to the social policies of USA socialist interest would indeed place us in the same stricken state of India. To connect to complete economic policy of India to the proposition of Freeing

gold from Western inflationist completely out of context.

------ The dollar gold market of today allows a fixing of the profit of any dollar investment into gold. That is the key for its survival. The euro system as you present it does not, and intends to make that impossible. Furthermore, as a direct consequence of its purposely inflating the gold
banking system, and its intended puncturing of the paper gold bubble it induced, the EU and its financial institutions will destroy confidence in them as all will know what they did, how they did it, and that they are as honest and trustworthy as the Gandhi's and Nehru's political progeny.------

"the key for its survival"?? Knock, knock,,,,, is anybody home there? Am I talking to the same person? (smile) No comment on that one.

As for your "purposely inflating the gold banking system", I made the point in the last reply that this is but a reflection of dollar expansion, not Euro inflation.

Time and events will prove that the world wants and needs a currency governed by a varied group of nations. Collectively able to leave their ECB central bank to reign in on Western style inflation as it see fit. With free gold to gauge that success and an already obvious passion to under inflate our
Fed, the trend now points to the next choice the world will run to. The Euro. Honesty and trustworthy will be judged in relation to the US, I'm sure.

------As to the legal status of the dollar as a gold unit, it is not. -----

That's obvious now but was not the case in 1971. Would anyone accept the dollar as backed by gold again. It would be a laughing stock.

--------The legal gold unit is the Eagle, and the dollar is legally silver. All of the congressional commitments of the dollar as a gold unit, and of the various administrations making Executive Orders, were purposely kept strictly illegal so that a future Supreme Court could annul them and all treaty obligations that involve a connection between the dollar and a particular quantity of gold--------

Yes, apply your 'honest and trustworthy" to that one.

Thanks TrailGuide

Trail Guide (06/14/01; 09:45:29MT - usagold.com msg#: 56100)
Later today
ORO, ALL,

I had to pull away to take care of a few things yesterday. I should be back to our discussion and make a few replies to others later today. (smile)

TrailGuide

Trail Guide (06/14/01; 19:35:42MT - usagold.com msg#: 56149)
Discussion

Hello again everyone.

Before restarting my comments on ORO's posts, I want to define some thought. I'll begin with a portion of earlier posts that actually marks the ground in my struggle to open ORO's position. With Econoclast first, then expand from there.

Trail Guide (04/24/01; 20:25:28MT - usagold.com msg#: 52495)
Replies that help articulate
Econoclast (04/24/01; 08:35:58MT - usagold.com msg#: 52451)
-----I feel discouraged right now. Not because the gold price is low, not because of what is happenning in the gold market, and by extension the financial world, but because of the fact that what I see for the future is more of the same.--------

My friend,

our message and our position is that we are in one of the most exciting times of all the history of gold! We have seen that during times with the most radical transitions, the majority are usually defending the wrong asset (added note: and often hard money position). This unfortunate situation need not impact everyone today. If better judgment is the result of a full understanding, then some who read here will be exposed to tools that could help them avoid the mistakes of our Western hard money majority.

For Western Gold Bugs today, their culture, their system and their recent knowledge is all ensconced within the last 30 years of paper wealth. Yet they are using a hard money defense, written by masters preceding our modern era. They struggle to use that logic out of context, as it is thought to apply to this gold market today. These two precedents are leading them to reflect their gold values in some form other than physical ownership in possession. This mistaken detour from gold's true purpose will once again prove, by reality, the value of owning real gold.

Standing aside this group is the Physical Gold Advocate. For them, for us, these times will contain the greatest gain in real wealth ever seen. For those who are falling behind, gold is still within your grasp.
TrailGuide

OK, with that thought in place let's go further.

I have, in the past, both here and on the trail, offered a small bit of our perception of gold as it was understood by mankind of the ages. Gold use from the very beginning and covering hundreds and hundreds, even thousands of years ago. Those partial glimpses of our research are of a timeline in
history that far out lives the life of our present era. In truth, we are living only a tiny portion of mankind's experiment away from using real wealth and assets for buying and selling goods and services.

In today's society, ours is a grand trial of pushing reality behind and has gone far beyond the conservative money movement's limited condemnation of present policy. Yes, we as a society and even this hard money school have bastardized the very thought of gold. Standing logic on end in an attempt to give gold a better taste to the masses. A "taste" that has ended in both hard and soft money failure time and

again.

Gold was given over to the sway of bankers and expansionist, long before we thought fiat money was bad. Gold was renamed money by those who in our present day would be considered "the iron work" of hard money thought. The name change was not intentional but the effect was the same. The ancients could not condemn or stop this transgression as it blurred the distinction between wealth and money. Over time they called it wealth no more.

This is the real war, the real threat to gold and it's lifelong attributes that thru war and life saved generations of our forefathers from poverty. Yet today, our experiment has ran far beyond even that early fraud. For so long have we been without gold as wealth, we look back and see gold as
money as the safe place to be. It is not and never was.

From this understanding we know that our present grasp of man's view of gold is far different in scope than back then. As I pointed to above, the culture of Western Gold bugs today is completely embodied in monetary rules, laws, human interactions and history as it is known to them during this
age. Yet that knowledge is a school of hard money that was built on that shaky foundation that preceded it. Again, "gold is money" does not bring us sound money. It only sets the stage for another round of the failure of man's idea of how a money system should be.

Yes, we struggle to use this hard money logic because it is out of context, as it is thought to apply to this gold market today. A "New Gold Market" I might add that confounds every expert in the field. Indeed, our logic today is out of context with what gold was always needed for; a wealth held
by mankind because it so much reflected the opposite of our human failures with credit. No matter if we lent pigs or goats, wheat or steel, bonds or stocks, fiat or houses,,, carts or horses to rocks and fire,,,,,,,,,, credit is the failure of man's control of himself. And always will be. The one item of wealth that so stood the storm of our greed was the same item that most marked that failure to market,,,,, Gold! Yet, even gold will not do the job our creator made it for if it is entangled in man's evil nature.

It is from this rock I make my stand,,,,, It is here where we thrust our sword deep!

Onward to ORO's post.
TrailGuide

Trail Guide (06/14/01; 21:31:39MT - usagold.com msg#: 56159)
Comment

Hello ORO,

ORO (6/13/01; 03:47:52MT - usagold.com msg#: 56010)
FOA, more Fallacies - the "Western" view-------

------- The alternative to the "Western" view of money is millenia of decline and stagnation. Which is what we had before we had the "Western" view and the "West".----------

ORO, it's important to understand that most of what the "West" is built on is financial debt without human assets. Only people can create wealth with energy, thought and movement. Without a populous standing behind our huge American debt, it's payment reverts back to increasing the
bookkeeping value of all tangible wealth through fiat inflation.

All this debt we created brought us a lifestyle that is an illusion built on the backs of those that brought that debt. They traded real efforts to enhance our position and no will receive inflated assets that reflect said inflation. Even the gold at West Point will be inflated to match some of that debt.

Truly, the expenditure of so much of the worlds productive efforts on producing our Western Way,,,,, cannot be in any way be less than "decline and stagnation" before the fact. Yes, it is indeed our view of money that created this fraud and the whole world will pay something to end it.

----------As I said earlier this early morning, the role of money is to be held not for its own utility for its holder but for its utility in conducting trade over time and space - particularly over long distances and times. Whatever it is that is used as money - for savings, concurrent transactions and contracting (transactions completed in the future) - will be used predominantly for that purpose, and
its value will be set by the markets at a sufficiently high price (relative to everything else) to keep it in use as money rather than an industrial, consumer, or collectible good.----------The whole idea of money is that it is what you hold instead of holding "wealth": the goods you intend to buy at some point in the future or in some distant location. ----------

Ha! Ha! I could not have said that more eloquently. What you have described is the exact workings of a modern fiat system. This is also necessary for the very financial foundation that modern man has created and demands your same present fiat credit structure. I have pointed to this
many times. Modern fiats are the life blood of modern commerce and even modest inflation is accepted as a tax to pay it's way. Nothing else could explain this evolution better than for us to witness the dollar's demand evolution during the last 20+ years. Even our dollar bears are
confounded by it.

Our dollar would have worked very well within this framework if we had only allowed gold to run outside the money system. Priced as wealth not credit money. But, then again, such a setup would not have brought The American Experience others envy so much. A constricted money supply and low dollar exchange rates would have measured our profligate ways quickly and driven us into the very decline and stagnation you mentioned above. A fitting judgment for a nation that would not pay it's own way.

As a side note: Yes, many fathers in this land, no doubt paid some form of war blood for the world to be better. But how can we measure the wealth loss placed upon everyone by our system of exchange robbery. For how long is the financial pay back? Would it not have been better to reign
in the dollar long ago? We cannot judge what was not done.

-----Anyone holding anything as money - or a financial asset - will be holding it for

what it may buy rather than for what it is. In your old demonstration of the people in the audience of an auction saying "I could afford this" while reviewing in their minds their financial holdings you missed the point entirely; that is the perpetual condition of the saver. Whether he saves in gold or in dollars (a poor choice) or in euro (if what you say pans out then it is an even poorer choice), the saver is making the decision not to buy the Strad at the auction. He is the one making it possible for the price to be as low as it is. If he had no confidence in his savings (and investments) whether gold,
currency, or anything else, he would most definitely have bid the whole of his holdings for the Strad, perhaps even pooling his money with others at the auction to bid together at the limit of their assets. What you are, in effect, demonstrating is the role of money as savings.----------

ORO, if that were fully true then the dollar system as it is would have been decimated long ago. True, we hold and value a fiat currency today for it's use, and value in this modern society. What it can do for us, yes. And this need has evolved as our economic structure has evolved. Still, our
human "credit use flaw" is the force that even tremendous economic and financial advancements cannot neutralize or overcome.

Mankind, as we are designed, needs a tool that can both save and measure his and his countries "credit fault level" before it destroys his wealth. Gold is that saving grace but can not and will not work it's magic if entangled within the same credit structure we strive to control. Most leading
currency advocates (even Allan) look at many private use items outside of fiat to see how their money control is working. Real estate, cars, oil, food, you name it and none of these are part of the money structure. Gold as a private and official wealth asset, instead of money credit asset can also serve that function and more so. But we have to get beyond this wreck of a dollar system that's speeding out of control.

The only thing that did not bring down the dollar sooner was it's societies lack of said measurement tools to see their miss allocation of credit. Let's face it, in the same light as I pointed out further up, we continue to think that we are leading the world in lifestyle example. Because gold is mired in it's own financial evolution that started with money credit, it's price illusion tells everyone we are the
best! ORO, even a crazy society will back away at some point, especially if they have some saving asset we know will make it through any storm.

We have gone so god awful far off the scale of how even a blasted fiat should work it is stunning. And it can all be laid to rest at the door of gold is money theory. From that point our ability to manipulate both fiat and gold values ran amuck. And will do so again. History proves I am right on this count.

Still, a fiat can and will work for us if it's modern use demand is harnessed. It's value can be somewhat maintained without locking down our governments and societies needs for flex ability. In this light Free Gold can slow a car (future Euros) gaining momentum down a hill. But, given the speed this train (dollar) is going down the mountain is it no wonder evan gold is cast aside as an anchor.

-----Money obtains a premium valuation over its value as a "wealth" item, like a sofa or a jug of olive oil. "Moneyness" is a shared mental state among the people using something as a money. It is not inherent in the item being used so. To the extent that something is used as money, such is the degree of the monetary premium it

obtains.---------

In my post just prior to this one, I addressed some of this concept. To the ancients long ago, gold was but something you owned and traded. Yes, it trades so much better than other things it commanded your premium, especially over distance(on the road). But, as I stated in those ancient
posts, gold within the city gates often had equal or less value than any other quantity of goods. Because those people traded wealth not money. And in the case of gold, it's distance utility gave it more value, not because it was money.

The crucial factor to use in understanding a comparison between then and now is that there was no fiat or other money of any kind. Just tradable items. In today's world, your "Moneyness" mental state means "credit" shared with more "credit". All of our perceptions of money revolve around terms of payment. This is the way our "just in time" economy must function on a global scale. If gold is entered into this function, it is quickly revalued far below it's physical worth through the same credit expansion fiat demands. It loses any and all of it's wealth premium. In this process it comes into competition with official money and must be inflated as needed or it will bring down the entire credit structure.

---------The argument that the value of financial assets is imaginary is equally applicable to gold as savings. When held for its direct usefulness to the holder, the item is not a financial asset, not a money, and obtains no premium.-------

To the contrary, gold held in possession creates a demand for it's limited supply that's far higher than when it's part of an expanding credit structure. It's value tends to be in relation to the total wealth of a nation as it becomes a proportional holding that can be sold to replace lost paper wealth. This real demand for a limited physical wealth creates a value based on substance not illusion. It subjugates the wealth of financial wealth illusions and forces their discount until a real return is created from them. Business is then financed more on return and built on up front ownership. Shares can no longer run to PEs in the sky. In general, a nation's total assets become more stable.

------In short, when you claim that gold as anything other than a "true wealth asset" (of "world class" stature, no less) has the wrong valuation, I will agree. As "wealth" it is valued as an industrial commodity or a piece of costume jewelry, at the lowest bottom of the range of valuations it can have. In this view you have stood the concept of money on its head and as the dresses fall away from its legs you get to see some things you would rather not. ----------

Once again, current hard money thought assumes that gold has only a commodity value outside joining it with a credit money system. This is the concept that is on it's head and another reason all gold money systems have failed our modern task. Indeed, strip the money clothes off gold and we
will see a beautiful form. (smile)

I'll pick up later where this leaves off. Thank you ORO and everyone. I will return tomorrow.

TrailGuide

Trail Guide (6/15/01; 06:05:44MT - usagold.com msg#: 56179)
Fisch
For what it's worth,,,this is a very old address and phone but it still may work. Perhaps we should call CPM for their thoughts about these little tools? I know many (myself included, long ago) that have used them over the years for checks of small numbers of coins.

Fisch Instruments
1 800 824 2222
Dept B1105
Box 160332
Sacramento, Ca 95816

Trail Guide (6/15/01; 07:37:21MT - usagold.com msg#: 56185)
Reply

Hello Journeyman,

I have a dinner function to attend later so I'll limit myself to yours and the next installment on ORO. They will be serving some pre-release Napa wines that are not available anywhere. I don't want to miss that, of course! The political discussion and arm twisting (there)is suppose to be the real reason for the dinner. (but after all these years I have developed the ability to sample good food and wine while arm wrestling and never let on to my passion Ha! Ha!) (huge smile)

You write in:

Journeyman (06/14/01; 22:35:12MT - usagold.com msg#: 56161)
Beating a (soon to be) dead fiat. Again! @Trail Guide, ALL

------You state "Once again, current hard money thought assumes that gold has only a commodity value outside joining it with a credit money system. This is the concept that is on it's head and another reason all gold money systems have failed our modern task." ----------First a minor point:
I don't know which hard money thought you are assuming, but my hard money thought assumes only transactions denominated in gold,----------

--------Now the major one: Can you elaborate on what you mean when you say "all gold money systems have failed our modern task?" ----------
They only way I'm aware any gold system TEMPORARILY failed, from your previously stated viewpoint I beleive, is that gold didn't arm itself and shoot the banksters who counterfeited it and thus apparently assumed we humans would have enough sense to do so instead.----------
Or is there some OTHER ways you feel gold has "failed" and is thus inferior as a medium of exchange to "modern fiats??" ----------

Journeyman,

No form of gold usage in our modern money vernacular has lasted against the tide of human intervention. (Again, note the "vernacular" as the object of my thrust)The moment gold was called money, and credit was issued against it, the entire money system starts down the road of decay.

Yes, pure gold transactions were and are successful and self sustaining. That system has worked and would work again in a simple world. But then again, within that system we would not have to call it money would we???? No, we wouldn't. Perhaps wealth barter?

I would work, except that mankind's socialist needs demand that we expand any form of money thru the use of credit. Once it's "money" we seem to evolve a need to borrow and lend it? So, the ancient process of trading units of wealth, back in the good money years perhaps multiple hundreds of years ago,,,,,, really entailed the use of gold wealth barter not money credit!

To date, in modern times, every attempt to link gold to fiat credit money has failed. As stated before, I don't care who is at fault or who is more the evil player in all this. The main thrust that ORO, yourself and so many of our money masters missed in all this was that;

society could not and can not "control it's controllers" when it comes to any tyoe of credit.

Even when gold wealth is linked in some way to the money, and it is written that said link will control the system, we still corrupt it. Sure, take the process out of official hands as ORO wants? But then who is going to buy that? No one ever did in the past! Perhaps a hand full of hard money promoters would like it? But, who are we going to sell
that to, Bush, China, Russians? Who and how? What common elected body or populous will buy the hard money school of thought? What common elected body or populous would allow such a system to hold us to our debts??????

You see, it won't happen no matter the pain. The majority of people accepts that modern economic structure needs fiat credit to function and they are right in many ways. Placing gold in the mix is ok, but once again kills any chance of allowing common man a way to return to saving gold wealth as he did in the ancient times. Wealth that would match the asset savings of our world.

Again, gold systems don't TEMPORARILY fail. What fails is our perception of gold as "moneyness", as ORO uses it. This perception does not allow for the use of gold wealth buy itself, without any money system at all.

"We must have money and credit or it isn't a money we can use" the cry goes out! And so we demand the same! And the moment we use gold as money again someone will borrow some and the human credit cycle of failure goes to work on the system.

So, calling for a return of using gold as the only money again will not work for modern society. Because during the times that it did work, gold was not thought of or used in the image of money as we think of it today.

Thanks
TrailGuide

Trail Guide (06/15/01; 16:03:00MT - usagold.com msg#: 56209)
Comment

In my post to journeyman a correction in this:

+++ I would work, except ++++ should read: +++ It would work, except++

Hello everyone and ORO.

To finish up where I left off with your:
ORO (6/13/01; 03:47:52MT - usagold.com msg#: 56010)
FOA, more Fallacies - the "Western" view-------

---------- In your treck through the ancient world you had demonstrated exactly the opposite of what you seemed to think, that gold was a "wealth" no different from a jar of olive oil. Gold found its best use as a transactional medium for long distances and the intermediate range times that were inherent in trade of the time. That is why silver and other lesser metals were used for savings. But these secondary metals too obtained a monetary premium as much more of them (in terms of purchasing power) was needed for savings than for long range trade. They obtained a lesser
premium than gold had over its value as a jealosy producer on a wife's neck, but obtained a substantial one ----------

True, we demonstrated that gold was the best tradable wealth there was. But notably, the entire ancient world was, then, on a wealth barter system. As I pointed out to Journeyman today, their thought of this tradable wealth was in no way anything to our concepts of money today.

No fiat existed nor was there much banker activity. Gold wealth became so good at being used for "on the road trading" that it actually lost much of it's personal savings attributes. Common man, of that time, saved little beyond actual daily use items and gold was just too good a trade to save. In some ways, as I pointed out, evidence exists that in towns usable goods were worth more to a person's life than gold itself. So, they sent gold packing back on the road. It didn't rest long.

Further, because it was an import trade wealth that could be depended on to bring in the goods, it's value remained "on the road"during most of the early periods. It was too scarce and always being dispersed to the for winds thru ware, tear and just plain being lost,,,as it traveled along. Such is the reason so little of this ancient gold made it to this day. Our digs confirm this completely. Cutting the
estimated gold bullion reserves many think came forward on mankind's journey through life.

On the other hand, the lesser metals retained little trade premium on or off the road and became the object of saving solely for their real commodity value. A value that was and is today far less than Free Gold's would be. Workers could afford to allocate their savings into these, precisely because they were never like gold in the minds of men. Hence the reason so much silver coinage made it as it was buried in the back yards of Rome.

---------- With time and the development of banking, most of the gold needed for a long range transaction could stay in a bank vault and as one shipment arrived at the far destination, another would arrive at home port and the only amount to be settled is the small difference between the

draw on the home bank and the draw on the far away bank. Only that much gold as the difference needed to travel the distance and stay on a ship or a camel caravan. Thus gold could remain at home and be used as savings because the quantity needed in long range trade fell on a per trade
basis. Gold was priced back into savings and displaced silver and lesser metals as most international trade was transacted with bank draws rather than physical gold being transferred on each leg of a trade trip. Much more efficient.----------

And so was born gold banking! Even prior to this time, when governments made gold a consistent "wealth barter" by standardizing it's coin weights,,,,,, the seeds were born to inflate gold by clipping and diluting it's purity. This same inflation concept was common and applied to barter of all wealth as it moved within economic trade. Even the village idiot knew to open the barrel of oil to make sure it was full before buying? (smile)

Cheating is inherent in mans dealings with each other and it was easy to later mask such evil into primary gold wealth barter as it evolved into banker control. Especially if it could hide behind the same bank storage concept your hard money teachers so admire. Bankers were quick to seize the
day as they proclaimed the concept of money in the form of gold storage receipts. Equally quick were they to mix the concept of "wealth barter" in gold with the need for credit. With little fanfare and no examination people accepted that this new bank "hard money" was only available if it came
with their concept of credit. Later our contemporary schools of hard money thought branded gold money and credit one in the same and the saviour of all the failing fiats. Truly, it was more like the saviour of finance!

In many ways, my friend, bankers, governments and power players through out time have made a silent point to never allow a return to hard money without it being entangled with credit. This is the very string they can use to attach and inflate gold before it becomes a pay as you go "wealth
barter". Your money as the ancients knew it. As you say "Much more efficient"! You bet, but for who?

---The interest rate history on gold demonstrates ---------

The remainder of your discussion can be countered in that it all records the actions of a bastardized gold plus fiat game. Rates of return, fiat money contracts and the like do not explain or negate the constant decay that sets into hard money systems. They more so only record the human costs.

I'll move on to your:

ORO (6/13/01; 04:46:26MT - usagold.com msg#: 56012)
FOA - Another's letter

-----In the letter from Another the path of transition from dollar gold contract to euro denominated gold trade takes a detour from that with which we are familliar from prior posts. In prior posts the path was through a "natural" deflation of the over-leveraged gold banking system, in the way of a bank run; where physical gold is prefered to paper because the paper lacks credibility of delivery. The over-leverage was a result of: (1) Gold lending expansion induced by a false promise of liquidity by the EU central banks at absurdly low interest rates. (2) Political support from the US

side allowing a supply of "infinite credit" to accomodate potential losses from paper selling by bullion banks. (3) That oil interests might bid for physical gold with the whole of their revenues rather than with a small portion of it - that portion that is intended for "savings".

At the currency end of it, the deflation of the dollar debt system of its own extreme leverage was to be met with wild dollar printing by the Fed, which would cause a hyperinflation.

In this letter, Another implies a different path that is completely unrelated and arises from actions of law through treaty and has nothing to do with the degree of leverage in the bullion markets. He seems to say that upon the joining of Britain into EMU, the dollar denominated gold contracts
traded in London would have to be converted to euro contracts, though none of the legacy currencies of the EMU are involved in the contracts. Furthermore, the letter implies that the only currency denomination allowed in new contracts within the EU would be in euro. That would force
settlement at the BIS with either the non-existent gold or with euro, that are supposed to be unavailable to the bullion banks, and that their gold denominated assets would not be recognized to back the contracts.

The precondition for this scheme is that Britain joins EMU in order to put London gold market contracts under jurisdiction of the treaties supposedly dictating this. However, Britain may not join at all considering that Britons are 70% against joining EMU at the moment (this may change, of course), and the Irish had just slammed the door for Poland by referendum, with many fearing agricultural subsidies for the Irish would be diluted by Poland's rather large agricultural sector.----------

I would point out that all political changes are fluid. But nothing in the area of your note has changed. All through out these discussions we always allowed that a good portion of these gold contracts would be honored with actual gold ownership. Those that had the resources the world needed could demand this preferential treatment. Granted, this is a negotiating tool but even allowing for a very small portion of these contracts to settle in kind would strip most of the available bullion. Completely. This was the gold corner Another spoke of as being in place. It was and is an
official corner, if you will.

Most readers assumed he was talking about taking on the bullion banks, exchanges or whatever and tried to use his comments to leverage their bets on these very same paper markets. He called certain price levels that were specific to the game evolving onward. Without such progress, the
sudden values of bullion would have appeared. Breaking the system.

Not understanding that "for our paper gold market to burn", it's illusion price of gold would have to tumble as the Euro advanced in status. The record marks these traders loss to the paper world as most of Another's price levels will be reached and beyond. Only, it's the owners of physical that
will share in these gains.

As this unfolded, the EU banks were happy to sell their paper commitments into a known failing anglo gold market. As the prices fell, signaling the first levels of such destruction, their sold paper made money. I don't blame them as they simply sold

into a fraud that was going to fail. No different than watching others take US dollars for goods produced, pre 1971, and watching that market for gold IOUs fail. The US knowingly sold these gold-less dollar IOUs in the same fashion that these EU banks are selling gold-less gold market paper to US buyers. The world goes around, my friend.

As for all the Euro system gold that was lent at low rates, most of it went into other CBs or oil accounts. Only the local rumor mill distills these movements diferentally. In many ways this was the EUs part of their portion of the deal to maintain oil dollar settlement until the Euro was complete. Their loss of physical will be nothing compared to the gain of having their Euro become the next reserve. In addition, much of that very gold will be returned to them via the US gold stocks in Fort Knox and other places.

To repeat your above:
---- At the currency end of it, the deflation of the dollar debt system of its own extreme leverage was to be met with wild dollar printing by the Fed, which would cause a hyperinflation.-------

Absolutely. We are watching this play out as I type. However, the hyper printing and resulting price inflation was always deemed the result of our losing the reserve status. As oil prices have risen post ENU and Euro use now expands, our (USA) ability to control the game is diminished. Allan knows this and is preparing for it. Gold's bullion's eventuall shortage, a falling price for paper gold and the paper gold price illusion that dictates,,,,,, is but the signal that all is failing.

The next step was always pointed to; as at some point the anglo alliance of Britain and the US would suffer the loss of it's gold marking exchange. England has no choice, even if their public does not understand it. If they refuse to join, oil settlement will shift to Euros and demand a tiny, tiny, tiny physical gold kicker for all dollar payments. This would absolutely explode in price and freeze all physical gold and explode the paper gold price untill it was locked down. Forcing a sudden shutdown and forced liquidation of the anglo gold system. If England does not join, this will be the result. That would set off a rush to redenominate gold loans into Euros before it's exchange rate spikes. Besides, the euro system would be the only game in town then.

Hopefully all this will help you reevaluate the rest of your post. I'll move on to your next after dinner tonight. I'll try to post tomorrow or so.

Thank you for your discussion, it is my pleasure.

Thanks all for reading and helping to support this venue provided by CPM.

TrailGuide

Trail Guide (06/17/01; 15:30:32MT - usagold.com msg#: 56300)
(No Subject)
Test

Trail Guide (06/17/01; 20:39:31MT - usagold.com msg#: 56317)
Discussion

Hello everyone!

I'm going to cover some of ORO's points made over many of his posts. To anyone that is following this, ORO's were given during, before and after my last address, which was on Trail Guide (06/15/01; 16:03:00MT - usagold.com msg#: 56209)

For bandwidth sake, I'll be commenting without marking each post. Just taking his comments in order. I'll make reference to only the first sentence or so then marking his words with my usual ------ before and after. For reference, the order is:

ORO (6/13/01; 05:25:22MT - usagold.com msg#: 56016)
ORO (6/13/01; 05:26:35MT - usagold.com msg#: 56017)
ORO (6/13/01; 05:28:05MT - usagold.com msg#: 56018)
ORO (06/13/01; 12:42:47MT - usagold.com msg#: 56047)
ORO (06/13/01; 14:07:01MT - usagold.com msg#: 56052)
ORO (06/14/01; 23:58:39MT - usagold.com msg#: 56164)
ORO (6/15/01; 03:51:40MT - usagold.com msg#: 56171)
ORO (6/15/01; 06:41:30MT - usagold.com msg#: 56182)
ORO (06/15/01; 14:00:40MT - usagold.com msg#: 56200)
ORO (06/15/01; 14:20:54MT - usagold.com msg#: 56204)

Let's begin:

Once again, to further expand the central element of my position; I'll refine further a partial from #56185 to Journeyman. And conclude with #56021. This is the central context I am addressing. It is the object of ORO's many replies. Some of which are out of this context. Randy, I'm certain you follow this well (smile).

#56185 (refined) see old post for original.

Journeyman,

No form of gold usage in our modern money vernacular has lasted against the tide of human intervention. (Again, note the "vernacular" as the object of my thrust) Even back during the moment gold was called money, credit was immediately issued against it and the entire money system started down the road of decay. That decay was in the form of inflation. Better said, the expansion of the number of original money units though some form of fraudulent actions, even in gold.

Even ORO's history teachers have no evidence of an exchange system that could last once the unit of exchange was determined to be "money". Whether it was solely gold or fiat or a combination of gold and fiat,,,,, once the ancient concept of "Wealth Barter" became "money in use" the socialist of the era made sure that money was attached to credit use.

Yes, pure gold transactions, way back then, were successful and self sustaining. That system has worked and would work again in a simple world. But then again, within that system we would not have to call it money would we???? No, we wouldn't. Perhaps, once again, wealth barter?

It would work with that name and function if used again. Except that mankind's socialist needs demand that we expand any form of money thru the use of credit.

Once it's called "money" we seem to always evolve a need to borrow and lend it in an inflationary way? So you see, the ancient
process of trading units of wealth, back in the ancient good money years perhaps multiple hundreds of years ago,,,,,, really entailed the use of gold wealth barter not the credit inflation as we know money today!

To date, in modern times, every attempt to link gold to fiat credit money has failed. As stated before, I don't care who is at fault or who is more the evil player in all this. The main thrust that ORO, yourself and so many of our money masters missed in all this was that;

society could not and can not "control it's controllers" when it comes to any type of credit issuance.

Even when gold wealth is linked in some way to the money, and it is written law that said link will control the system, we still corrupt it. Sure, take the process out of official hands as ORO's school would direct? But then, who today in this modern economic machine is going to buy that? No one ever did in the past without starting the inflation presses the day after it was declared! Perhaps a hand full of hard money promoters would like this action? But, to what end would that bring us? After so many failures, who are we going to sell a controlled credit system to, Bush, China, Russians? Who and how? What common elected body or populous will buy the hard money school of thought? What common elected body or populous would allow such a system to hold us to our debts??????

You see, it won't happen no matter the pain. The majority of people accepts that modern economic structure needs fiat credit to function and they are right in many ways. Placing gold in the mix is ok, but once again kills any chance of allowing common man a way to return to saving gold wealth as
he did in the ancient times. Wealth that would match the asset savings of our world.

Again, gold systems don't TEMPORARILY fail. What fails is our perception of gold as "moneyness", as ORO uses it. To him, his hard money school and countless millions of today's
spenders,,,,,,, money and credit creation are one in the same! This perception does not allow for the use of gold wealth buy itself,,,,,,,, in the Ancient way of "wealth Barter",,,,, without any money credit system at all.

"We must have money and credit or it isn't a money we can use" the cry goes out! And so we demand the same! Governments and Bankers don't cram down our throats what we crave? And the moment we use gold as money again someone will demand to borrow some,,,,,, and the human credit cycle of failure goes to work on the system,,,,,, once again.

So, calling for a return of using gold as the only money again will not work for modern society. Because during the times that it did work, gold was not thought of or used in the image of money as we think of it today.

==========
Now a partial of #56021 (little refined)

Through out history "hard money socialist" always fought to include gold in the currency / banking system so they had an escape rout. None of them ever could live

with gold moving through society as a singular wealth asset that was traded next to cash. Making it an alternative pay as you go, non
credit, pull up your own bootstraps way to survive man's money systems. Sure, taxes would be paid on this very asset every time it was used. But, that fee is no where close to the wealth tax burdened upon the economy by an exclusive arrangement that combined gold and money. With
that entanglement in place, common people had no recourse to own a wealth that could offset the social printing press as man inflated the official gold backed money.

In hind sight we now know that the flaw in the system was in allowing gold to be entangled in the basic purpose of banking,,,,, lending. This opened the door to social engineering; in that lent gold could become a permanent fixture in the national money supply by simply printing more gold than was held.
==========

Onward!

From ORO #56016 Black Blade reposts, Euro survival:

---------- The euro is a political beast rather than an economic one. Thus its economic performance is secondary to its political performance. So long as it is not a total and utter failure, it will survive in European use, if nothing else, then because it will be required for paying taxes, sort of like tally sticks ---------- The EU isolationist concepts of taking the EU onto a single currency in order to gain independence from the dollar and of them being "self sufficient" are both wrong economically, though they might make sense politically --------- (through the end)

Oro,
What "money" has ever been more than an political beast? To this end, money, and the credit structure it is built upon is nothing more than a social unit. Even gold's use in a physical money form has always had it's credit use subjugated to the needs of the state! Of course that's bad, but it has been no different from the beginnings of "money". Just as one of our posters here pointed out, Rome paid off the invading armies with gold. A good portion of that gold, was indeed borrowed from various subjugate states on terms of the withholding of Roman protection if it wasn't lent. Once again, credit expansion for social good. By the way, the inflated fiat money those gold loans represented,,,,,, were never paid back!

You speak of the Euro as if it's some form of new currency no one has ever known? Yet, it's simply a basket of moneys that have been around for countless years. Some in that basket, were before the dollar? Why, even the Pound was before the Colonies? Actually, the dollar fits into every one of your counter points and does so perfectly. For 30 years, the dollar has been nothing if not a political money? You have been using it all this time whether in actual form or indirectly in it's IMF reserve status that backs most foreign currency machines today. So, here we have a fiat currency, working for decades as nothing but fiat,,,,,,,,, being used the world over because it's just the result of a legal item as the legal tender of the US,,,,,,,,, and demands ownership to pay taxes in America also,,,,,,, and the Euro could never function in such a way?

All these years of dollar use sets a precedent that, alone, demands an equal currency function for the Euro. All of your economic sense pales in the face of such political reality. Taking all the financial laws into ACCOUNT creates no power standing that's

strong enough to resist the needs of "group national identify". If nothing else, a review of all the sound economic forces that were trampled in the race to create these "United States",,,,,,, will testify to the absurdity of watching for financial precepts to lead the way to the future. Europe will join my friend,,,, therefore the "Euro IS".

==========
From ORO #56016 FOA - Black Blade reposts - continued

In this post, I saw nothing that addressed the issue of gold and fiat association. The subject of my comments. All the discussion centered upon what is common in the fate of every fiat currency system. All the documented abuses and contentious comparisons of monetary rate adjustments only
further presents our reasoning; the need for gold ownership that's separate from the money system.

==========
FromORO # 56018 FOA - Black Blade reposts - continued - 2

--------- Europe also still undergoing a transition of its internal debt from dollar denomination to euro denomination. As it does so, it needs to import dollars to pay down the debts, and produce euro as contracts are re-denominated in local currency. Despite the low growth in euro monetary
aggregates, which are largely irrelevant to anything in particular, the process inevitably produces an excess of euro assets, and a shortage of dollars. ---------- Europe is also suffering from this as it exacerbates the oil problem with higher crude prices for the Saudi and North Sea Brent ----------Despite all we read from FOA on Europe's monetary discipline, its isolation and its potential deals with Arab oil and even some dealings with South America, the current reality of Europe is quite dyspeptic, and much more so on the financial side than any other. They are suffering the inevitable outcome of their currency union which has to be inflationary, while pointing the finger of blame at the US for the inflation despite two decades of largely deflationary domestic monetary policy. In the meantime, Japan, the true international inflator, is being ignored as irrelevant and "trapped into producing for the American markets" while it actually runs a slight and falling
monetary trade surplus and a growing real goods deficit. ----------

Well, you have read Another's reasoning and understand my take on it. But within your posts, in general, your thrust contains a definite trust in all things dollar. Everything you have written points to an eventual reuse of dollars. Perhaps combined with an eventual return to gold backing or gold used as money itself somehow benefiting the Dollar / American. Either from the pain of US deflation or inflation, the world will somehow walk away from any attempt to use another system. Almost as if Arabia and the world respects the dollar as it is and wants more of it and our political
system?

I find this remarkable, but typical in Western Thought. This casting the entire play into distinct currency struggles aside from political goals imparts a shallow reasoning that misses the point. That is; that society groups and the non economic power structures they build create the eventual
success of their fiat moneys in the short run. Not the outright gist of how appropriate these moneys are at following the rules. Once again, the dollar's record throws down

all your accounting attempts at defining proper fiat conduct.

Sure, oil costs are a current problem in EuroLand. But your words indicate it's just an economic problem that should be and is being addressed thru economic adjustments. More so in how it relates to the dollar world. No political initiatives before or after the fact? Same for the current state of Euro exchange rates? I think you will be impressed at just how much the world does not follow the terms of your script. We shall see.
==========

From ORO #56047 FOA - Re Assignat

-------- Again, a non-monetary role for gold means that it will not obtain the monetary premium valuation. It's market value would be at its lowest possible point. Lower than in today's market where much of it is held as money. ---------- If people use gold as savings (a liquid "wealth asset"
intended for exchange in another time and place), then they are using it as money. ----------

No, the Assignat is not in context because gold was considered part of the money credit universe then. In addition, their economic structure had not reached a level like today. A level that demanded a singular high speed digital fiat.

ORO, all wealth savings are in a liquid form as anything can be sold or traded. If your view of man's relationship with wealth was true, then stocks would trade for the same yield as bank CDs. Rent houses would trade for a price equal to the rent they receive,,,,, not the negative cash flow
level prevalent in so many cities. Antiques and art would become almost worthless and dollar fiat would be used for the bathroom.

Your point almost sounds like the great statesman that said gold would fall to zero is the dollar was removed from it! Ha! Ha! Remember that? I hope you do?

----- Hayek proposed this "side by side" concept long ago.-------

In no way did he propose gold be used as a wealth exchange outside the function of money! Wrong context.

---------The expectations of gold at multiple tens of thousands of dollars and gold not being used as money are mutually exclusive. ----------

Then I guess Warren Buffet's company stock should be worth about ten bucks? Indeed, there is just no way a wealth asset can rise in price if it's not tied to a currency? No class of wealth can have value unless backed by or attached to a credit expanding unit??? Who in the world would trade dollars for gold at ever higher prices if said gold cannot be inflated through credit lending????? Who would do such a thing? My goodness man? How did you come up with that
one? (smile)

----------The idea that gold is a money-substitute is ludicrous, currencies are a substitute for real money: gold, just like gold backed bank notes were (whether fully reserved or fractionally reserved), and as electronic gold is becoming. Like a bank, a currency system is never liquid, the reserves never there to cover all the liabilities,

the cash never there to cover the debt. ----------

Once again, it seems you are wondering about. Where did I say my gold context was a money substitute? A good wealth asset, yes! Once again, the main component that drives the value of "wealth gold" is in the demand for it's possession. Once again, the hard money socialist bankers want to keep gold where it can be easily lent. Once again, storing gold, calling it a money system and letting mankind hold paper credits. Yes, if you own electronic gold, you will own the very same thing you hold in a modern bank account,,,,,,,, it's a credit to your name,,,,, Or by definition, it can be nothing else than a gold contract that defines your ownership. Very much like a 1971 gold dollar! Try it, the hard money bankers will love you for it!

---------As to the Fed and the US practices past and current, I will not make the slightest excuse or justification.----------

But sir, trying to declare that gold should be money again,,,,, denominated at a much higher dollar price,,,,,,,, only justifies the fraud by initiating it all over again? OH No! We made a mistake say the gold bankers, let's settle up everyone's loses and do it again?

No thanks.

----------While the Fed and the US monetary policy of today and of the past were motivated by an opportunity to steal and commit fraud, much of the support and the actual running of the system started out with actual belief in the absurd theories behind the justifications for the system. No such
claims can be made on behalf of the ECB and the EU.----------

Let me see,,,,,,,,, The EU wants to mark gold to the market and let it rise to it's own level as a physical wealth reserve. Holding a portion to cover the loss of their dollar reserves during the coming dollar tumble,,,,,,,,,,,,, and the Fed was just taking advantage of an "opportunity"???
Can't blame them for that? So, now the world doesn't want anybody to control gold as a credit money and ,,,,,,,,,, ?????? Oh well (smile), I'll leave this to the readers to think about.

More later

Thanks TrailGuide

Trail Guide (06/18/01; 08:09:56MT - usagold.com msg#: 56346)
Comments

Back for more (smile)

==========
In ORO # 56052 FOA - more on the distinctions of money and government

--------In the interest of avoiding multiple transaction costs, including bid-ask ratios and transaction fees, and for the purpose of conducting economic calculation and accounting, people tend to avoid exchanges they conduct in the process of trade over time and space so that the number of transactions between the sale of one product or service and the purchase of another years down the road and in a

different place - is minimized. The alternative is barter.---------

Absolutely! This is the basic reason modern economic systems use a fiat as their trading unit. Barter along with it's finite payment is no longer wanted as a trade vehicle. You see, once society has a "money" unit declared and usable, the credit expansion qualities of said fiat money is restrained by tying the "transfer of ownership" to some physical barter unit. In other words, gold only gets in the way of man's socialist credit expansions. We did and will again manage the value of gold to allow for our credit cravings.

--------- Because fiat credit money must be managed, it must be subject to concentrated errors because the imposition of the manager's decisions as to money supply and interest rates are a single decision at any particular point in time.----------Whatever decision a monetary authority comes up with will be inherently wrong. What it is supposed to do is simply impossible.----------

Your basic position, here, is describing the flaws in a fiat managed money system. Still, just because our money managers cannot handle the job, and we hate them for our wealth destruction from their inflation,,,,,,, we so much more so crave the immediate wealth such credit illusions buy us. Again, governments, bankers and power players don't cram down the throats of their constituency a bitter pill that's not craved by the masses!

----------Where you are right is that broadly speaking, governments want a "multilateral currency". Not because it would do any people other than government officials themselves any good, but because most organizations are mediocre or poor, they want to be free of competition
from superior performers who provide more stable financial conditions, more successful monetary policy, less taxes and regulation, courts that are faster, more predictable, just, and honest, and through these superior protection of life, liberty, property and contract. ----------(thru to the
end)----------

This is the ideology most hard money people take. Somehow it's as if society is in some struggle against the credit makers. When in reality, we love the wealth our nation can rob from other nations by paying them with inflated credit paper.

The points above play well and paints a beautiful picture of our struggle to overcome the evil placed on our backs. Hard money socialist can then stand behind this wall and claim themselves pure and wanting what is best for these common business travelers and plain workers. All the while they are
trying to keep the only wealth asset, man has ever won the war with, Gold, within the banking credit structure. Once again, presenting the illusion that credit wealth and it's illusion of real gains are in societies best interest. "You need hard money", they say, "but you will also want the credit inflation lent gold brings, too"!

==========
In ORO #56164 FOA - roles of money

----------You seem to think that money can only be a paper or electronic form consisting in value entirely of its function as money. You seem to think that a pricing mechanism using money - i.e. the only effective means for trade - is forcing people to value their wealth in terms of money. ----------

No,,,,,, that is not my view. We present the position that money, in today's "vernacular" is seen in the form of a credit item. Modern people will not buy the idea of a gold that cannot be inflated. Better said, if you cannot borrow it, lend it or inflate it,,,,, it's not a money we can use.

By extension, in today's world it's almost impossible to inflate any money unit outside it's being in a paper contract form. Hence, your assumption that we view "today's money as a money that can only be in a paper or digital form".

Electronic gold, either in Central Bank function or private banking business is this same perfect vehicle. This is the very essence of the whole concept that we use to tie gold into a credit inflating system. Just as the early bankers did by; at first promising to issue singular gold storage notes instead of circulating bullion.

It didn't take long for the basic cravings of humans to demand a subtle change in the workings of that system. That is, "lend us some of those gold receipts so we can buy a better lifestyle today as we pay for it tomorrow". "If later we cannot pay for it, all of us will get the rules changed so you bullion storage guys can just print some more gold storage receipts".

Again, we as a society make the demand that drives the buy now pay later illusion. So, our demands were meat with bankers supply in the form of credit IOUs for gold that didn't exists. Both then and now!

Further, people today, never value their wealth in terms of other wealth. Such as within a "gold wealth barter" context. Western thought cannot conceive it because there is no standing wealth medium that can mark to the real market all forms of real value. Gold is and was that only wealth
asset that could do that function well. Again, as long as gold is tied into a money credit system, as the dollar reserve still tries to do,,,,,,it's value will be subjugated by the credit inflating needs of society. In this, gold cannot be saved as a "wealth asset" that measures our true worth. A worth that carries our savings from generation to generation. It will again,,,,, soon.

---------- Money is a role. It is a usage of a commodity (or an imaginary accounting unit without substance such as fiat) for trade for any or all of the following: transactions, savings, denominating contracts. As a particular item it is an instance of the concept, not the thing itself.----------What "forces" us to use a money is our own benefit of its use. ----------

Yes, indeed! In today's "moneyness", fiat is the item. As for savings, money is but one of many things we save. It just so happens that a digital fiat is poor for saving and great for trading.

----------Your statement (FOAs):
"In this light, history has proven that when real wealth units are combined with our credit money, credit inflation blurs our ability to measure our worth." (#50629)------
----

----------ORO says This is wrong.----------You are reading history upside down. Gold and other wealth were used successfully for ALL THE ROLES OF MONEY INCLUDING CREDIT

during the bulk of our history since the revival of trade volumes within Europe, and between Europe and the rest of the world WITHOUT inflation.----------
-

You should reexamine your thoughts, my friend. You are the one that is trying to sell us a definition of "inflation" as being in price function only! If one does not see the monetary inflation in past history as real inflation, then all perspective is lost.

All gold systems were given over to monetary "inflation" just as soon as "credit" was issued against the system. In some cases the discipline of gold was used to deflate the over extension of credit then,,,,,,,,,,,,,, but, by far and wide,,,, the money was inflated until it either crashed the banking system through deflation (failure) or it created price rises that further destroyed the system's gold
backing comparisons (credibility). Especially as the gold values were fixed against the supposedly fixed currency units. It all failed to work and in the process deceived savers to hold wealth values that were in illusion. (in today's world stocks are a good example) Instead of real gold!

----------You say (FOAs):
"To say that markets function best when free to shift denomination power between fiat and gold ignores the fact that when combined there can be no shifting. Further, credit money has always been in a process of credit inflation decay and can hardly be seen as "functioning best"!" ---------

------I(ORO)agree.------ The best system does not have fiat credit money at all.------
----

I agree also, ORO! But, who in this era is going to return to the singular "Wealth Barter" as gold's use back then represented. It wasn't money then, it was a fiat free world with the real wealth of gold being traded along side all other items. If we lived then we would not call it money. Certainly not credit money! Without this distinction, modern hard money thought is doomed to strive for another go at a process that society will not let work. The loss is for all of us.

==========
From ORO #56171 FOA - comments to your recent post, part 1

----------FOA says: ORO, it's important to understand that most of what the "West" is built on is financial debt without human assets. Only people can create wealth with energy, thought and movement. WITHOUT A POPULOUS STANDING BEHIND OUR HUGE AMERICAN DEBT, IT'S PAYMENT REVERTS BACK TO INCREASING THE BOOKKEEPING VALUE OF ALL TANGIBLE WEALTH THROUGH FIAT INFLATION. -------
----

---------ORO says: Here you have hit on the problem. There is not "populous" standing behind debt. It is not a collective. The debt is not collective, and its repayment is not a collective responsibility. "We" are participants, not a single unit. Each of us has his own obligations and assets. They are individually owned and owed. The collective view is an Eastern, and a Central European idea born of too short a time between tribe and state. ----------

Well,,,,,,, let's see. The thrust of my above comment was to point out that there is no "populous" standing behind the American debt. I meant the American debt in it's

entirety and made no distinction between public or private debt. The fate of our dollar (or any fiat currency) is directly tied to the ability of us Americans to service this debt. In total! Truly, it makes little difference to the viability of the system if 10% of the people can pay their way while leaving the other 90% to fail their responsibilities and crash the system, does it?

The nature of every money system it to become extended in timeline as it's logical socialist use comes to an inflated end. On this I do not waver and see the Euro as timely to replace the dollar fiat. Still, the credibility of any fiat system, this dollar also, is maintained right to the end by the "total" ability of the "populous" to cover all the debt. The real problem you have failed to hit on is in the inability of the "participant", not the "collective" to have a wealth item that transcends the debt inflation every fiat produces,,,,, and it's wealth illusion. Gold outside the banking / money system does just that. However, it will not be available on a mass scale before most of our Western wealth illusion is destroyed. Something the ECB hopes to change for their better future.

Truly, the Western idea of money today is that big government, that is all of us, can save the system. No where do we see evidence that the US is operating within the "participant" working order you introduce here??? This may be your hard money school's goal, but it is not the reality of our US life styles. In the US our mentality is all business with a "I'm gona get mine and to heck with
the system" attitude! This will not be good for the children as it all unfolds,,,, believe it!

Where as the "Eastern" or "Old World" views see each person maintaining their own way so as not to hurt society's ability to function economically. This entails a responsible savings level that is of quality, enduring wealth. Not just the Western idea of some financial money wealth. Certainly this drive is behind the need to withdraw from the dollar and re introduce gold savings to common people.

----------FOA says:
All this debt we created brought us a lifestyle that is an illusion built on the backs of those that brought that debt. They traded real efforts to enhance our position and no will receive inflated assets that reflect said inflation. Even the gold at West Point will be inflated to match some of that debt. Truly, the expenditure of so much of the worlds productive efforts on producing our Western Way,,,,, cannot be in any way less than "decline and stagnation" before the fact. Yes, it is indeed our view of money that created this fraud and the whole world will pay something to end it.

ORO says:
The debt did not buy us anything that would not have been there. If it did, credit expansion would be practiced widely and everywhere, and everyone would be astoundingly rich. What has gotten us where we are since 1980, and particularly since 1987, is a RELATIVELY contractionary monetary policy within the US, which has forced dollar debtors outside the US to export their goods into the US in order to obtain dollars that are swallowed into erasing their debts – which also erase the dollars and make them that much scarcer. Where the dollar system was inflated was from outside the US. ----------

Sir, you say "The debt did not buy us anything that would not have been there."? This begs the point; "without debt our productive jobs could not have afforded to buy the wealth"! Our lifestyle is, indeed, robbed from others in a world that cannot print

debt behind a reserve currency illusion.

Think about that before you expand this fraud of a theory too far. All of your statistics are rendered useless as fact when based on value assumptions denominated in dollar fiat today.

==========
From ORO #56182 FOA - comments part 2

--------- Most of all, I find it odd that you reflexively associate with fiat credit money the natural function of gold in all monetary roles that provide it with a value beyond that which comes from the demand for its use as jewelry and as the best electrical contact enhancer. For some reason you drop the fact that modern finance developed before fiats were (semi) successfully floated – with
credit contracts, transaction clearing, futures contracts, merchant and investment banking, bonds, etc. with church and state screaming bloody murder with every new development. ----------

My friend, gold has no "natural function in a monetary role". It was a wealth barter item and nothing more. Your school seems to distance itself from that fact. Is it because banking is doomed to a lesser profit level if gold is allowed to mark the credit cycle. By valuing every extension of credit to it's true level all bank performance would be a "real" pittance!

Once again this school of thought tries to follow the notion that the function of "credit money" is what gives gold it's "wealth barter" value. A notion shot down every time a credit fiat claims that gold is worthless if not tied to it's money paper. In 1971 the US said the same thing; " gold will go to zero once the dollar is removed". Tell me, were you around then,,,, do you remember that address? I bet MK does? (smile)

----------FOA says:
Our dollar would have worked very well within this framework if we had only allowed gold to run outside the money system. Priced as wealth not credit money. But, then again, such a setup would not have brought The American Experience others envy so much. A constricted money supply and low dollar exchange rates would have measured our profligate ways quickly and driven us into the very decline and stagnation you mentioned above. A fitting judgment for a nation that would not pay it's own way.

ORO says:
Let me restate that as the opposite, which I am convinced is the truth: Our full gold money system would have worked very well within this framework if we had only kept gold as the core of our money system. Priced as money rather than "wealth".---
---

Tell me ORO, exactly how does a nation keep gold as the core of it's money system while printing currency far and beyond the fixed gold to currency rate? Every "money credit system" has done exactly this no matter the law. In this perfect system you advocate, it is "wealth", in the form of gold
that is managed so as not to reflect man's savings.

We could drop the dollar and return to your gold banking system tomorrow. Place all

the rules and laws in force that you require and,,,,,,, once again,,,,,, the societies cravings for more credit would cause us to move the bar a little higher. Print just a little more and to hell with gold value. This is the world order you direct all gold advocates to seek,,,,,, this is the failure of hard money to the benefit of power bankers you so despise.

The rest of your post attempts to place the blame for America's debt inflation upon others. Look in a mirror and see the enemy,,,,,, it is there for the view.

==========

From ORO #56200 megatron - only once

---------The proximity of the behavior to that of the end of the Federal reserve's version of the gold standard (through to 1929) is a distinct indication that a gold standard of some sort is in operation (someone is providing the markets with gold at a previously set contracted price - a par).--------

It seems that every possible angle will be used to explain why the dollar is failing and gold use is not the problem. Every angle except the fact that this dollar is on it's last legs.

==========
From ORO #56204 Cavan Man - because there is a way out

--------Despite FOA's protestations to the contrary, the period of the past century is rather unique, and has no effective precedents in history. That it happened once is the only reason we have to believe it could happen again. ----------

This has to be the narrow direction your view takes. Because once gold is seen in it's ancient use as a "wealth barter",,,, outside our modern credit money definition,,,,,,,,, the entire argument for us to return to a gold money system is voided. Once that ancient perception is understood, anyone can see that gold used as money has always fallen into a credit inflation that eventually destroys gold's value as savings for common man.

The logic of our thrust is clear to anyone that stands aside these faulty hard money concepts. The failures of this same is the reason for our thrust to a new gold market. Free Gold as the ancients knew it. Free Gold as the wealth of nations. Free Gold that blocks the bankers from their constant goal. A goal that replaces the wealth we produce and save with an illusion that credit money can buy us the world.

No more! No more we cry!

I'll now try to reply to several posters and eventually detail the logic so many cannot see.

Thanks

TrailGuide

Trail Guide (06/19/01; 05:40:54MT - usagold.com msg#: 56417)
Britain to buy 25 'Euro army' transport planes!

http://www.usagold.com/DailyQuotes.html
Almost sounds like some kind of a "United States Of Europe", doesn't it? And with each day passing England just keeps moving further into this economic group. Today they are part of the EU (European Union) tomorrow part of the EMU (European ""Fiat Money"" Union)(big smile)

Some replies on the Trail, later today

Ministers from EU countries are to commit themselves to buying more than 200 military transport aircraft which will be used by the "Euro army".

Britain will pledge to buy 25 of the Airbus A400M planes and
Ministry of Defence sources say the project will secure the future of around 8,000 British jobs, mostly in Bristol and Derby.

Defence Secretary Geoff Hoon will sign a "memorandum of understanding" at the Paris Air Show this afternoon to commit Britain to the deal.

Belgium, France, Germany, Italy, Luxembourg, Portugal, Spain and Turkey are also signing up to the agreement which means a total of 212 aircraft will be ordered. ----------

Gold Trail Update (06/19/01; 19:26:31MDT - Msg ID:56450)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (06/19/01; 19:26:30MT - usagold.com msg#78)
Time for a rest!

Hello ALL!

We are a little bushed from all the recent path clearing, here on the Gold Trail. So, rather than walk the trail today, I want to just speak a little about some various things that may interest some. Let's rest here on the porch and consider:

Of Credibility
A long time ago a gentleman told me; *"go ahead, use your mind, speak for me as I give to you. Tell them our thoughts, it be good for all to know these things"*. With that comment, it all started. Even further back, long before we had these internet forums the logic and efforts behind this push was flowing..

Presently, I write almost entirely for myself. Another shares with me when and if as he sees fit. Often, to my consternation, and some embarrassment, his Thoughts do not arrive for copy when I say they will. Truly, this is as it should be.

I (we) expect none of you to consider anything said here as credible. Everything is given as I understand it. If you came with a notion that I am someone who sees the future; grab the children and run far away. For these Thoughts, and my ongoing commentary, are meant to impact exactly as the "gentleman" said they would. People hear them, and whether believed or not, the words leave a mark. A mental

mark on the trail, if you will. And later, after the world turns, our little "stacks of rocks" will be easier to understand next time you are passing this way. In fact, your ability to find your own way will forever be enhanced for having seen this path in a different light.

Of Myself
I seek nothing and am paid nothing for this effort. CPM allows my discussion for their clients consideration and perhaps entertainment. It is not given as fact. To this end I offer this as Another has done; so these works are as free as the wind. My word is to remain, here only, until finished or as long as MK will accept me. That is all that binds my hand.

I have an old world kind of logic that requires me to stand upon or feel anything I invest my wealth in. And indeed, my wealth is partially what I know and speak. So to that end, I myself, some long time ago, have stood within the door of CPM's office! Just to look around. I spoke only to the woman at the front desk and was known to no one. By my word, this was my only contact with this fine company.
==========

Now back to the task at hand: some comments and replies.

Instead of writing to every person that has commented to me on USAGOLD Forum over this last few days, I'll just reference a few and their

---- good words ----

and reply further myself.

======

------ "Thanks for working so hard for us, as always" ----

Thank you, Mr GRESHAM (smile)
=========

------ "Can ya imagine the parallel to UAW autoworkers in the 80's who were smashing foreign cars?? How about out of work financiers rallying in downtown Flint against those "Euro lovin' traitors" who own gold just to undermine the great USA?? I'm beginning to wonder if finding some cozy place in Europe might be a wise move someday." ----------

Ha! Ha! DRAGONFLY, don't be too hard on humankind! If you decide to go to Europe, keep a place here also. We are not so bad, just like most of our extended families,,,,,, hate some and love the others! (grin)
=========

------- "And not to forget MK's latest essay - it's a-(u)wesome." --------

COBRA(too), don't ever make the mistake of debating MK! I can see his mind and those letters stand for "Money Knowledge"! (smile)
==========

--------- "Dollar use has expanded in the world over for almost 30 years without being tied to gold, therefore Euro use should do the same. Dollar used the idea of forced liquidation of contracts in 1971, therefore EU should the same in 2002.--------
----

GE, just follow your own trail, sir. It will connect to ours soon enough. See you there.
==========

---------Professor von Braun's latest update at The Rocket School of Economics,,,
Excerpt from "Lecture 38"-----

Hi there, RANDY at the TOWER! Your input did not go without thought. The professor is real sharp and understands political power. Just look at how Placer Dome has just been forced to formally relinquished it's holdings in a major south american property. Between Bre-X and government grabs?????? what a place for us to put our wealth?

Further,
People forget to consider that taxing power is greater than takeover power for governments. When gold was money in the US, it didn't generate much tax revenue on it's sale. So, they grabbed the cash that at that time was in the form of gold. They didn't make any friends, but you have to admit it was a smart move.

But now it would most likely be reversed. Especially if the wealth reserve (gold) most world nations hold (the US will have a lot less a little later) becomes better taxable as the result of rising prices. In other words, there is no way governments today will grab gold if they can tax it's trade and production at far higher rates to gain fiat bookkeeping income. This avenue is part of what is behind the Free Gold drive that so few can see.

ORO rightly argues that high official taxes are what drive away all economic business endeavors and kills the tax paying goose. However, if the world's greatest wealth asset (gold) can be put in such demand that it's price starts a long steady climb,,,,,, without it competing with fiat money,,,,,, the mines will stay in production even if production is taxed to death and controlled by a new "Texas Railroad Commission". (Thanks Randy #56039!) Let's see, years from now, a mine produces gold at a gross dollar cost of $1,300 and ounce,,,,,, then sells for $27,225 an ounce,,,,,, the government taxes $23,000 an ounce,,,,,, Yup! they will make some good profit on the amount of allocated production they can do.

Just like oil today,,,,,,,, Free Gold is a good deal for tax income. And most gold industry workers will stay in their jobs (although some layoffs will happen) even though it's a dirty, almost break even deal for mine owners. Their business would only get a fraction of the profits from a huge rise in gold bullion and their shares would wallow in uncertainty as gold soars. But, then again, didn't your buddy Will Rogers say something about American risk takers,,,,like:

"staying out of the governments path with your investments is the second national pass time behind baseball"

Ho! Ho! That Will was something!

So, the future may just be a great deal for bullion owners as gold rises! Yes? Even

old Aristotle would not have to sell and pay taxes,,,,,, at least until he wanted to sell to buy a better lifestyle. Yes, this is the reason that gold production is today and will be later such a bad investment.
Compared to bullion and rare coins, that is! *[With *their regular* capital gains tax rates.] *(Ed. note: appended according to following post)
==========

---------- "CALL ME SIMPLE, CALL ME WHAT EVER..... BUT THAT BAGS IT FOR ME" ----------

OK, BUENA FE! You are on the team,,,,,, onward! (smile)
==========

------ "I do not understand FOA's statement that because the ECB decrees it, gold will not be anywhere, lent or borrowed. Seems to me that what I do with my gold is outside any jurisdiction of the ECB, and the same is true of many others" ----------

Actually GOLDFAN, your feelings were easily comparable to those of drinkers during our American prohibition. Alcohol was against the law but people did it anyway. In many ways people's actions are the free market that is so powerful against government laws. During the war, everything from cigarettes to rubber was rationed and outlawed from typical use. Still, the market often overcame the law. Heck, even today, drugs and any number of other illegal activities are done as the law has little ability to stop the same.

But that's not the kind of law what this vision of a Free Gold market will depend on. These examples above outline rules and laws that restrict actions. For any wealth law to have an effect, it would have to be a known official protocol on the recourse side of disputed claims. Almost like how the dollar Legal Tender is a law in the US and mostly a protocol in the rest of the world. It regulates how you settle currency debts everywhere but has no real jurisdiction overseas. Except through IMF agreements.

On gold settlement, the comex did as much when it changed it's rules on silver during the 1980 hunt fiasco. By stopping the hunts from settling their futures contracts in physical silver, they stopped real people from dealing silver thru contract. At least on that exchange.

I don't expect the EBES (Euro Bullion Exchange System or whatever type name they use) to act exactly, but in the same spirit. No one is going to tell anyone they cannot enter into gold contracts. Sure, we will be able to borrow, lend, option or sell gold all we want. But, unlike those overt alcohol laws during prohibition, today's gold party people be able to drink all they want. (smile) That is deal in all the gold collateral you want. But, if any of those deals go bad because the other side wants to walk, instead of deliver, you will have to settle in cash. In a Euro court of law, no one could bind you to physical settlement if the deal was in Euro Legal Tender. Even if it was in the contract. You would have to accept cash, if contested.

Now, some say this will simply drive all gold deals outside Europe. That's thinking in the present context. But in the future the dollar reserve and it's credit gold market will be in a shambles with people running all over the globe just looking for a place to deal gold at all. Credit gold will be a joke by then as trillions of losses will be

outstanding.

The effect of all this would be to drive most every portion of physical gold dealings into "on the spot" buying and selling. Mostly in Euros. A mine could still borrow, using the value of gold as collateral, but it would only be the "cash value" of that gold that could be used in settlement (if the deal went to court). OR physical settlement if both sides had no problem (and stayed out of court).

This kind of legal protocol change, not unlike changing comex rules of trade, only affects the financial side of gold and in no way restricts investors from cash spot dealing in physical gold. Again, it would force the world gold markets to adjust away from copying the old dollar markets that so manipulated the physical gold price in the first place. Of course, no one would be trying to deal gold in dollars then anyway.

In reality, very little physical gold would be borrowed, either ahead of production or from world stores to sell into the spot market. If one owned gold and wanted to liquidate to buy something, you would sell it, pay taxes and use your dollars ,,,, errrr Euros! Gold would, over time, rise to reflect it's real reserve value to both central banks and private owners the world over.

OIL, governments, corporations and families would once again all be buying real gold for the historic wealth value such a metal imparted to a portion of their total asset savings. The demand for gold would once again be generated for it's main "historic utility";

"a wealth no social group could inflate thru monetary credit use"

Gold would would then become a moving tradable asset that tended to value currencies in parallel. A wealth without a country or sponsor. If one preferred to see as MK might, as a money without a country, that's good too!

The effect would be the same. The physical price on gold would respond to the ebb and flow of a rare metal no different than the ebb and flow of currencies today. As the always present inflation tax took away from fiat, as it has done from the beginnings of time,,,,, so too would the various gains taxes take from gold as it was traded for cash to buy things. There would be no monopoly of either over the other. The wealth utility of gold would be matched by the necessity utility of digital money. Fiat would be inflated at "whatever rate" as it stayed in settlement use. Investments would be made and lost, no different than today in our largely "ungold" fiat money world. Only for gold, then, it would be purchased for it's longer term ownership by both official and private interest.

If there is one redeeming consideration here,,,, it is that gold, separate from all money issues, would rise to reflect all the wealth inherent in the world. Just as it's value did in ancient times. But remember, when trying to compare values back then, that bottle of olive oil was worth so much more to life than an equal item is today. However, our modern world has a 1,000,000 times the total wealth as existed back then. Truly, gold has a long journey of price appreciation before it even begins to slow. Our children will not see it's full value reached.

Will such a transition be stopped? Not if it benefits the purpose of everyone and this certainly will. Is it the best? No, I think ORO's directions are the best, but the world has proven we will never live with it. Much less even try to return to it. War "times 2"

will not bring us to gold money again. Besides, we live in today and tomorrow, not the past and we have changed our economic dynamics far too much for gold to ever be used as credit money again. Yes, the dollar will fail and it's whole economic system will slowly (or quickly) fall away. But, we are an energetic lot and have already planned the next replacement.

So onward we hike to see how the path turns.
==========

OK, enough for now. (smile) I want to thank everyone that read, commented or considered these thoughts. Both here and on the main forum as well as OROs great works. I'll reply more to other's posts when I return in a few days. Perhaps then Journeyman and I can go out for some burgers and beer on the USAGOLD Forum,,,,,, while we talk about our differences on gold (smile).

it's true they say, and now I know,
no one can teach where nations strive to go
we can only grasp this power of mankind
what conviction to conclude the thoughts of their mind
you hear others who cry so longing for an end
but only history marks that point with a pin
so make this is my task
to give on the chin
the Thoughts of Another from this
Western Gai-Jin

Thanks ALL
TrailGuide

Gold Trail Update (06/19/01; 19:47:46MDT - Msg ID:56453)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (06/19/01; 19:47:46MT - usagold.com msg#79)
correction

Oh boy,

Left am item out and messed up my poem. Here is the corrected:

So, the future may just be a great deal for bullion owners as gold rises! Yes? Even old Aristotle would not have to sell and pay taxes,,,,,, at least until he wanted to sell to buy a better lifestyle. Yes, this is the reason that gold production is today and will be later such a bad investment.
Compared to bullion and rare coins, that is! +++ With their regular capital gains tax rates.++

and

it's true they say, and now I know,
no one can teach where nations strive to go

we can only grasp this power of mankind
what conviction to conclude the thoughts of their mind
you hear others who cry so longing for an end
but only history marks that point with a pin
so make this my task
to give on the chin
the Thoughts of Another from this
Western Gai-Jin

OK, good day to all
(smile)

Trail Guide (6/27/01; 05:08:39MT - usagold.com msg#: 56956)
return
Hello everyone,

I'm back from a nice trip into the mountains. I'll have a few comments in a bit.

Trail Guide (6/27/01; 05:22:07MT - usagold.com msg#: 56957)
ECB's Duisenberg says likely to step down before term ends!
http://www.usagold.com/DailyQuotes.html

The above is from the USAGOLD news feed. All the readers here can access this area anytime.

This item of news only confirms part of Another's letter. Duisenberg was the point man in engineering the initial insertion of Euros into use. A delicate action that required the exchange rates we saw during this period. We are now leaving this period and with the 2001 distribution of actual
notes, the Euro will be ready to advance. This era will require a different character in their ECB position of leadership.

-----Wim Duisenberg on Wednesday broke silence over his tenure as president of the European Central Bank, saying he was unlikely to serve out his term but did not elaborate.----------

-------Mr Duisenberg is said to have agreed at the start of his appointment in1998, under pressure from French officials, to only serve half of his eight-year term before stepping down in favour of a French candidate. ----------

http://markets.ft.com/ft/gx.cgi/ftc?pagename=View&c=Article&cid=FT32X80XGOC&live=true&tagid=ZZZHS5ZD20C&subheading=europe%20equities

Trail Guide (6/27/01; 05:48:19MT - usagold.com msg#: 56959)
Dithering over euro will harm London, says Mayor
http://www.usagold.com/DailyQuotes.html

ALL,

Once again, our point through out all this discussion is the impact on the current gold market and it's pricing / values further down the road. One small portion of this

ongoing currency / power transition is seen in our position that;

*** in following the eventual certainty of British entry into EMU (Euro use), that their entry will be part of that dismantling of the Anglo gold pricing structure.***

Once again, our reasoning in pointing to this political movement is for the readers to follow the trail and see it's purpose in Another light. We point out the "reality" of what "is" happening in a way that allows readers to understand it as these news "events" mark the path. We do not so much wish to promote what "is" happening, rather build the readers ability to grasp why certain people are making this happen. In building that ability, I often present why I (as an American) have structured my wealth to make ready for this change.

It is not my position to endorse what "should" be done in order to build a better world. I do offer a rebuttal as to why past "economic" reasoning is being side tracked to travel this different path. In doing this I do "discount" the logic many Western hard money advocates use. I do this to show the "why", not the morality of it all.

---------- Ken Livingstone has warned Tony Blair to stop "dithering" and campaign for Britain's entry into the euro. In a damning attack, the Mayor accused the Government of squandering the opportunity to make progress on the euro afforded by its election landslide.

Despite Blair's attempts to keep the issue on the back burner, the Mayor will spearhead a vigorous campaign to warn of the damage which could be inflicted upon London if the Government remains outside the eurozone. -------

http://www.connectingindustry.com/news_story.asp?story_id=9338

Trail Guide (6/27/01; 06:28:39MT - usagold.com msg#: 56961)
Comment

Hello Cavan Man,

I'll discuss some of this London stuff with you a little later today.

Thanks
TrailGuide

Trail Guide (6/27/01; 06:42:39MT - usagold.com msg#: 56962)
comment

Hello ORO,

You write:

ORO (06/21/01; 00:52:37MT - usagold.com msg#: 56545)
FOA - rough words I have quite a few comments I prepared, but am refraining from doing so because they would present both of us in a negative light since they are rather nasty in conclusions, argumentation, and manner. They will come off as a

personal attack, which perhaps they would be.
I tried to tone things down and dress them more nicely, but that did not "do the job". Therefore, I will refrain from posting these comments until you agree to be exposed to these rough words and criticisms.

Sir,
There is no possible reason for our discussion to include personal attacks. In all my replies and rebuttals I tried to attack your position,,,,,, not your personal character or personal reasoning for taking that position! If you (or I) have certain political thinking that is helping to present the case, good! But, their involvement does not prove the workability or validity of said position.

Through out the political world it is a common, lesser man that must resort to attacking his opponents "agenda" instead of his opponents "position". Often, when a person runs out of fuel (thoughts)or is being corrnered,,, they must "sink" to build some perceived "political agenda" as the object of their thrust to discredit their opponent. Such reasoning is thin, shallow and as such is seen through by others. This does nothing for the audience, nor does it give them anything logical to ponder as they still are left with no logic as to "why" to reject the actual "position".

If I have presented your concepts in a way that you did not offer them,,,,,,, then take those items one at a time and refute my take on it. Remember, I do (and will) refute your position as I or others may perceive it. Not necessarily as you wanted me or others to understand it. If that is not how you wanted those views seen,,,,, then dissect them and explain so we may proceed. In the interest of the audience, take it one item at a time.

Further along,

I once was on stage before a gathering as we were trying to debate a topic. My opponent had lead off and was killing me! (smile) Indeed, I am far better at speaking than writing,,, so his ability in real life was something to behold. He did such a good job that I went blank and was about to go off in a foolish mud tossing direction.

Then, watching the faces of everyone,,,,, as they were waiting for something real to chew on,,,,, I realized that it was what "they were thinking that counted" not mine or his personal feelings on the subject. I started off by telling the group that I agreed with everything he said. Ha! Ha! Then, item by item, I listed his points. After each point, I would then suddenly remember why I disagree and told the people that I was the one that was "incorrect" for agreeing with such nonsense,,,,,,, and explained why.

Ho! Ho! I won the tide of opinion! (smile)

So, ORO,,,,,,,,, one must strive to gain the tide in this political world if the game itself is to be won,,,,,,,, not just the first quarter of a mud match.

thanks
TrailGuide

Trail Guide (06/27/01; 16:42:58MT - usagold.com msg#: 57002)
Comment

Hello ausome,
you write:

--- ausome (6/27/01; 06:42:44MT - usagold.com msg#: 56963)
British entry into EU - NO WAY! Trail Guide with due respect sir, I do not believe Britain will ever join the EU. There is incredible opposition to such a plan from its people. Remember they speak English and are not European!--------

Well ausome,
I'm not sure I grasp your point? You see, the last time I heard the British talk,,,, they didn't speak english either!! Ha! Ha! Ho! Ho! (huge smile) Just a good joke!

I have a really good friend from Ireland. Every time she visits us that woman can go off on the very best rendition of "down home" British you ever heard!! I told here once that more Europeans speak better english than the British ever have and she agreed. Now,,,,, I'm not even going to mention the communication mode those Irish have,,,, Eh Cavan Man? (smile)

Seriously,,,, if one does their history work on Great B ,,,,,, that Island has been trading with Europe far longer than with America. The language has never been a point of ideology or social contention. In many ways, the recent building of the Chunnel (Channel Tunnel) only strengthened their physical ties with the continent.

I pointed out in another post that they won't join because they want to,,, they will do it after fully understanding the economic implications if they don't. Later, they will hurry to join,,,, before the fact.

---------Nonetheless I agree there will be a dismantling of the Anglo gold pricing structure but this has been set down already in the WA regardless of whether Britain joins or not. --------

Well sir, as our Cavan Man pointed out earlier today, London is a big chunk of the world's financial game. It has also evolved into the only remaining major support for the dollar's rule. They have used that position for some time to slant much of world finance into dollar holdings. Gold was but one tool in that chest.

This whole EuroLand shift has, all along, included a plan by European leaders to bring England (that's London too(smile)) into that fold. All for the purpose of breaking the last dollar post.

In a further light, few can grasp just how much oil wealth is centered in London. That wealth is also geared to making the Euro project a success and does exert an enormous influence on opinion there.

Once the tide turns, and England is seen as slanted to EMU, no matter if it's years away,,,,,, watch the whole gold market sector fail it's ability to put a price on real bullion trading! When that part of the dollar game is lost ,,,,,, when that post of dollar support is gone,,,,,, the washout Another has always pointed to will start.

more

Trail Guide (06/27/01; 17:14:35MT - usagold.com msg#: 57003)
Comment

Hello Usul,

-----Usul (6/27/01; 07:09:15MT - usagold.com msg#: 56964)
Britain and the Euro: Opinion is divided, but many consider it inevitable----

Yes, it's true that most people over there think it's inevitable. I don't know if it's from a good understanding of the dollar's problems or from plain old common sense,,,, but many can see the end of our dollar's timeline.

Certainly, neither the pound or Britain's economic structure can stand alone in this new era of world trading. Then must join with someone. Quite a few thinkers over there see the fix our fed is in now and also understand just what Allan's game plan must lead to. With the Euro now in full
"Rut Season"
the dollar must stay strong or be completely dropped. In order to keep the greenback strong we must play the game of "see everybody,, we are dropping rates to gun our American financial structure"! The message that sends also includes;

A. to hell with long term stability of the currency

B. to heck with the eventual super inflationary downturn such an act will bring

C. who cares about the industrial backbone of the American nation if our exchange rates render it profit less. Just as long as our financial sector (stock market included) attracts dollar flow.

Even Bush is forced to backtrack on the Steel issue. This and any number of other recent political reversal rumblings smell to heaven like the socialist beast dollar supporters tag Europe as. This begs the question; if the US really turns down, will we suddenly shut our long proclaimed free trade doors? Blocking a return of our trade deficit dollars? The answer foreign reserve dollar holders say is,,,,,,,yes! At some point they must realign into another trading block?

You see, with the Euro standing in the wings,,,, the ECB has but to wait out our final inflationary act. Allan is blocked from any other recourse by the very existence of the Euro. (note: I have spelled Mr. G's name with two LLs for so long I see no reason to change now. (smile)

more

Trail Guide (06/27/01; 17:51:32MT - usagold.com msg#: 57005)
comment

Hello Michael,

-----USAGOLD (6/27/01; 08:10:42MT - usagold.com msg#: 56965)
Behind the Barrick/Homestake Merger: A Shotgun Wedding Based onGold and Dollar Fundamentals------

In my view, you are absolutely right; "Barrick is covering their shorts with HM". We can also see this in a deeper view.

ABX has evolved into little more than a banker's extension. One that trades gold for their gain. On ABXs side,,,,, I see their massive paper short position as a financial tool that allows them to make a return on in place reserves without mining them in total,,, at once. That is all their program is really doing. It's a product of banker's games.

The greatest risk for them could be that a good portion of their dealings may not have involved CB gold sold short,,,, and they didn't know this for a long time. The other side of those trades were real cash buyers that simply wanted to work their money in government debt while waiting for the mine to produce gold. The buyers were willing to do this because an outright buy would have gunned the market. In addition, their cash would have not earned a return while waiting for the Euro to free gold. So, some of their smaller, non official buying was channeled into mine paper while hiding behind the big BBs.

Ha! Ha! It's kind of a joke when one thinks about it. The mine was leveraging their unmined assets to produce a simple return and telling their investors it got a higher realized price for gold production (and it was) ,,,,,,,,, while locking out any chance for profit if gold ran.

The opposite side brought the future gold assets of the mine at cheap prices and paid the mines investors that same little simple return to gain all the future profit. Future profit, I might add, that would make those little ABX gains look tiny!

Now, some smart cookies are putting the puzzle together,,,, so, they must get some uncommitted gold at any price so as to cover those real players that were suddenly found to be there,,,,, on the other side.

This is the dilemma most gold mine investors face. Some brought HM years ago at $8++ and were waiting for gold to rise. Now, with the game coming to an end, their assets are taken below par and become paper support if the physical market locks up. The combined companies would never
keep up with physical in that run.

Further,

Yes, the market is in a changing mode (just as you say) as the countdown begins. Players are more and more understanding the true dynamics that will mark ""all"" paper gold assets down once this runs. Physical will be the only game in town then!(smile)

More

Trail Guide (06/27/01; 18:01:06MT - usagold.com msg#: 57006)
(No Subject)

Hello Sir Randy,

I smell rumination in the air (smile). I'll wait to see where this scent takes us travelers.

Trail Guide (06/27/01; 20:19:58MT - usagold.com msg#: 57019)
Comment

Hello Leigh, Tree in the Forest,

GoldFields (gold) be taken out like HM?

I don't think so. However, to place my view in context; I own some goldfields as a small percentage of total physical gold wealth. I also own it with little consideration of it's trading value now. If the shares went to $100 or $.10 I would not consider selling it. They remain a lifetime
holding,,,,, (burned for my duration).

The logic in my allocation is to gain the eventual value it would carry after physical gold has been revalued by market forces. A free market, outside and unattached to the banking, money, credit world. That would take the metal far beyond anything we consider normal,,,,, and keep it there for decades. After South African places considerable new taxes on this gain, Goldfield's operation would still turn out a very good long term dividend over the life of it's reserves. But nothing close to the projections many gold Bugs would place on these shares if they thought such prices could materialize.

My reasoning employs a return on this risk that is unacceptable to most,,,,, if they understood the dynamics of the process. You see, those shares may not show any market value in the heat of our paper gold market being torn apart. Indeed, they may not trade for a year or so. Only to trade
once again after physical gold trading is fully reestablished at a hugely higher level. You see, there
may not be a point to cheaply reenter after the fact. This is the main reason why I picked a company so richly endowed.

On this political ground I base my reasoning. South Africa will not allow GoldField's production to be taken over to support the bankers behind Anglo (or any other). If Anglo (like barrick) is forced to deliver $10,000++ / oz gold into a $300+ hedge book, they would mostly fail and pay little
taxes. Considering that inflation, in general will force production cost above $1,000/oz, the clean gold reserves of GoldField makes it a political keepsake. The only owners that will benefit from the mine share game are the ones that can own the company thru thick and thin,,,,, and even then own it solely for the dividends it will produce. Such is the "New Gold Market Dynamics" we face.

Still, for one with understanding, the most risk free and most profitable wealth to own today is pure bullion or coins. Rare and near rare coins will seldom trade in the future and if they do at all at a tremendous premium.

We shall see (smile)

thanks
TrailGuide

Trail Guide (06/27/01; 20:48:48MT - usagold.com msg#: 57020)
Reply

Hello ORO,
You write,

-------ORO (6/27/01; 08:57:24MT - usagold.com msg#: 56969)
FOA - criticism
The withheld posts in question are attacks on positions. However, the extent of the criticism and its its intensity may appear to the reader to turn an attack on positions to an attack on their holder.

Again, do you wish for such a set of criticisms of your statements on matters of economic principles, monetary history, and economic significance of portfolio allocations to be aired on this forum, even if these criticisms are likely to be interpreted by a casual reader as attacking your online persona?----------

==========

A direct reply to: ------do you wish for such a set of criticisms ---------even if these criticisms are likely to be interpreted by a casual reader as attacking your online persona------

No. You, ORO, are above that and always have been. I will not engage a discussion with someone who usually requires me to rise up to their level and then changes the attire. Restructure your criticisms into logical reasoning that will stand the test. If I know where my week points are (and they do exist) you, ORO, do also.

I'll stop for today.
Thank you
TrailGuide

Trail Guide (06/27/01; 20:50:47MT - usagold.com msg#: 57021)
note
Hello to Max Rabbitz,

I'll reply later (smile)

Thanks all
TrailGuide

Trail Guide (06/28/01; 07:43:10MT - usagold.com msg#: 57060)
Big Scoop!

ALL,

I had (and have) a number of things to cover today but this article in the WSJ needs attention more than anything. Please get a copy and read "Our Economy Needs a Golden Anchor" by Jack Kemp. Read the whole thing, right to the end. The subtle expressions clearly hint that someone "up
there" has read the "Euro vision" on gold and how it will impact the Euro Project! Not to mention the dollar.

MK, Randy, be sure to note the shift to a "Free Gold" anchor as expressed in:

"There is nothing mysterious about how gold would be used as a reference point or how a NEW MONEY STANDARD FOR A NEW MILLENNIUM would work."

and

""With the dollar defined in TERMS of gold and with American citizens FREE to buy and sell gold at will"

(note: he said terms,,,, as in gold's value,,,,,, as in gold's market price,,,,,, as in not fixed to gold!!)

and

""the fed would forget about raising or lowering interest rates --------- Markets would determine interest rates"

and

"There would be no need for the government to maintain a large stock of gold ---------- people would be FREE to do so on their own in the marketplace"

(note: opening the door for a transition of US gold to cover past dollar expansion)

and

"I believe Britain would soon follow to make the pound as good as gold and AVOID HAVING TO ADOPT A SINKING EURO"

(NOTE: It's almost as if we are trying to stop England from joining the EMU by adopting some of the evolving EMU qualities! Currency war in progress!)

Ha! Ha!
Can any Western Hard Money Advocate imagine such a system (smile)???
Taking gold out of official price fixing hands and allowing it to trade FREE next to the currency!!

Boy,,,oh,,,,Boy!
After this trial balloon the next step would be in trying to fully copy the whole project.
The only trouble is that if we try this,,,, and don't dismantle our anglo gold market's connection to "paper credits in gold",,,,,,, the Euro free market in physical would fully rob all the US government's bullion.

And most of it's private bullion. Mostly by using dollar reserves outside the USA to buy it.

The upshot would be a "bullion-less" paper dollar gold market and a surging dollar price for physical. Who in the world could have seen something like this comming?

You would almost think someone(s) was thinking about all of this (smile)

(Robert, we are almost there!)

TrailGuide

Gold Trail Update (06/28/01; 17:36:01MDT - Msg ID:57111)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (06/28/01; 17:36:00MT - usagold.com msg#80)
Sunrise

Hello all,

The sun begins to rise!

Reading Michael's Commentary & Review, posted today at:

------USAGOLD (06/28/01; 09:01:37MT - usagold.com msg#: 57063)
On Kemp, van Eck, and Dogs Who Know When a Storm Is Approaching-----

I seems some thinkers are seeing what is happening now along with the implications this will have on our economic structure. MK is right, Mr. Kemp is coming around. So too must any one that considers the big picture. Truly, our Randy is not the only person that is tabulating this incredible pace of money creation.

Today, US money authorities are caught in a trap that can only lead to a real inflation. Not the little 10% to 20% runs so many were frightened by in the past. Rather a price inflation spiral that marks the closing era of our dominant currency system,,,,, the dollar reserve.

After all these years of expanding our debts, our business and our leverage in this economy, there now comes a time when it will expand no more. This is such a time. Once pushed over this hill, our economic train ride takes on a different feel. Official strategy, policy and thrust is all at once changed to maintaining the system's function with little regard to long term economic results. Money quality is abandoned for just some measure of continued money demand. All eyes are trained on maintaining financial asset values with little regards to saving the main economic structure's profitability, such as in the manufacturing sector.

Rates are lowered time and time again as money substitutes expand at ever higher rates. Suddenly there is now no room for a fed induced business slowdown. Because such a change would not just slow the economy, as in the past,,,,,, it would wreck the actual currency structure.

We have but to notice the reverse reaction present in today's exchange rates, compared to years gone by. All at once, the currency must have inflationary policy to keep the exchange rate up. Where in the past such a lowering of interest rates along with a money expanding drive would have driven the dollar down. With this understanding alone, we can know our system is over the hill,,,,,, past the end of our currency timeline,,,,,, heading down into the final inflation.

As long as the Euro can stay behind the dollar on exchange rates,,,,, our trade deficit must grow,,,, our internal manufacturing sector must weaken,,,,, and our financial structure must have ever more money aggregate expansion to stay solvent. This is the deadly cycle we are in. To escape, we would have to lock down our money expansion in a way that, today, would crash the dollar and cede it's reserve function to the Euro. Our bet is that we will inflate until the system fails completely. Truly, the ECB and most of EuroLand has made the same bet.

On the subject of dollar strength:

This is not the first time investors have picked the bones of a dying economy. The examples are there for reference. During the fall of Rome, traders flocked into the city to trade property and do deals,,,,,,, even as hell approached from the north. Today, the world is biding up our currency in the same insane attempt to catch the last trade before the golden goose is gone.

Where will wealth travel:

The Euro system did not build this trap. We built it ourselves by demanding a lifestyle that only debt could produce. As the years passed, our trap only grew larger. The Euro project is the result of planers seeing our trend and making ready for it's eventual finish. Yes, they are just like us but the only difference is that their train is only a small way up the hill while ours is already on the other side,,, picking up speed to the bottom. Will investors jump ship later, as big time dollar price inflation begins to mark our system to the market? Some say they won't. I say the same mentality that drives traders to buy goods in our burning dollar house today will easily send wealth to EuroLand when everything here is on fire. Look around, consider the Western perception and you judge for yourself.

Further along

Michael's mention of Bill Gate's wealth being enough to almost buy our gold reserves should speak volumes to Western Gold Bugs. Still, most of them still talk of $500,,, $600,,, $800 gold as a worthy level. It's as if they were lost in some time warp of years gone by. Truly, our money inflation has soared so fast and so far gold's real price implications are completely off their radar screen. With comments like; *"$1500 gold would mean total financial destruction in this country"*,,,and ,,, *" the gold price will only match inflation, so there is no gain in it"*,,,, it's clear they are lost in time and space.

Physical gold will soar when our burning dollars render the anglo paper gold credit system unworkable. Real bullion will never be able to service existing paper gold credits. Most owners will be forced to accept trailing currency payments that come in at hundreds of percent below actual bullion prices.

Because our dollar reserve structure has shielded us from a true price inflation, gold players keep looking at modern production costs as an accurate gauge to judge even the commodity production price of gold. Using that as reasoning that gold can't rise to far. Using the old logic of: " if we can produce gold for $350, then $2,000 gold would bring tonnes of it out of the woodwork and the ground!"

Well, if the dollar reserve function was removed, real goods price inflation in the

production cost of gold would drive it's base dollar cost into the $0,000+++ range. And even that would only accommodate the price inflation currently in the system. With the end time drive of dollar inflation, we are now entering, gold production costs worldwide,,,, in dollar terms will soar.

Just this small area of gold's commodity function should send signals that gold prices are far removed from even Western Gold Bug reality. Truly, it will later rise to a level beyond imagination.

Still further

The fact that people are thinking out loud (in the WSJ) about allowing gold to go free ,,,, even clearing out the US reserves,,,,,, indicates the enormity of any workout to balance the current Bullion Bank mismatch. Free Gold and Credit Paper gold cannot coexist once the credit side has expanded for so long. The markdown within the banking credit system would discount all credit gold for years to come. The anglo dollar system for expanding gold credit assets would be gone for a long, long time.

In reality it should be clear to anyone that knows how governments react when the system cannot balance. Everyone goes home with what's in their hand,,,,,, as laws are abrogated and contracts are dissolved. Settlement comes in the form of something less than real, mostly cash below the mark. Stationary assets in the ground are tagged to pay way more than their fair share of the workout. Leaving the owners in the same boat as the paper players.

So, on we go,,,, as events give shape to a ghostly illusion "noone" could see from afar. The world turns and a new currency is formed,,,,,, and a new gold market takes shape.

We not only watch,,,,, we watch with understanding!

TrailGuide

Trail Guide (06/29/01; 09:47:53MT - usagold.com msg#: 57160)
Money

Exceptional post Randy! It makes a very clear statement that's easy for us to understand:

--- Randy (@ The Tower) (06/28/01; 18:07:52MT - usagold.com msg#: 57115)
Sierra Madre and the obscurities of a concept called "money" -----

I want to enter this discussion a bit and use both yours and other's statements. I'm following your lead when you wrote:

-----It's one thing to discuss money or monetary systems generically, but it's time we give the actual concept of "money" (in and of itself) some of the intense attention it
deserves, particularly here at a gold discussion forum. ----------(Randy #57115) Gold is definitely wealth; its a highly liquid, immutable, tradable tangible asset. For that reason some of us can never have too much of the stuff. But is it "money"? In your comment to von Braun, you indicated that our units of "dollars" were once upon a time defined as a definite quantity of gold.----------

ALL:
the above thought creates the correct mindset for grasping just what money is. Gold is not money and never has been. No more so than hats or any other physical item. Back when we had no form of currency both hats and gold could serve the same function in trade. What was that function? The using of an item of wealth,,,,,, the using of some real thing to trade for something else we wanted.

I challenge the readership, including ORO, Journeyman and all others, to search history and show me anywhere that physical gold was traded as money. In every instance you can present, I'll show you gold used in "wealth barter" and incorrectly labeled money.

Further

The only thing that separated gold from hats or any other wealth object was gold's rarity, beauty and unique physical properties. Indeed, a hat's value was worth something in trade, no different than a gold coin. Just not worth as much as gold's value in trade. Neither gold or hats were money
then, or money now. Rather just items of wealth we trade for other items of wealth.

This very concept is what so confounds modern Hard Money thinkers and corrupts their efforts to regain the high ground of money thought and legitimate money process. It's also the mutation of this concept that, from the first introduction of "money", bankers and officialdom used to snare the hard money world.

Notice Sir Stocks, Lies, and Ticker Tape's #57150. In his post he makes a point that's perfect in example and truth of the above. But, I doubt this was his logic in making the statement. I'll reorder it for clarity.

-----Every culture upon discovery has quickly learned this monetary truth. Only in gold is money quantified.-------

Exactly, sir! Gold is the very tradable wealth that we can quantify money with. How? By giving everyone an exact amount of tradable "VALUE" to identify the currency's tradable value. The gold itself is not the money,,,, it's the tradable wealth we can value money with. In this, we know a
currency money's exact value in our economic world of trade by tying it to a real wealth piece of that economic world. Gold!

Our world today is no different than it was in ancient times. We trade things of value for things of value. We barter with each other, things for things. Only, for modern speed and convince, we use money to denominate this barter trade. Mostly paper money.

It's well known that many of us conduct only half of this barter transaction. Preferring to keep, therefore save, the paper money our barter brings us. We chose to do this instead of finishing the deal by trading the currency for something else,,,,, for some other thing. The other side of the barter deal is left open by our retention of this paper money. This is the concept of a "Money Supply" in circulation! In our modern world, we own and save the unfinished side of a barter deal.

In this we risk the loss of value said money in circulation can experience. This is the

entire theater of our years of political scrambling over money. We act out the play; of trying to make this circulating money retain value. From the beginning, man has entertained countless ways to lock his "money" to some form of "fixed barter able wealth, like gold. All done in order to keep it from falling in value before he completes the other half of the barter trade. That is spend his money. This is called price inflation and is the result of printing to much paper money. This process of tying our money to some form of tradable gold wealth does not make gold money,,,,,, it only ties the tradable value of gold to the money in a effort to slow the printing press..

We have a choice.

We can use physical gold , not money, to trade for other goods. It makes no difference whether the gold chunk is in official coin form or in pure unshaped gold form. When we use gold, outright, we are bartering wealth things for wealth things. No different than if we used the hats mentioned above. Two hats for one chair is the same barter as two chairs for one piece of gold.

The use of gold in a trade does not make said gold money in that trade. No more so than the use of hats in a trade would make hats "money". Gold is but one form of wealth that's been held throughout the ages and held for it's tradable value. It's not money. When governments mint gold coin for our use; they are minting an unit of wealth for barter trade and sanctioning it's use within our "money concept". The gold coin itself is not money and spending it constitutes wealth barter in lieu of trading money.

The other choice humankind has had is to use money to denominate all of our barter trade. In this form paper money,,,,, currency,,,, plain official coins are all just receipts of barter trade. That is what money is. It truly has little determined value outside what we can trade it for. I will give ten dollars for a hat because I have seen hats trading for around ten of those dollar receipts before. I can then use that value comparison to trade said ten bucks for a chair. This is the use of the money,,,,, the money concept.

The money concept mostly works as seen in our use of plain money for over 30 years. None of us Western users attach our money's value to gold. We attach it to what others trade it for. Yes, it has robbed us of much wealth value by saving and using it. But, even the use of gold in outright trade barter has some historic risk. See further below.

-----Money is not real wealth. It has no real wealth anchor outside what our use makes it. We and the majority of people use modern paper money for it's convenience in trade for wealth,,,, not it's ability to be wealth. We try to make our paper moneys be worth a fixed value of real wealth by tying it to a real tradable value, gold. Our paper money's value can be as stable as our printers deem it. They can print only a fixed amount and it would retain value. Or they can print as much as possible and it's value goes down.

It has no fixed, denominated value

This is the problem of money,,,,, the problem of the money concept. Grasp tightly upon this notion:

"" The use of money is the process of trading outside of barter. Money is a concept of "denominating a wealth value" whereas barter is "trading the actual value of a real thing"

For sure, neither has a fixed long term value. Even we have a time worth limit. We all become dust at some point. Still, the tradable value of both the "money concept" and "of real wealth" can and does change with man's wants and needs. However, real wealth trading has a long history of bring
the most in trade over long time spans.

From mention above:
The barter of gold has a fine example of not holding value forever. That can be found in history when vast gold stores were brought into Europe long ago. Still, the record of
our "money concept" holding value is zero!

So, back to the problem at hand

-----(Randy #57115) But soon after, the bell ceased its clear peals, and somehow gold (under the bulk of its dollar weight <ha ha!>) got unfortunately mired down in the concept we call "money". As it turns out in the end, the "dollar" could morph itself into the "right shape" for money, but
despite gold's supreme ductility and malleability, the metal could not.----------

Thanks Randy!

Absolutely! No currency,,,,, no money,,,,, in our history has been able to withstand the socialist expansions of man's printing press. Even his minting press had expansive ways! When we used physical gold coin alone,,,,, that barter able wealth,,,,, and labeled it money,,,, we immediately
expanded it's circulation by lending it from banks. Once it's labeled money, people will lend it and once it's lent your receipt for gold is no longer a barter able wealth,,,,,, it became part of the "money concept".

Make no mistake, mankind has before and will again use physical gold in barter by trading it wealth for wealth. But once we try to morph it into money, it's function is diminished by socialist design.

This is why the Kemp story is so important. Modern economics has come head to head with the drive by our socialist hard money school to place gold within the money world of credit bankers. A school of thought born of bankers and instituted so bankers could inflate money with no measurement by Free Gold. Once within the banking money world, the limiting nature of a "gold fix" is quickly printed away through the use of credit.

Completely opposite from what hard money thought teaches,,,, the trading of Free Gold,,,, when separate from the banking function of money,,,, enhances the utility of gold as a tradable wealth item. Ancient history proves this out. This history of barter trading of gold existed far longer than
any currency ever has,,,,,, and did so whether a money traded by gold's side or not!

That utility function,,,, the trading of god wealth thru barter,,,,, is what creates it's real demand. Such real demand for trade and savings is what makes gold rise in

value, step by step with the speed of any printing press of money. The hard school notes that gold would rise way to high! I say measured in what? It would not rise at all against other things,,,, once it's utility price was reached!

From there it would mostly stay the same in value,,,, it's the moneys of the world that would fall as their never ending bubbles find their proper place in time. This was and is the only way to measure our printing press speed. It's needed, for we will never again stop those presses as they now have a digital function in this modern world.

Free Gold would allow both citizens and private investors to set the proper exchange rates for currencies and what free market interest rates to place on the same. Mr. Kemp has placed his finger exactly on this point! He is not the first to see this.

Our worldly trade function has finally hit the end of it's ability to coexist with gold and money being morphed as one. Even though the dollar left the standard years ago, gold remained in the official money credit grasp as our ongoing manipulation indicates. We can no longer afford to bastardize a wealth so important in it's trade and wealth saving function by tying it with our money concept.

This has been the thrust of the Euro Project all along as it replaces the failing dollar. The failing dollar and it's war on gold. The thrust the US is now trying to use to save it's failing system. To little, to late!

Thanks MK, Randy, ALL

TrailGuide

Trail Guide (06/29/01; 14:04:24MT - usagold.com msg#: 57176)
comment

Tree in the Forest,

I your #57162, it mentions -------Police will shoot, Salzburg summit protesters warned------ and other noted crimes of the day. What does this have to do with this forum? The top of the page says that this site is an ------International Discussion of Gold and the Economy------.

Do you think that the tens of thousands or readers that come here,,,,, come here to read the daily police report of who killed and robbed who in the US and Europe? The discussion here is not about whether either of these societies are evil are not. It's about how their economic and monetary
moves will impact gold and our econnomic lives.

To others,

this forum is privately owned. MK can throw me and all of us off any time he wants. The format to discuss here is at his discretion,,,,,,, not ours. Further, anyone can disagree here and every poster knows that.

So, when:
---Stocks, Lies, and Ticker Tape # 57170)-----

is making a case that one cannot disagree,,, that is a worthless statement in the eyes of every thinking person. Also, Chivalrous conduct was the manner of presentation and speech that was chosen by the owner and for us to stay here we must debate in a similar orderly civil fashion.
Otherwise there are many other forums to go to and get you head bit off! If one thinks such discussion promotes the finding of deeper truth,,,,,, then try them out?

Also, why do you think we have a "pretense of chivalrous conduct"? For myself and many other that read here, this IS the way we are! Are you telling us you are at a different level?

VanRip (06/29/01; 13:01:02MT - usagold.com msg#: 57171)
Ross and Another's 60253

I wonder just what Another was thinking when he made that ------"Gold is the only money the world has ever known" Sounds like a simple thought but it isn't"??

I do wish someone would explain that post for us and how it refutes our "Money" discussion.

Perplexed (06/29/01; 12:45:38MT - usagold.com msg#: 57169)

You say
------history has proven that those in a position of authority or power have defined money for those under their control.--------

to carry that thought further,,,,,,, the only reason people are under the (economic) control of authority is because they save their wealth in the form of the defined money! If they saved their savings in gold, and spent the money as it was earned,,,,, there would be far less control over their
economic life.

Perplexed,
We stick with the defined money because we enjoy the credit qualities it offers. Western people trap themselves because they crave the lifestyle a buy now and never pay "money system" provides them. If they did all their dealings under a wealth gold system,,,,,, cash barter on the barrel head,,,,, they would be very unhappy and throw out the officials in power.

you say
------A law defining money in the context of a given quantity, as well as quality of gold or silver as contained within our Constitution creates gold and silver money, and the only way it may be dethroned is by amendment.-------

Here you endorse the very law creating authority needed to identify money,,,,,, yet, ET and others riled against this same position when I mentioned the Euro System declaring gold a pure wealth asset without credit qualities. Do you want government in this business or no?

Hello KarenSue and welcome!

TrailGuide

Trail Guide (06/29/01; 19:50:55MT - usagold.com msg#: 57203)
comment

Turnaround

in your:

-----Turnaround (06/29/01; 14:51:45MT - usagold.com msg#: 57178)Trail Guide-the role of force----------

Well sir, the note of the "European Union rapid reaction force" is in line with noting the development of a political union and hardly goes into the details of what such a force is used for. We are all learned adults here and understand the effects of force. That is far different than your
repeat and noting ----"Iron fists in velvet gloves have much to do with our economic lives".--------

Your marking of police state actions, noting brain-washing of children and them mentioning the culling honest intellectuals from academia has no purpose on this forum except to shout tabloid sensationalism! Indeed, you lack even a shallow explanation of how these intertwine with a
currencie's development. Each and every one of your comments carry absolutely no analysis of how these items affect any stage of monetary development. Hence, my objection.

Even your statement of ------Some folks are just not going to voluntarily comply with the totalitarian dreams of would-be masters, not now and not ever---- leaves nothing for the reader to consider. We all have ideals of freedom,,,,,, yet this forum is about how the mechanics of politics and economics is impacting our gold markets and how those same will work out. That is the stated reason this forum is here. ---------

==========
---Stocks, Lies, and Ticker Tape (06/29/01; 16:00:08MT - usagold.com msg#: 57182)
Trail Guide ---You have tap danced around the question behind my post. It was simply, what was in ET's post #57125 that warranted his code being pulled?-------

No, I didn't tap dance around anything and your simple reply indicates your reluctance to address my point. You were ""making a case that one cannot disagree on this forum"" that is not true and I pointed out your oversight in making that note. I pointed out that the decor on this forum was to
debate in a civil manner.

Your expression that ----"Differing opinions and healthy skepticism stretches the imagination"------ leaves out how said posters break the rules and said rule breaking

is the reason they are pulled.

When you say ------"The best well along the internet highway has been poisoned' ---- you are twisting the truth for your own benefit and that cannot stand.

When you say -----" If the forum is merely supposed to be a platform of solid agreement with USAGOLD, Randy, TG/FOA, Another, etc. regarding all things gold, then please drop the pretense of chivalrous conduct."--------you are the one proposing such a position and that is simply false. Anyone can differ here if they follow the discussion format and do it in a civil way.

Further you say:

-----As for your crack at my being "at a different level", perhaps I am. I can withstand criticism. I also admit when I believe I am wrong.---------

Sir, this forum is not built on a platform that requires anyone to take criticism. No one here is required to withstand such as a prerequisite to staying. When you stated -----"then please drop the pretense of chivalrous conduct."------ that remark reflected your own perception of
discussion here. It was also an insult to many of the contributors that work so hard to share their understanding. Again, ingesting your insults may be required on other forums,,,,, not here.

you say

------ANOTHER clearly states that "Gold is the only money the world has ever known", so when you claim I am wrong to say "gold is money", you must support your position.------

Sir, I did most clearly in ------Trail Guide (06/29/01; 09:47:53MT - usagold.com msg#: 57160) Money-------.

Still, I found no refute from you concerning my post. Only hollow shouts!

==========
further in:

---Tree in the Forest (06/29/01; 16:05:32MT - usagold.com msg#: 57183)

I will reply to each of your assertions:

------First of all, differing systems of government definitely have an effect on economics. Do you believe that the economics of the former Soviet Union was the same as the economics of the United States? ---------- No!

------Do you believe that a capitalist nation such as the US will achieve the same level of wealth as a communist nation such as North Korea? --------- No!

-----Do you believe that the Jeorg Hader incident and opposition to political parties by the EU will have no effect on what happens with the Euro?------ Yes!

----Do you honestly believe that a war will have no effect on our economic

situation?----- No!

------Do you believe that a war will have no effect on gold?------ No!

------Trail Guide, I did not post information on drive-by shootings or drug deals gone bad. This was not a police report! These people were shot in the back by their own countrymen while protesting an economic forum! --------

Sir, This same sort of event happens around the world countless times a day. Your noting it begs the question, do you think myself and other people that come here to read and discuss gold issues are lost to receiving this sort of news?

------This is about a system of government that is rapidly showing us it's fascist bent. I am vehemently opposed to such systems-----

Sir, I am confident that we could find at least as many stories that confirm your same "fascist bent" in the USA if this forum was structured for such reporting. Just as I noted to Turnaound above, your report lacked any conclusions to connect it to gold or Euro / dollar policy and reeked of
tabloid sensationalism. After reading your statement again, I note that it also supports your political slant. While valid, it was not for the betterment of this forum but for the expression of your "vehement opposition". Again, we are not here for that!

----What I have posted is very much about political upheaval and history tells us that this will indeed effect economics and gold.------

Again, Without giving us some conclusions,,,, or at least pre supporting your assumptions ahead with other posts,,,,, you sir are insulting us with tabloid sensationalism!

------We are just starting to see this mayhem now as a country engaged in a currency war tries to force it's political and economic policies down it's own people's throats.-------

Sir, This is your perception and perhaps of a few others. I and many other readers do not accept your big brother scare innuendoes and feel the prudent allocation of wealth assets will see us thru most of this.

------ I intend to continue to bring up the political situation in Europe when I think it applies
to our future monetary problems.------

Well, I for one hope you do, but only if leaves out the obvious blood shed and sensationalism and
contains some form of discussion to explain how it will impact the gold and currency markets.

==========
Further:

Journeyman (06/29/01; 16:14:35MT - usagold.com msg#: 57185)
Chilling @ET, Stocks, Lies & Ticker Tape, Randy, ALL

Sir,

I object to your discrete suggestions that this site is some form of police state! Your line of propositions is an outrage to every person that has worked years to build this forum into what it is today! Your returning post is outright insulting!

you say

------If so, why? Such questions are important. Here's why:
There is a word that the U.S. Court system likes to use in discussing freedom of speech and censorship. That word is "chill." --------

This line alone is directed at the very core of this body. You of all people have had the most latitude to speak here and now you return with accusatory oratory!

----Censorship can be quite subtle and even unconscious, and sometimes has effects even the censors don't intend. ----------The problem with censorship, or the perception of it, no matter the circumstances, and especially when things aren't well defined (and even when they are), is that people become afraid to talk about all sorts of things. That's what "chill" means.-----

Sir, the rules here are well defined and speech is wide open,,,,,, if civil! Censorship here is not unconscious and very intentional! The only people here that are afraid to talk are the ones that insult and attack others,,,,,, the ones that break the posting rules!

you say:
------One poster just e-mailed me recently saying he was only reading here once in a while now because things were getting boring and repetitive. Don't know if this represents any kind of consensus, but variety IS the spice of life.------

I suggest that these posters should go the the other sites that allow anyone to be cursed, insulted and shouted down! In these they may find your spice a little much!

------It can also be argued, in line with the title of Mises' major work, that any activity that involves
"Human Action" is grist for the economic mill. Which makes it, if the proper connections are drawn, relevant to gold and theoretically at least, on topic here. Sometimes posters do tend to leave out the appropriate connections, however;> ----------

Murder, robbery, sensational stories without an economic connection are grist for the tabloids,,,,,, not here!

------Intentional or not, I feel a definite drop in temperature in the room and would suggest someone might want to do something about it before things "chill" people so much there's an exodus of uncomfortable folks large enough to drop this forum below "critical mass."-----

******
This last note is an absolute outrage! Was your intention of returning here only to

thrust a spear into our long work?

I also duly noted your recent reply to ORO,,,,,, asking him to cool it in the same manner as your own expression to me. First you attack my words with insulting remarks then after I offer that we could discuss over "burgers and beer",,,,, you change your approach. Sir, it is your "chill"
that frightens!

Good day

Trail Guide (06/29/01; 19:56:26MT - usagold.com msg#: 57204)
(No Subject)
Randy,

Thank you, sir. As far as we are concerned,,,,,,,,

****** pull the plug when ready******!!

Trail Guide (07/02/01; 12:24:51MT - usagold.com msg#: 57345)
Bush to throw 'protectionist' bombshell' at Europe!!
http://www.thetimes.co.uk/article/0,,5-2001223492,00.html

Since CB2 put it up,,,,,,,,,,

and USAGOLD drove it home,,,,,,

I'll put a coat of paint on it to make it last,,,,,,,,

I'm off for a while,
TrailGuide

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MONDAY JULY 02 2001

Bush to throw 'protectionist bombshell' at Europe

FROM CHRIS AYRES IN NEW YORK

FEARS are growing that President Bush could throw a "protectionist bombshell" at Europe in retaliation for it blocking the $42 billion (£30 billion) acquisition of Honeywell International by General Electric.

The EU's decision to block the merger of the US industrial groups — which it could announce as early as tomorrow — is the latest in a series of transatlantic trade disputes that have strained relations between Washington and Brussels. The disputes, which threaten to trigger a full-scale trade war between two of the world's biggest trading partners, come on top of transatlantic tensions over other issues such as the environment.

The most likely target of US protectionism is the European steel industry. President

Bush last week angered the EU by using section 201 of the 1974 Trade Act to launch a six-month investigation into the impact of European imports on the struggling US steel industry.

If the investigation finds that imports are harming the US, President Bush can impose quotas on imports, punitive tariffs and other protectionist measures. This could have a devastating effect on European steelmakers, including Britain's Corus, which export about five million tonnes of finished steel products to the US a year.

The steel dispute comes amid an equally damaging row over tax subsidies given to US companies operating in Europe. The World Trade Organisation (WTO) last month ruled that the Bush Administration was breaking international trade regulations by offering the subsidies, and opened the door for the EU to impose $4 billion in sanctions against the US.

Robert Zoellick, the US trade representative, said that imposing the sanctions would be like dropping a "nuclear weapon" on trade relations between the two continents.

The US has already failed to hide its anger over the EU's rejection of the Honeywell deal. The EU also last year blocked AOL Time Warner's acquisition of EMI Group, the British record company. There are concerns in Washington that the EU has a hidden anti-US agenda.

President Bush recently said that he was concerned about the EU's stance on Honeywell, while Donald Evans, the Commerce Secretary, pleaded with the EU to clear the industrial merger.

Attempts by Washington to influence the EU's investigation last month provoked a furious response from Mario Monti, the EU's Competition Commissioner. He said: "I deplore attempts to misinform the public and to trigger political intervention. This is entirely out of place in an antitrust case and has had no impact on the Commission whatsoever. This is a matter of law and economics, not politics."

Imposing tough sanctions on European steel imports would be a popular move for President Bush in the US. The Speciality Steel Industry of North America, said last week: "We believe that substantial dumping continues in the US marketplace. We will closely monitor developments and, if and when appropriate, will ask the Administration to initiate additional section 201 cases on affected products."

Washington and Brussels are already involved in a related row over steel duties. The EU has threatened to take the US to a WTO dispute panel over its "anti-subsidy duties" on steel imports from about 16 European companies.

The EU won a similar WTO case last year against the US over duties on imports of leaded bars produced by Corus.

---end-

Trail Guide (7/8/01; 08:36:41MT - usagold.com msg#: 57668)

I must go where "Ears do not bite"!

I don't believe it people, but I guess this was bound to happen!

I just spent several days writing a piece that explained our whole philosophy. This time in a clear positive manner that was easy to read. I had decided to stay on the GoldTrail page only and elevate our discussion into a real time dialog. Events are close enough to a conclusion to warrant
this. After a ton of asking and asking I finally convinced Another to write with me in his true academic / professional voice. Great! No more editing for me.

So,,,, he gets today's forum from me and what does he read?
==========

------ Journeyman (7/8/01; 06:40:37MT - usagold.com msg#: 57667)Bet you never heard this story. Media control & Chomsky @ALL

------Chomsky's proof
By William Rivers Pitt
The United States is unusual among the industrial democracies in the rigidity of the system of ideological control ---'indoctrination,' we might say--- exercised through the mass media. --Noam Chomsky ----------

----------June 25, 2001
--In the early morning hours of Thursday, June 22, 2001, a man named Jared T. Bozydaj took to the streets of New Paltz, New York, with an Intrac Arms 7.62 semi-automatic assault rifle. He fired pointedly at police officers, wounding one officer named Jeffery Quiepo in the arm. The shooting went on for several hours before Bozydaj was disarmed and arrested.----------

--------Clearly this kind of control requires an extensive network of influence coordinated from some central "authority." If they cover-up (by failure to cover) this sort of thing, what about economic news such as the current major turbulence in Chile, Argentina and Brazil? Etc. ----------

-----Reminds me of ---another-- illustrious information guru. ----------

---"Don't tell them ... then it will not exist ..." -Chief Nazi indoctrination "Information Officer" -----

==========
OK,,,,,,and if that was not good enough, here is one more! Go on,, read the whole post? A few items below:
==========

working-kirk (7/8/01; 05:49:57MT - usagold.com msg#: 57664)

---Which bring me to the subject of Crack Whores.-------

-------If you are selling sex you can get a blow job between $10.00 to $15.00. A Fuck goes From $25.00 to $100.00. A blow job takes anyway from a minute to three, and sexual intercourse can take five minutes to 15.----------

==========

OK,,,,,,, good job men! Perfect timing! On subject and driving home the quality of this venue! I complained in two of my last three post about such discussion and most

everyone here seemed to support a "freedom of speech" that included all of the above! Journeyman gets to associate Another with" indoctrination" and "Nazi" thought.

All right,,, good stuff J-man!

Well,,,,,, Michael,,,,,, Randy,,,,,,, All,,,,, For all my insisting to "him" that this venue was the correct place to build an understanding of our future world of gold,,,, I guess I was wrong? I got back a quick retort and firm instructions. Instruction I will follow till hell freezes over because I will not lose my connection to Another. He said simply "tell them right now our position and walk away, it's over"! And I can tell you when he says it's over,,,,, it is over!

So,,,,,,,,, MK, please understand that it's not old FOA walking away mad this time. The big guy said we are done. I'm back to discussing this in private with select people that want to hear it and debate it in private. I'll stay in touch with you and discuss as you may want? After all this work, I guess it's my turn to feel low now. What a bunch of garbage!

Good luck all, I did my best to plant the seeds of thought. Own the wealth of gold and they will grow for you!

You will now "watch this new gold market" without FOA or Another.

Your friend and hard worker,(smile).
Last post, Signed off!

Gold Trail Update (07/12/01; 21:16:44MDT - Msg ID:57999)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (07/12/01; 21:16:43MT - usagold.com msg#81)
On the trail.

Has everyone seen West Side Story? Or for that matter any story that portrayed human group loyalties and commitment. How about the Three Musketeers? These stories and plays reflect our involvement in groups and often depict how we stand together as a team. In the first case a gang, in the second as "all for one and one for all". In the second, if one member is insulted it's a reflection on the whole group. If that hurt one walks away then the whole bunch is suppose to walk together?

Well, it's no different in political circles, too. My interaction here at USAGOLD is similar to a tiny part of our political world. A world some of my friends call home, no less. It's very clear to most of them that I'm not actually political here, just calling plays as I see them on the field. All done for the benefit of whomever has tuned into this station and wishes to hear.

It should also be clear that I have walked away this time, just enough to still honor the cause. Far enough to make a point,,, yet close enough that my private thoughts and discussions can still be heard. Thoughts and discussion with a message of gold's evolving place in the world.

So, on this Trail only, I now must remain.

Onward

As we begin today, I noticed a side path that lead away from the GoldTrail. At it's end I see a group of people listening to some person standing on a tiny stage. Let's ease over there and see what this funny looking guy is saying.

Onward now,,, quietly:

==========

Gentlemen, thank you for coming here today. Once again I'll be offering up some of my views pertaining to gold's new place in the world. For those new here we are covering the subject, today, in a somewhat broader manner. Again, thank you for your time and consideration.

I see we have several Americans here tonight. Good! You can help explain to anyone seated next to you, what "a roadrunner" is. That little ground running bird is native to a good portion of the southwestern United States: the object of a children's cartoon years ago. It seemed he was always running around some mountain curve at incredible speeds! I always liked the part when he would chase other characters so fast that he sometimes ran right off the cliff side road! Then ended up suspended in mid air; his little legs going full speed as if he never knew he left the road.

Ha! Ha! You know, I always think of that image when listening to modern Western Gold Bugs. Especially over the last ten years or so. Like our "roadrunner" cartoons, they carried their hard metal message so long and so fast that they ran right off the Trail, too. Not knowing that our Gold path would one day curve and follow it's natural way back to it's beginnings.

Over this time a lot of hard money thinkers stayed suspended in that same position. Right up there in the open for all to see. Over and over they would look over at us "new thinkers", standing on the mountain and yell:

---"you fells are on soft economic ground and it's all gona slide out from under ya"!-----

Hearing that we would lean over the edge and just yell back;

------"we know that, but mind your legs guys and keep um moving"! It's a long way down if you stop out there!" ----------

Ho! Ho! Ok, all of you can see where I am going with this.

==========

For years we had this image in our heads that gold was a hedge. A hedge against what? You name it: war, disease, bankruptcy, inflation, bank failure, money failure! If something caused a problem in mankind's world, then gold was a good thing to perform as a hedge against it.

It didn't take much leg work to research why so many thought that way. We had a whole world of history to reference this and the last couple of centuries produced copious works by noted economic thinkers on the subject. Most all of their work could be boiled down into a few simple concepts for us lesser minds to understand.

Let's see..... gold is money..... gold was used as money..... and gold circulated as official government money not too many decades ago. And one more..... no currency could live without gold money backing it.

So, it seemed that if for any good reason we had a disturbance in "the economic force" then all roads must eventually lead back to gold use in it's well known money context. It's demand would surge while it's price rose and that price action would hedge our other loses. That is loses we incurred to our net worth because of any of these mentioned problems. Fair enough. I can understand that. In fact, I think most everyone did.

But what happened? Over the last 30 years or so, something seemed to be changing in the way all of us perceived our need for gold. Indeed, was it perhaps that this new world was ignorant of the fact that a fiat currency could never last as money? Was mankind now blind to the known fact that a fiat currency, once removed from it's association with real gold money, was dead on arrival?

From 1971 thru 1980, we had every form of the above mentioned problems. In triplicate! Our dollar, stripped of gold backing, was surely on it's last legs and slowly sliding into failure. It was officially a fiat currency that we all were taught would burn from inflation in a short time. Yes, gold went to $800 but it should have kept on going if it was this historic money? There were enough
dollar assets in the world to buy up every ounce and then some! Thereby replacing all that fiat wealth with gold wealth! Still, the real demand for actual physical gold failed to drive the price higher or sop up any and all gold offered. Something just didn't add up.

We were not without teachings on this! Anyone, with any understanding of economic function or hard money theory, knew that super price inflation was coming and that action would drive the real demand for gold to the moon. Still, it didn't happen. Our dollar price inflation was mild by failing fiat standards and gold never left the launch site.

Another fifteen years went by. A period of time that should have vaporized any circulating fiat currency, unattached to gold. Especially as the world's reserve currency was printed in numbers that only a computer could add up. It seemed the general public was not as lost as hard money thought predicted. They kept right on dealing and saving in dollars, leaving physical gold to drift.

Looking closer at the big picture:

It further seemed that through out our recent decades of changing economic function, the use and need for currency fiat was being impacted by a new demand use. Something not fully understood, but there never the less. This market action

was not lost to some planners. Planners in big political systems that had opposite game plans from each other. Both trying to use fiat's and gold's changing function for their own advantage. On one side their designs would eventually rework everything, including removing our dollar system. On the other their reasoning was to just survive... gold or no.

Truly, over this time, we experienced every form of financial dislocation. Some inflation with some deflation,,, wars and political failure,,, 3rd world economic failures and even swings between small storms and perfect storms! Still, underneath it all, riding just beneath the surface, this "new demand" force was affecting the use of what most thought was a worthless currency. Helping to keeping fiat use in tact, even without it's needed gold money backing. Something different was happening. Something as unique and impossible to hard money thought as "computer bytes" were once unique and impossible to the function of a new economic world.

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To be sure, this whole fiat system was engaged for political motivations. Governments waged war against gold and other fiats for various reasons. Some factions fought gold to protect the image of their currency. This was a throwback to 30 years ago and was still important to certain big players.

Until a few years ago, a currencies gold price still indicated said currencies value. Some also waged war to keep gold in a range so others could accumulate real physical cheaper. Almost like an economic bribe?

In these and other functions, credit gold was employed to shape a lower trading price for physical gold. As long as the currency using public or the gold using industry didn't demand too much gold to settle expiring credit gold contracts,,,,, the unlimited nature of fiat based gold trading allowed as much paper gold to be sold to as many that wanted to buy. While all of this was but simple political maneuvering, it could not have been pulled off without the help of that mentioned above; a "new currency demand".

Political forces noticed that the public was well attached to using fiat without gold backing. Most were more engaged to bet on gold's price, as a hedge, instead of owning gold outright, as a hedge. With such a setup in play, the paper gold market could be expanded without physical settlement
fear. All the more so if traders, betting mostly on gold's price, feared a currency loss as much as physical delivery. In this, they always dumped their dropping contracts to settle in cash before the dreaded delivery ever came.

For sure, over all this time people brought and kept gold in large amounts. But that demand and it's trading volume was a trifle in the overall physical and paper trading volume.

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The total demand for holding physical gold as a hedge was falling away just as it was needed to force credibility upon a inflating world dollar gold system. Without full physical demand, gold stores, worldwide could circulate in an ever lower price spiral. Always leading it's old disgruntled owners to sell, fulfilling just enough settlement for the next real gold buyer. Only to be repeated again and again as the paper system

produced another lower value for each new buyer/ owner. Eventually bringing gold to it's plateau price today. Where it is trapped between the falling demand to use physical ownership to hedge currency risk and digital currency's new use demand that keeps economic players in the fiat game.

I suspect that if a tremendous dislocation event occurred today,,, under the current dollar gold system,,,, our paper gold price would indeed collapse! It would do this as investors committed to hard money thought failed their own cause. Them and others would continued to cycle real gold out of their portfolios,,,, round and round the circuit,,,,,, as contract gold prices fell away. Contract
owners would drive those prices ever lower in their rush to escape even the illusion of delivery.

To the incredible shock of our modern "roadrunners" their gold would slowly fall in almost any financial panic. Falling in price as their neighbors traded each and every last ounce down to the bottom. Only if a complete currency / banking washout occurred would gold find demand as a real wealth trading vehicle again. The only kind of demand in our modern world that will once again return gold to it's ancient value ranges.

But this is not the end of the story. Nor is it how the final act of this play will unfold. I expect the above wealth demand to be politically reinstated. And timed to destroy the credibility of our current dollar paper gold system.

This ongoing discussion will embrace and follow this political reality as it unfolds in our time. Unfolding into what is about to become the greatest bull market in gold our world has ever seen. To fully understand how this will come about, we need to understand how some political forces are using both gold's and fiat's changing function in our modern economic structure. To grasp that, we all must understand what money is today, yesterday and tomorrow.

So keep those little feet going mr. roadrunner!

We will pull you back in long before gold hits $30,000.
Count on it! (smile)

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OK folks, this is more than one can stand for a day. Let's quietly ease back to the trail and think about all that for a while.

Michael, Randy,,,,,, I hope this system has a lot of space because I can tell that I (errrr,,I mean this fella) has a lot to say! He also needs to address where others think his view is all wrong. Who knows? I could be all wet! It's going to be an long discussion for everyone reading, too!
Especially if you two guys join in?

Uhhhh,,,,, I didn't mean that the way it sounded (smile)

thanks
TrailGuide

Gold Trail Update (07/16/01; 12:42:08MDT - Msg ID:58177)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (07/16/01; 12:42:07MT - usagold.com msg#82)

The evolving message of gold

Hello everyone,

Once again, after walking only a short distance, we come to a clearing where a speaker is beginning his talk. Let's just stand here on the hillside and quietly listen!

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Ladies and gentlemen, good evening an welcome to our ongoing traveling talks on the changing world of gold. Thanks again for being here and we will get started now.

Much thanks to the USAGOLD people for recording and reproducing these discussions. Also a hardy appreciation to their Randy for organizing all our thoughts as they were presented in the TrailGuide context.

I begin tonight by reading an item from the very first TrailGuide walk. Then proceeding on to expand in more detail from our points in earlier talks. For the benefit of those who missed our last discussion, this thought picks up that theme very well:

""""""""""""""""" Our most broad view, expressing our strongest position is this: From ten or perhaps twenty years ago a political will, a concept, was being formed that would today change the economic architecture and power structure of the world. Within this change, gold would undergo one of the most visible transformations since it was first used as money. We expect that, starting three or four years ago, the gold market itself has started responding to this sea change. As such, in our time, physical gold will enter the greatest bull phase in it's human use history. This my friends is the very trail we walk today. During our hikes and fireside chats, we will point out this political will, consider the logic and express our reasoning for this position. All the while observing the "river current", in the form of events, that will soon confirm our view."""""""""""""""""""""""""""""

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First off, I want all of you to know that I was a hard money Gold Bug for decades. Actually, I still am in many ways. Yes, in spirit I am one of those little "roadrunners" mentioned in our last talk. Still storming down the gold money trail. Fortunately for me, and my portfolio position, I started looking at a realistic human / political side of money thought. A side most of us never grasped quickly enough to help us; because evolution was changing it before our understanding could catch up. My slow learning curve was speeded up with help from some very sharp people. Today I still see things using a hard money position; but, just as the world has turned and time passed by, my position has evolved quickly enough to flow with our human tide.

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The major object of our discussion tonight is this thought:

--- the present state of affair in our gold market isn't just the result of political motive alone. --

I'm carrying this over from our last talk; that mentioned a new demand for fiat.

Yes, it's true; a simple political motive explanation would, indeed, solve all our problems. For many Gold Bugs this explanation does end their need to think much further on the subject, but their continued financial loses in the gold arena says their problem was never solved as such. Indeed, there is plenty of political push and pull going on to overtly move the market and we will later cover most of that in other talks. But, to underscore our isolated point, tonight, we magnify a few thoughts.

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Had the dollar run it's inflationary course, in a manner and time period that history records all fiats as doing, there would have not been any contest for us to follow. From 1971, had dollar prices of everything soared, as hard money theory said it should have, every asset in the world would have seen hyper prices reflecting our run from this inflating currency. Perhaps not all of the wealth held in dollars would have went into real gold: some of it surely would have competed against the politically contrived paper gold markets. But, in spite of official thrusts, enough cash would have went into physical to drive it's physical dollar price to at least $1,000 or $3,000 over the last 30 years. It didn't.

The dollar did very much inflate from a printing press viewpoint and did so without massive price inflation. A 30 year repudiation of much hard money dictum. This tremendous rate of currency creation could not have been contained in a way that held off price rises with coordinated Central Bank support alone. The amounts of currency created and the build up of official assets held in CB vaults, to support the inflating currency, did not come close to matching each other. Even in a reverse fractional banking context. This one observation, simple to grasp as it is, points to another demand for fiat currency that did not exist when hard money thought was first built.

Over the last few decades a new demand use for digital money, or fiat unbacked paper money, has helped absorb most of this extra printing. The velocity of and gross increases of both private and world trade gave a use to worthless digital transactions and helped build a value that didn't exist in fiat currency before. This effect had to be real, because the world took in every last dollar that was printed and didn't dump them off to buy other real assets. A process that would have matched printed money rates to price inflation rates! I'm speaking of dollars alone, of course.

And there is more to observe that this alone.

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In recent society's demonstrated use of unbacked fiat currency, they were advancing a trend to use currency in trade only; while owning wealth assets outside the known money context. As society advanced and trading volumes mushroomed, the need for more digital units increased more so from their trading function than their value retaining function.

This process was rendering the whole school of hard money thought useless as a strategy to to defend one's savings from inflation: as these inflating digital units failed to create a meaningful price inflation. The expanding universe of fiat was best used to gather real wealth, at stable fiat values, each time the fiat cycled through your domain. The object became; to gain fixed value wealth in quantity instead of gaining finite wealth and waiting for it to gain in value.

This is all completely beside the point that all this action will one day destroy the dollar unit as a saving / debt denominating vehicle. We will get to that later. Right now we are gaining an understanding about this money evolution in it's basic trade use and how we should advance ourselves using it.

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Owning wealth aside from official money units is nothing new. Building up one's storehouse of a wealth of things is the way societies have advanced their kind from the beginning. What is new is that this is the first time we have used a non wealth fiat for so long without destroying it through price inflation. Again, a process of using an unbacked fiat to function as money and building up real assets on the side. Almost as if two forms of wealth were circulating next to each other; one in the concept of money and the other in the concept of real wealth.

This trend is intact today and I doubt mankind will ever pull back from fiat use again. Fiat used solely in the function of a money concept that I will explain of in a moment. If we inflate this currency to it's death, and I expect we will, then the world will just start a new one and the process goes on. Note the minor examples of this process in various third world currencies as they kill their own kind and advance to using the king fiat dollar. The local currency printers eventually fail their task, so the next nation state's fiat comes into use. Currently, in the major category, the dollar is giving way to the Euro. Ha! Ha! In logical progression of this we will, one day three hundred years from now, be using the new mighty Argentina whatever as the world's next great fiat. (smile)

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Understanding all of this money evolution, in it's correct context, is vital to grasping gold's eventual place in the world. A place where it once proudly stood long ago. In the time before us, fiat monetary policy, interest rates, appropriate debt levels and even speculative stock market binges will all be regulated to how a fiat does it's singular job of being just money; not functioning as a long term savings vehicle. How well that job is performed will depend on a free market trading value of gold wealth.

All of this transition is killing off our Gold Bug dream of official governments declaring gold to be money again and reinstitution some arbitrary gold price. Most of the death, on that hand, is in the form of leveraged bets on gold's price as the evolution of gold from official money to a wealth holding bleeds away any credible currency pricing of gold's value in the short run.

To understand gold we must understand money in it's purest form; apart from it's manmade convoluted function of being something you save. Money in it's purest form is a mental association of values in trade; a concept in memory not a real item.

In proper vernacular; a 1930s style US gold coin was stamped in the act of applying the money concept to a real piece of tradable wealth. Not the best way to use gold, considering our human nature.

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Modern society thought, has taken a step beyond our schooled understanding of money. Going beyond, by taking a step backwards and embracing a practice more real. By accepting and using dollars today, that have no inherent form of value, we are reverting to simple barter by value association. Assigning value to dollar units that can only have a worth in what we can complete a trade for. In effect, refining modern man's sophisticated money thoughts back into the plain money concept if first began as; a value stored in your head! Sound like something that's way over your
head of understanding? I'll let you teach yourself.

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So, you think we have come a long way from the ancient barter system; where uneducated peoples simply traded different items of value for what they thought they were worth. Crude, slow and demanding, these forms of commerce would never work today because we are just too busy.
Think again?

Lean back and think of all the items you can remember the dollar price for? Quite a few, yes? Now, run through your mind every item in your house; wall pictures, clothes, pots and pans, furniture, Tvs, etc.? Mechanics can think about all the things in the garage, tools, oil, mowers. If one thinks hard enough they can remember quite well what they paid for each of these. Even think of things you used at work? Now try harder; think of every item you can remember and try to guess the dollar value of it within, say, 30%. Wow, that is a bunch to remember, but we do do it!

I have seen studies where, on average, a person can associate the value of over 1,000 items between unlike kinds by simply equating the dollar price per unit. Some people could even do two or three thousand items. The very best were some construction cost estimators that could reach 10,000 or more price associations!

Still think we have come a long way from trading a gallon of milk for two loves of bread? In function, yes; in thought no! Aside from the saving / investing aspects of money, our process of buying and selling daily use items hasn't changed all that much. You use the currency as a unit to value associate the worth of everything. Not far from rating everything between a value of one to ten; only our currency numbers are infinite. Now, those numbers between one and ten have no value, do they? That's right, the value is in your association abilities. This is the money concept, my friends.

Unlike the efficient market theory that was jammed down our throats in schools, we all still use value associations to grasp what things are worth to us. Yes, the market may dictate a different price, but we use our own associations to judge whether something is trading too high or too low for our terms. We then choose to buy or sell at market anyway, if we want to.

In this, we have moved little from basic barter. In this, we are understanding that an

unbacked fiat works because we are returning to mostly bartering with one another. A fiat trading unit works today because we make it take on the associated value of what we trade it for; it becomes the very money concept that always resided in our brains from the beginnings of time.

In this, a controlled fiat unit works as a trading medium; even as it fails miserably as a retainer of wealth the bankers and lenders so want it to be.

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The American dollar has brought it's makers a lifestyle that is at odds with this new thrust in money use. A reserve currency today must allow it's value to be set solely upon it's money function, not it's function of retaining wealth. Use trends today are forcing money creation policy and money values to be determined by wealth outside the official money realm. All the while the dollar holders are fighting to stop this from happening. Free Gold markets would today destroy the current dollar exchange rates and render it's debt creation null and void as a proxy to buy us things for free. Much is at risk to the lifestyle our old gold dollar relationships brought us if gold trades free. Much is to be gained for wealth savers, today, who buy gold for it's wealth function and forget it's current dollar created price.

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I'll go further into the other aspect of money titled; "Who said we were suppose to save this stuff"!

Next time in our talks on the evolving message of gold. Good night and thank you for being here.

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Ok, folks! I checked the schedule and there are several more of these talks coming. After those are done, we can take a real good hike and check out where the trail is going. The GoldTrail that is!

Thanks all
TrailGuide

Gold Trail Update (07/20/01; 09:57:52MDT - Msg ID:58383)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (07/20/01; 09:57:51MT - usagold.com msg#83)
Why do we need to save this stuff anyway?

Hello everyone.

Can't believe I brought folding chairs on the trail! (smile) I guess I'll also take notes with the others here. Hey, lower in the front, I can't see! OK, it's getting started. Let's hear what that guy is getting into this time.

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Good evening. I hope all of you rested well into the morning and had time to consider our thoughts from last night. Today's talk is, once again, a more detailed continuation of our theme: the evolving message of gold. I'll begin now.

Again I'll read a small piece from the TrailGuide series and use some slight editing to make it more clear. From that we can move into our subject:

""""""""" Our modern gold market and the price illusion it creates is little more than a product of the fiat dollar system; a design that denominates the trading of most gold credits in a contract form. Is it a free market? Why yes, very free. But, really free, in the sense that contract supply is unlimited. Investors and the gold industry, in total, brought into this paper based gold; even though they fully well knew 90% of the trading volume was represented by only cash equity collateral on the other side. Some of it private and some of it official. Knowing that, they somehow expected that those contracts were limited in creation by the fixed amount of gold in the world. Their mistake, not the markets.

Clearly, anyone schooled in classic hard money Thought should have known that this was but another gold inflation; another version of a typical fiat gold inflation and a transitory era between money systems. This was a time to gather gold over years, not invest in the leveraged aspects of gold's new fiat versions. Nor, to buy into the gold industry that owed it's life and cash profits to the maintenance of such a system; transitory as it was."""""""

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To paraphrase that TrailGuide thought let's repeat what I said last night:

""The expanding universe of fiat was best used to gather real wealth, at stable fiat values, each time the fiat cycled through your domain. The object became; to gain fixed value wealth in quantity instead of gaining finite wealth and waiting for it to gain in value.""

Anyone, that understood this new fiat era, knew that this is how you handled the evolving process. For myself and others, knowing that gold's inherent value could not change much and was historically undervalued in it's comparative value to all things, we brought gold in quantity. We tossed aside Western concerns about shifting currency prices of gold. We did not try to paper leverage a finite amount of it; as some were trying to do in betting for a higher currency price to come. A price value, by the way, that would never arrive in this era. That higher dollar currency price, so many were leveraging for, would not be allowed to surface in paper values while the present pricing system still functioned.

It was plain as day that the whole world could sell gold short; with most financing deals and future deliveries predominantly structured towards cash settlement. With little more than margin money and no gold at all; you, me and that "man behind the tree" could all help set the price of gold lower with little thought of dealing in actual physical metal. With such a system firmly ensconced in investor minds, as the one and only true gold market, only a partial percentage of the coming price rise could ever be reflected on paper; as gold's price discovery system was and is eventually inflated until it fails it's purpose.

Such is the way our gold arena has evolved in our present financial culture. This entire realm represents the conclusion of a convoluted, decades long, attempt by mankind to tie his fiat money concepts to physical gold. These centuries of gold / money tie-ins will end in a colossal breakup of the entire fiat money plus gold concept; leaving gold and fiat to trade independently of each other.

Unfortunately, it's the dollar's watch this will all end on as this gold failure is running in parallel to the dollar ending it's position as a world reserve currency.

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The dollar faction's war on gold is now lost as their whole system of fiat gold creaks under a load of failing credibility. That failing credibility is being driven home as the Euro system pumps far more dollar based paper gold sales into the system than their actual physical gold sales. All the while structuring a stand alone system, aside our present dollar gold world, that will later identify gold's
pure value in traded physical only form. For all of Europe, London sales included, the BIS sanctioned Washington Agreement was little more than a settlement of some official accounts; taking their CBs somewhat out of harm's way prior to an unimaginable rise in gold values.

The US Treasury, coming a little late to this recognition, is trying to get in the game by renaming some of it's gold stocks. They are trying to show some involvement; but their political motive, to actually deed over their gold, will only become powerful enough after the real breakup begins. The great gold reserves, so many Americans think they own, will leave our shores at prices we will later think are sky high; only to watch those values double and triple again! The US will be forced to use a good portion of it's gold to just keep the dollar in the game; still, no amount of gold will make it a reserve currency again.

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The incredible simple design, of using gold in the Euro political thrust, is what has hidden it from our Western view. So far, have we advanced, that few of us can fathom gold ownership having any purpose outside using it for leverage gain and credit lending. Four fifths of the rest of the world will later grasp the Euro concept and embrace it completely.

While many in the gold industry note the harm this paper selling is doing, we can hardly fault the Euro side's reasoning behind the paper sales. It's no different than selling short a stock you think is going to become worthless. Any investors that brought these paper gold goodies, because they thought they represented real gold, can just put up the cash and ask for delivery! The trouble is that the ones that point to the Euro CB sales and yell the loudest, never had the cash to buy or intended to buy gold anyway. They played the game for more dollars, not gold! They cannot see the different political gold reasoning behind Euro faction thrust vs. dollar faction thrust and proclaim that these are one in the same. Confusing the issue for all gold investors.

And the beat goes on!

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Looking back, for a moment, at our last talk about the money concept; we can see where most of our money failings originated from our thinking that gold was, itself, money. Actually one writer, on the USAGOLD forum, hit the nail on the head when he said that; "money is just a book keeping accounting of real wealth". Indeed, as we mentioned in our last talk, money is an associated value in your memory and, for help, usually recorded on paper.

We were first alerted to the "gold is money" flaw years ago. When considering the many references to gold being money, in ancient texts, several things stood out. We began to suspect that those translations were somewhat slanted. I saw many areas, in old text, where gold was actually more in a context of; his money was in account of gold or; the money account was gold or; traded his money in gold. The more one searches the more one finds that in ancient times gold was simply one item that could account for your money values. To expand the reality of the thought; everything we trade is in account of associated money values; nothing we trade is money!

The original actual term of money was often in a different concept. In those times barter, and their crude accounts of the same, were marked down or remembered as so many pots, furs, corn, tools traded. Gold became the best accepted tradable wealth of the lot and soon many accountings used gold more than other items to denominate those trades. Still, money was the account, the rating system for value, the worth association in your head. Gold, itself, became the main wealth object used in that bookkeeping.

This all worked well for hundreds and perhaps thousands of years as fiat was never so well used or considered. Over time, society became accustomed to speaking of gold in the context of money accounting. Translations became all the more relaxed as gold and money accounting terms were mingled as one in the same. It was a subtle difference, then, but has become a major conflict in the money affairs of modern mankind; as gold receipts became fiat gold and bankers combined fiat money accounting with gold backing.

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Last night we alluded that humans have not changed all that much in their barter trade associations. We, today, use fiat record keeping to associate trades for every thing we want. It's in the same mental concept people used a thousand years ago. Our tendency is to freely trade and value things up and down the association scale; that flexibility in our association accounting means fiats cannot remained fixed to any real wealth. In modern money terms and concepts; that means the prices of all things must be free to flow up and down in any amount. Our modern perceptions of inflation and deflation upon debt values only serve to destroy the understanding of this basic drive.

This need to change valuations is a human trait and is the main force that keeps attempting to break gold free from modern money attachments. We inherently wish to use gold as wealth and trade it's changing value within the same universe of moving values all other tradable things exist in. However, for credit banking sake, we tried to fix gold's value into our fiat money accounting so we could lend the "money concept itself"; lend money in lieu of real things. As just said, gold could never be attached rigidly in our accounting money concept because that requires it's value to

be fixed

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Our world has built fiat system after fiat system; and all upon the notion that the money concept can be lent in lieu of lending wealth. This debt, in money terms, requires said money values to remain stable or the banking system fails it's purpose. In this, governments, banks and political stylists always try to entwine gold into the money system and control it's value for the sake of money debt viability. Such is the conflict in our gold money culture today. Our dollar is just one more fiat coming to the end of it's timeline as it's basic flawed concept, again, destroys the savers wealth.

The question stands in modern times: Why do we need to save this stuff anyway? Indeed, fiat is only a trading medium that reflects our 1 to 10 value rating of any good in trade; and that rating is a just value for only a short time. Fiat purpose is maintained for those that save it for later use over short terms, not long term accumulation as wealth or for spending far in the future. Real wealth is what humans save for the future and this is where our basic instincts drive us.

The incredible explosion of fiat use, sense it became a non wealth holding in 1971, bears this out. Fiat values, the world over, reflect only our tradable values placed on all things. The dollar, nor the Euro, have any value of themselves except for the denomination of tradable goods. The mismatch that has occurred is in the massive debt our world dollar use has developed. A debt that cannot be traded back into the US economy to receive goods at anything close to today's prices.

For years American lifestyles encouraged it's political system to protect their banking /debt credibility at all costs; so we could buy others real goods without sending real wealth to pay for it. We did this in the only way we knew how; in body, mind and spirit, our political economic purpose promoted the dollar and it's debt to be as good as gold and a substitute for real wealth holdings. Even a substitute for real wealth to be held in reserve behind other currencies! Still, in parallel to this US thrust; for thirty years fiat use evolved on it's own to embrace the non wealth trading aspects of "the money concept". Leaving in it's wake a world of worthless dollar debt as people brought wealth outside the "money concept" anyway. We are, today, in a transition away from that dollar mess and much of our wealth illusion will passing from our grasp in the process.

In every way, society is trading it's way back to where it started. In the process, gold will find a new value from it's history in the past:

" a wealth of ages savings for your future of today."

Thank you for attending these workshops. We will continue these discussions for a time and later envelop current events into our thoughts. It's been my pleasure, good evening.

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OK,,,,, I'm out of here,,,,,I think I'll just fold my chair,,,,, hike over to the Trail restaurant for some

Tuscany vintage and good Italian food,,,,, not to mention a plate full of political sauce. (smile)

Amazing how the GoldTrail connects to so many parts of life, society and economics!

Thanks
TrailGuide

Gold Trail Update (07/26/01; 18:08:49MDT - Msg ID:58659)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (07/26/01; 18:08:48MT - usagold.com msg#84)
"The wind will blow"

Hello all!

I thought it was a good idea to tack this notice on a large tree.

It says that:

"another talk is to be given here tomorrow (fri) on the evolving message of gold"..... The Wind Will Blow!

Ok,,,,, good enough for me,,,, I'll bring some coffee and snacks. Unless a storm blows in and shuts down the presentation,,, we'll see everyone then.

TrailGuide

Gold Trail Update (07/27/01; 15:20:44MDT - Msg ID:58692)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (07/27/01; 15:20:44MT - usagold.com msg#85)
"The Wind Will Blow"

Welcome to our next series of talks on the evolving message of gold. Today's discussion is titled;

"The Wind Will Blow".

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As our modern society has evolved, we currently use fiat and own wealth in a way that demonstrates exactly where both values stand within our lifestyles. The examples abound everywhere in personal finances. Fiat has, today, become both a trading medium and short term savings asset. This long trend, in American money use, suggest that an acceptable price inflation cost for both theses uses has been evident for some time. Even though world use of our reserve currency has made an illusion of most of our real costs structures.

The concept that wealth is the long term savings asset that most strive to attain has been evident also. Even with US taxes on it's profits, real wealth assets still overcome that disadvantage by providing far less risk in an increasingly hostile world. However, in the background, behind the enormous, overshadowing expansion of public and personal debt, this new meaning and usage's of wealth and fiats are difficult to perceive. Most of what the general public has come to believe as real wealth is simply forms of paper ownership of wealth producing industries and paper claims on real assets that can never be recovered at today's values. This is true in most all items, not just gold.

Aside from Western cultures taking this debt expansion far beyond their means, our trend of buying things and not saving fiat currency, long term, should have sent a signal to money officials; but it didn't. Dollar inflation was exploding to meet a new fiat use demand and not creating a price inflation to match: a process that should have encouraged our economic engines, the people, to save the currency itself. In hindsight, they were spending it; not to escape future run-a-way price rises, rather they were doing what comes natural; trying to save real wealth by buying it. Even if they were buying mostly a value illusion.

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After 1971, the entire dollar system was too far down the debt road to change step; that is to allow all forms of real things to fluctuate up and down in dollar value. This would have required gold to rise into several thousands, even then! They were still trying to maintain dollar value for the viability of expanding dollar debt and that meant changing was not an option; especially for a system built on debt that required the illusion of a stable gold price. Still, the nature of fiat use was changing the world over and would have grave consequences for our entire dollar support system years later.

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Contrary to Western thought, our use of money has not changed since time began. It's true that "Gold is the only money the world has ever known"; as long as one accepts that barter is the only trade the world has ever known. In the context of barter, gold has been our only money. Once we stamped gold with official unit sizes, perhaps done a thousand years ago, money became an associated value used as an intermediary between uncompleted barter.

We barter goods and services, today and anytime money has been used, using a bookkeeping system of value comparisons; all done to better convey a sense of values between ourselves. All done in the confines of what we call our world economy. The use of fiat today involves half a barter trade; then keeping the currency as an associated value and hoping it doesn't lose too much of that value before we complete the other half of the transaction. This works in a high speed trading environment where fiat is not saved long term.

I'll read an item from our last talk:

""""" Fiat purpose is maintained for those that save it for later use over short terms, not long term accumulation as wealth or for spending far in the future. Real wealth is what humans save for the future and this is where our basic instincts drive us. The

incredible explosion of fiat use, since it became a non wealth holding in 1971, bears this out. Fiat values, the world over, reflect only our tradable values placed on all things. """""""""""

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The money concept, we have recently spoke of, did not suddenly evolve! Nor did our dollars suddenly become unbacked credit items after 1971. Well before the dollar's separation from gold all money bookkeeping, and all it's forms of currency moneys, were actually credit items.

Circulating cash dollars, official metal coinage and other previous fiats, themselves thought of as a final hard payment, were never anymore than a known tradable value. A trade credit owed to you as long as one held the money unit. Even with gold backing the dollar unit, money's value was always in it's exchange for something else we wanted. Gold values behind these fiats was used to represent some fixed tradable value the money unit stood for; not to be the money unit itself.

Gold, in ancient trade, could not become the thought of money as we know it today. It was the end of a barter transaction; two pieces of gold for one cow demanded no other trade to complete the deal. The use of money back then did not entail nearly as much associated concept, it was the
use of outright barter. Today things are, indeed, different!

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What purpose is there in understanding the descriptions and perceptions in these last few talks?

Because there is a conflict between society's basic desire to use our modern money; or "our modern concept of money as it has evolved".

First:
Our natural drive to use money, in lieu of barter, is to use a simple bookkeeping credit trading medium that keeps track of our barter. This requires our embrace of the fact that every item in our universe of wealth constantly changes in value. Even as gold changes in value; both up and down.

Second:
The unnatural convoluted drive, of many, is to use this same "money value concept" to borrow real wealth "use"; instead of borrowing the actual wealth itself to gain said "use".

This second item comes under the heading of trying to get something for nothing and is everywhere in Western Thought!

If we lend an item of real wealth, say a tractor or chair, it's future value is unimportant to the lender as long as the real item is returned. It is the "use" that is lent, not the money concept in the form of a trading value. In this process we recognize that, because the value of things change, the debt to be repaid is the item of wealth, regardless of it's higher or lower value. Only it's "use" changed hands during the lending and repayment of debt. All is well.

However, lending the value contained in our modern money concept exposes the lender to uncertain gain or loss of tradable value because it's the value that's being lent, not the actual "use". Without some way to lock down the value of money, over long periods of time, the industry of money lending (banking) fails it's purpose and risks it's profit if tradable money value falls.

This is the trend that is killing the dollar today.

It's not that price inflation may erupt; it hasn't done much in 30 years compared to the money printing volume. Our demand for more fiat has absorbed most of what we issue.

It's not that the massive dollar debts won't be paid; they will as long as it's in more cash. Payment in real wealth, such as real goods and services from our local economy, was never an option. We simply couldn't do it!

The risk is; that our money system requires dollar and debt stability for lenders and said banking system must regain that lent tradable wealth close to par. Further, the money system is backed by this debt being stable; so without said stability the currency system fails.

The contrast here is that modern fiat use trends are advancing towards flexible fiat money. Not so much flexible against other currencies; flexible against all other wealth, including gold. The more a currency can adjust to commodity and industrial use demands, the more in demand that currency reserve system will be. The immovable past structure the dollar is built upon demands it's values be defended with complete hyperinflation if necessary. Prior to EMU, there was no other reserve currency that the world could run to. Now, the dollar cannot deflate and take the rest of the world into deflation with it. The tables are turned; deflationary policy will not defend the dollar. Only inflationary policy will. Make no mistake, we are not calling for price inflation to end the dollar's reserve rein! We are calling for "inflationary policy" to dethrone it while said hyperinflation follows.

So begins and ends our long march that attempted to steady the value of modern money by firmly attaching it to the value of gold.

So ends man's march to fix the value of gold, even during short term use, while we still naturally wish it to change.

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To comment on the present

The very changes needed in our money universe, today, would kill dollar demand by devaluing all dollar assets in super higher gold prices. The debts and the dollars would remain; only 90% of their current illusion of value would vanish. Hyperinflation in prices of all wealth objects will be the workout result of this process. As such, opposing dollar political motive will force the US to give the markets what is needed; both gold and gold prices beyond imagination.

As has been mentioned by others in several public meetings;
"The world is in the midst of what could well go down in history as the first recession of this modern era of globalization".

We must point out that this is lacking some breath of perspective: in reality this will be a dollar based recession and one that the world will repulse from by advancing the use of a more flexible currency unit; the Euro. A unit that will match modern needs for fiat by marking the value of all debts as they change; by allowing a free market in gold wealth to exist outside the "money concept".

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The captains of oil have not seen all of this in a vacuum. Selling irreplaceable oil for a currency entering the end of it's trend was not an option. Gold prices were lowered in exchange for a short term wait; to see if Europe could do what was intended. They did.

The next step will be an orderly exit from dollar use; a somewhat destruction of all dollar gold pricing; and a super price inflation for US dollar assets. We are not at the end my friends, we have just come to the beginning. For physical gold advocates that understand the difference between real wealth and leveraged real wealth, the time arrives when values are reflected with the speed of the wind. Truly, in our time,

"The Wind Will Blow".

At our next talk, we will move completely away from concept and into current events.
Titled "Political Gold - how much of it is ours"

Ladies and Gentlemen, thank you so much for listening tonight. I look forward to our next meeting.
Good day!
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Thanks all,
still hiking the path

TrailGuide

Gold Trail Update (07/31/01; 21:14:44MDT - Msg ID:58864)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (07/31/01; 21:14:43MT - usagold.com msg#86)
Political Gold

Hello All!
Looks like I'm here tonight to escort everyone to their seats,,,,,,,,the guest speaker will be here in a min.,,,,,, Uhhh??,,,,, could I see your tickets please?
All right, it's starting,,,,,,,,,,,,,

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Good day to all our guests and thank you for arriving early. Our talks are an ongoing progression on the subject; the evolving message of gold. We will begin now.

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Starting off, I'll read an item or two from the TailGuide series: A Tree In the Making. Please read again this portion of his series for clarity.

""" But, greatness is within those that know life is dynamic,,,,, what we do is never certain and subject to the leadership of nature. That person will spin the Bonsai on a table for hours, days, and even years as he styles what will work for that period of growth,,,, perhaps planning the timeline in a currencies development. A cut here,,,,, a change there as time grows the next limb. In the processcreating something we all recognize, can use, understand and enjoy,,,,, yet,,,, different in many ways from what we knew or saw before. """""" -----

"""""Understanding the events that got us here and how they will unfold before us is what this Gold Trail is all about. Everyday our political world is pruned like two Bonsai, in an effort to shape a more healthy future. The dollar tree is failing because it needs so much dead wood cut off,,,,,, but if it is pruned it will not resemble the mighty Bonsai it once was! The Euro tree is growing as it is being styled,,,,,, what it will look like we have an idea,,,, but not a complete picture. It's hard to imagine that anyone can look at an early Bonsai and shape it's future some 20 years out? But, that is exactly what someone did with a tree on the roof of the Monkey Bar in Hawaii; indeed, this is what has been in process for so long with our changing money system."""""""""

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My friends:
We are, today, at the very conclusion of a fiat architecture that is straining to cope with our changing world. Neither the American currency dollar, it's world reserve monetary system or the native US structural economy it all currently represents will, in the near future, look anything as it presently does. Trained from birth, as all Western thinkers are, to read everything economic in dollar system terms; we, too, are all straining to understand the seemingly unexplainable dynamics that surround us today.

Western governments, the public and several schools of economic thought are attempting to define and explain what extent these changes will have within our financial and economic world. Most are all striving to see this as the next plateau of dollar integration, carrying us onto the next level; looking always higher for what this next level will bring in social, financial and lifestyle enhancements.

Governments look for a correct policy mix; one that will serve their political motive when the next cycle moves higher. The public looks for the next great investment or industry to be employed in; to enhance their well-being all the further. Economic schools, as represented by both the financial industry and the academic areas, all want "their take" on the next cycle to be seen as the correct one.

After all, this is just one more in a long line of up and down economic cycles that are so common in American economic leadership.

However, all of this positioning has left out, this time, one important, almost unthinkable question; what if current trends are moving away from using our dollar reserve system? Even further, let's ask; what if the last decade's efforts to prolong dollar use, both internally and worldwide, have inflated it's worth to such an extent that it's now vastly overvalued? Asking more; what if the architects of a competing currency system and the major players that helped guide it's internal construction, all took a hand in promoting the dollar's extended life, it's overvaluation and it's use; so as to buy time for this great transition in our money world?

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Most average Western Citizens and dollar use nations have pined everything on this ongoing dollar system. Their jobs, debts, investments, retirement and lifestyle expectations all depend on the dollar always being what it is; a world reserve money that buys them more than one can create during a lifetime. As true as that thought is, few understand the implication or even want to consider their life without a supreme dollar. But, just as a large portion of world inhabitants are accustomed to using more than one currency; those of Western Thought would have trouble grasping the perception behind this simple offering:

------ I once walked across the globe and brought two persons together. I gave each $1,000 US dollars in cash. The first replied; "You can't be serious? Is this as good as it gets?" The second replied; "Oh my, thank you! In all my years of life I never knew it could be this good!"------

One reply is the product of a life with unquestioned debt availability. Where the majority of debt users cover their burden with an ever growing supply of new credit money. In this economy, not to mention this person's perception, almost free debt can purchase anything and everything.

The other is the result of local money debt being built upon foreign dollar debt reserves and covered with payments of real wealth from the sweat of one's brow.

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Within this theater of thought, we can begin to picture how Western perceptions cannot grasp our on going curve on the money road; much less a twist in the Gold Trail! Follow with me, if you will, as we expand some thoughts from TrailGuide's last talk, a few days ago.

""""""" As our modern society has evolved, we currently use fiat and own wealth in a way that demonstrates exactly where both values stand within our lifestyles. -------- In hindsight, they were spending it; not to escape future run-a-way price rises, rather they were doing what comes natural; trying to save real wealth by buying it. Even if they were buying mostly a value illusion."""""

The purpose of this portion was, I believe, to deliver food for thought. The conflict, for investors and thinkers to discern, was in the evolution of fiat dollar use. While practically every historical evidence pointed to a devaluation of the dollar, within US border use, dollar use demand expanded along side of very little price inflationary pressures. Still, even with years of low inflation numbers, a cause that traditionally drove money into long term savers pockets, investors rushed to seek their perception of real wealth. Fulfilling an ages old drive to own "something" for the long

term. As the final conclusion, partially phrased above, pointed out; most everyone tends "to read everything economic in dollar terms"; even buying into paper dollar versions of a value illusion. To this end, Americans have continued to save for serious consequences by buying every kind of dollar dependent real asset they can; stocks, business, debt, farms, industrial metals production, etc. and expecting it all to act as real wealth. Some of it will, most of it will not!

Further on from "The Wind Will Blow":

"""" After 1971, the entire dollar system was too far down the debt road -------- the nature of fiat use was changing the world over and would have grave consequences for our entire dollar support system years later."""""""""""""""

Having evolved a dollar reserve money system into a straight debt fiat currency, without gold involvement, the entire dollar function became locked into one basic premise: for the system to survive, it's core reserves of debt values had to remain somewhat price stable as the currency inflated relative to GDP. Over the next 30+ years their dollar controllers, the fed and treasury, thought they had a fairly good handle on the system as they managed banking reserve requirements. To their amazement, it turns out today, that digital use demand was the best function that supported their efforts all the while; by increasing the world's use and need for currency. Had they understood this modern economic function early on, they could have somewhat printed the currency outright with almost the same result while arriving at today's destination. They could have let gold float, not to mention they could have skipped a large portion of the debt build up that will now end the dollars timeline.

Most, if not all, of this perspective is only now coming to light as the Euro builds pressure on the dollar. The better architecture of the Euro system is leaving little room to adjust as the US fed must singularly act to inflate their local currency in a historically new and unprecedented fashion. The actual debt machine that built much of America's lifestyle is now going into reverse as it destroys it's own currency; one built upon a stable debt system with locked down gold prices.

Going further and paraphrasing what TrailGuide writes:

"""""""It's not that price inflation may erupt --------- ----------It's not that the massive dollar debts won't
be paid---------The risk is; that our money system requires dollar (goods prices) and debt stability -------- so without said stability the currency system fails"""""""""""""

Without an international floating gold reserve pricing, to balance against their devaluing debt reserve, the entire dollar banking system can only rely upon extreme dollar inflation to float it's accounts. Price inflation will have to be ignored. To this end the group of dollar supporting countries, we refer to as the dollar faction, has locked itself into a box. It must find a way to float gold prices with a gold reserve that only drains away if world gold price rise.

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Current events
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There once was a time when citizens owned their trading vehicles; all wealth,

including gold, was free to barber. Then ruling authorities stamped most of those gold trading vehicles as "legal tender" and made them money objects; dependent upon value associations instead of barter. No doubt to collect taxes as running nations was a costly affair.

Extending the point:

Around 1975 Americans were given the legal right to own gold again. Many did not then, nor do they today, see any reason to own gold as their treasury has gold with which to back their currency. The logic of this perception is clear and simple to the casual observer. However, take out one US legal tender dollar and read it's cover carefully? Does it say it is your currency? Is your name on it?

The US dollar is a note, a security that specifies a value the holder is owed. You may keep it or spend it or even trade it, but it does not belong to you. It belongs to the US Treasury and is created by the Federal Reserve; both political entities. What a person owns, when holding a dollar, is the value that note is tradable for; the value that is owed to you and said dollar note represents. In
every way it is real money; in that it's value is in it's tradable value association; not of itself. If the dollar itself had real value, it's use would constitute barter; not the use of TrailGuide's money concept.

If you think you own the currency of this country, understand this one item: the political entity that the dollar is owned by, can cancel it's legal tender status at any time. There by removing your use of it's holdings!

Extending further:

The only gold Americans ever owned, prior to 1933, was the very gold coins they carried. They owned it because it was a true barter vehicle. Even if the Treasury removed it's legal tender, "money aspect", from said gold coins, you could still barter the value contained in the gold. By 1971, Americans owned no gold and all gold held in the name of the US Treasury was "Political Gold" owned by the government.

The perception, by some, that because the government owned the gold, the citizens own it too. This flows from a similar convoluted logic; that stock holders of publicly traded gold mines own the underground gold. In reality, if the mine was dissolved, both processed and reserve gold would be sold and "Legal Tender" money would be distributed to it's owners. Not gold.

The same is true for Political Gold. All gold held by the state, unless distributed first to it's citizens, is subject to world wide "Legal Tender" political claims first. The precedent for this is clearly revealed as the Swiss must ship their "Political Gold" to others first; while sending currency to satisfy gold claims against it.

As the IMF has recently extended this protocol, swapping gold at different values, to settle political debts; this action further justifies the US being able to use it's gold to defend it's currency's settlement function. Aside from the US minting eagles for public sale and it being against the law for gold reserves to be sold outright to open bidders.

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To draw a conclusion from this "current event":
Deep Storage gold

Americans have the right to buy and own the "Wealth Of Ages". As events draw to a close upon dollar use, we can expect outright use of America's "Political Gold" in restraining the speed of it's currency's burn. To compete in the new architecture of a Euro System currency, unrestrained trading of gold will advance it's dollar and Euro price significantly. With political pressures to tax private physical gold trading as low as possible, expect enormous taxing and windfall profits rules to impact all other forms of gold ownership. Indeed, long before such changes are in place investors will rush to be in the correct ownership place, well ahead of the fact.

Of Fiats and Gold:

It is ironic that both roads have curved as time moved on. One returns to it's roots, as a wealth value today, few have ever know. The other becomes the money a modern future requires. Both on a different path and building for our better future.

Next time I will discuss; what one should realy expect to see when all paper burns; and how close political events are saying we are to that fire!

Thank you for taking the time to come here and listen to these talks. I wish you well and good night.

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Ok, everyone please leave the Trail as you found it,,,,,, no trash or drinks. (smile)
We will meet here for his next talk when it comes. I'll comment in between.

Thanks
TrailGuide

Gold Trail Update (8/2/01; 12:52:56MDT - Msg ID:58957)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (8/2/01; 12:52:55MT - usagold.com msg#87)
Walking On Solid Ground

Walking On Solid Ground: Hiking the Gold Trail

Ok! We have quite a crowd here,,,,,,, this morning. This must be an overflow from our recent Talks Series. There are more of those scheduled next time; but today we will go for a hike. As many of you already know, and some newer visitors are finding out, there is a price to be paid to hear mine and others Thoughts. Yes, you have to use your legs and mind, because most of the gain here comes over time and distance. If one want's the whole story you will have to walk with us and watch it unfold. Out here, there is no waiting at the Trail Head for someone to return with a complete report. The understanding is found within yourself, while completing the trip, not just at the end.(smile) I'll speak loudly so those in the back can hear. Packs on,,,, keep up, now! Let's hit the trail!

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It's a clear day, today, and easy to see how the world is changing. Once we thought that everything in the name of "dollar money" was an anchor of financial stability while our organic planet changed; we now know that even our money systems have seasons, too. Watching evolving events with a Physical Gold Advocate based perspective, over this last decade, demonstrates this perfectly. Indeed, from here on out our world now has two major fiats and their competition is going to prove that anchors do not hold because they are attached to the weight of gold; rather money is made
stable by moving it's value with gold.

Look to the left

The gold perspective, most people have employed, is little more than a shadow of what the political gold world, in it's immensity, is all about. Shallow Western perspectives and their view of gold, being just it's dollar price, proved over and over how dangerous such a narrow thought can be to one's wealth. Making the object of one's gains to be "the inflating denominator of wealth", fiat money, instead of "the real wealth itself", gold; leaves us at the mercy of any political money evolution! When seasons change, as gold trail hikers know they always do, the risk becomes the "question" so many gold bugs have grappled with this last decade; can my investment in the price of gold keep up with and purchase an equal value of physical gold itself? For most, it has not, as paper leverage hacked away at their wealth held in paper gold assets! The future may be even less kind!

An investment in the gold industry, not just mining, can be nothing more than an investment in a business that balances fiat production cost against fiat market prices for it's product; gold. The return, if any, is always in fiat and places this portion of one's wealth smack on the tracks of more political manipulation. Today, we can see this play out all over the world as fiat returns in the gold business head towards and even sink below zero. The investor watches this fiat illusion of his net worth drain away while the opportunity to build a real wealth of "bullion ownership" escapes yet again.

Playing the various paper gold investment games is no different. When the time comes, when the dollar season really changes, dollar denominated paper gold bets will do well if they can just break even. The real wealth owner will stand aside this burning of paper and watch his coins and bullion explode hundreds of percent ahead of any fiat paper gains. This is what the real world of a gold advocate is all about.

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Onward the trail,,,,,, look off towards the end

I, myself, own gold for one purpose; to save a real wealth that's in addition to all the other things I own. I save it this way because it outmaneuvers, sidetracks and escapes all political money evolution. It does this in such a way that I will later have the same relative amount of real wealth for my future needs. Or, in the very worst case, have close to the same as I have today. Still, the upshot of this is an additional aspect that is good for me and bad for so many players trying to leverage gold. Pause and see this:

-----The very political motive that is moving our world away from dollars has, for some time, changed the dynamics of straight bullion values. In the long 20 or 30 year process of evolving our currency world, the time span required to do the job has rendered gold far below it's worth; "relative" to all other things. When the seasons change, as mentioned before, bullion will first have to find it's true "free from money involvement" price in the world. From that point it will return to do it's best job of marking the historic process of falling currency values; unproductive political currency inflation. It will do this so well because physical gold will return to it's roots. It will again be recognized as the best,,,,, "lowest taxed",,,,,"barter wealth",,,,, the world has even known! Low gains taxes will not allow it to replace digital money; as will it's inability to duplicate fiat's efficiency.

Rather gold will accentuate fiat use by becoming a real wealth reserve that compares fiats against each other thru a single arms length medium. Unable to control this gold medium, because it is no longer money and subject to credit entanglements, national fiats will resort to competing against each other. The free markets as we have always wanted them! First worlds, third worlds, all worlds; trading for what they can do, not what they can control.------

Back walking again

During this short and slight moment in time, a decade of years in the making by our human measurement, physical gold has become an investment of a lifetime to persons like myself. A wealth of ages that will not only transport my savings forward, during fiat evolution, but will increase my total wealth many times over. From there it will defend that value against all comers; all fiat price inflations!

This is the opportunity paper traders forsake as they bet on a train that's running away from them.

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Further we walk

I have tried to point out that the gold concept today is not one of just matching dollar price inflation in the future. If that was all we owned gold for, one could have covered that with several stock market games years ago. If $500, $700 or $800 was the goal, it becomes just another commodity bet and there have been plenty of other leveraged "plays" that already beat that. No, buying gold today is a political move; one that will add political sized returns to this gold advocate's wealth.

For this reason we outline the political "fiat against fiat money nature" of the battle more so that the gold to money battle. In the future, for any currency to compete against the Euro, native gold markets will have to trade at least in equilibrium with a Euro based free gold price. This will further pressure "political money posturing" to relinquish all fixed gold relationships with their moneys; fixed legal tender gold coinage included. This could become a very convoluted affair for gold coin investors. Especially if Euroland eventually mints a free floating gold coin; not dissimilar to the K- Rand! Not to be confused with Robert Ms 100 Euro or Germany's new offering; perhaps it will be
called the "Euroland" gold coin? In fact, I bet it will (smile).

Coming to a nice clearing

While I am not unloading any of my various Eagles, maples, etc.,,,,,,,,, I want my involvement with gold to be as free of fiat involvement as possible. As an extension to this, all out of circulation, old gold coins make an excellent contribution to this thought. A powerful thinker once said that old gold coins will one day be treasured as forms of antiques in addition to their gold values. Few enough in circulation to carry extra value, but not rare enough to dissuade one from selling or trading them in the future.

To this end that same gentleman made a statement that embellishes the entire trail of Thought we walk today. It inspires countless large and small private gold advocates with a warning for a future we must prepare for and a call to stand guard!

I'll say the words again to end our hike.

"when a thousand hungry lions fight over one scrap of food, small dogs should hide with what's in their belly"

"we watch this new gold market together, yes?"

The sun is going down and it's time to camp here for the next speaker. Something about burning paper; I won't want to skip that one. Thank you each and every one for walking with me on this very fine day (smile).
TrailGuide

Gold Trail Update (08/02/01; 17:31:53MDT - Msg ID:58966)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

MK (08/02/01; 17:31:52MT - usagold.com msg#88)
Huff. . . .puff. . . .huff. ... .puff
Hello, FOA. I've been climbing all day, and just when I think, I'm not going to quite catch up, I round the bend back there and see you sitting on that rock just beaming at me. It is good to see you, my friend. Good to meet you here on the Trail.

I want to mention before all else that this hike we are on now -- The Message of an Evolving Market -- is nothing short of phenomenal, and would like to take this opportunity to ask your permission to use a portion of it in the upcoming News & Views. We've decided to go to a larger quarterly publication to augment all that's going on here at USAGOLD. You might be interested to know that Randy just informed me by e-mail that just today he has registered several new posters including "gold-hearts" from Germany, Paraguay and Sweden. Now if we can just get them to post! It used to be that investors would call and say that they were inspired to act on the basis of something they read in the newsletter. More and more, their interest is piqued by something said or published at USAGOLD. So, we change with the times my friend, and this too is a message from an "Evolving Market."

Like some at the main forum, I took an interest in the Legal Tender discussion from the Political Gold post and, it is something you said in that essay, that brought me

over here for my first post.

This I find very interesting:

". . .All gold held by the state, unless distributed first to it's citizens, is subject to world wide "Legal Tender" political claims first. The precedent for this is clearly revealed as the Swiss must ship their "Political Gold" to others first; while sending currency to satisfy gold claims against it.

As the IMF has recently extended this protocol, swapping gold at different values, to settle political debts; this action further justifies the US being able to use it's gold to defend it's currency's settlement function. Aside from the US minting eagles for public sale and it being against the law for gold reserves to be sold outright to open bidders."

This idea of a gold drain from the U.S. to those countries holding copious amounts of U.S. Treasury paper, as a form of settlement, is something I, like you, see as a consequence of a potential post-1971 U.S. dollar order breakdown. You are quite right to imply that gold mobilizations are often related to settlement issues including currency breakdowns and possibly even gold carry trade settlements (wherein the central bank acts as a gold lender of last resort). For the press and some economists to underplay the role of gold in international settlements is to throw a cover over the truth and maintain the fiction that gold's role is secondary, when it is not. It is in fact primary and the cases just in the last decade are legion. The Argentine treasury for example is devoid of gold. So is Brazil's. So are a dozen other countries which have experienced currency problems. (Leaving aside for a moment, all the hapless third world countries who have entrusted their gold to the gold carry trade.) In Q1, 1998 S. Korea -- a country that uses 25 tonnes of gold a quarter -- exported 250 tonnes of gold in defense of its currency! The sure route to rebuilding a currency is to somehow associate it with gold. So we have Russia and the Chevronet, the Islamic Dinar movement, and gold reserves in the ECB.

Along these lines, I think I probably speak for many when I say I am intrigued by your statements about a future U.S. gold mobilization in defense of the dollar. Somehow I think there's a great deal more to your thinking than what is contained in that paragraph.

I guess my major question has to do with the settlement price in such a situation. At the current price, I think the 8000 tonne U.S. Treasury hoard would be sitting in Brussels, Tokyo and Beijing within 30 days of the mobilization's announcement. With something like $6 trillion floating around the globe, few would dismess that concern. Could you give us some details on your thinking?

Well, I need to get back down the mountain, FOA. It's getting close to dinner time and that cloud rolling over that mountain to the West looks like it might spell trouble.

Good to be here, good sir. I always enjoy these discussions. MK

Gold Trail Update (08/02/01; 21:35:34MDT - Msg ID:58971)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (08/02/01; 21:35:33MT - usagold.com msg#89)
Few words can describe.....

Well,,,,,, my goodness,,,,,, just when I thought everyone had gone home,,,,,, here comes MK!!

Ha! HA! I hope no one sees us right now because what a pair we make up here. You are gasping for air and I'm lost for words??

Not to worry for long. After a rest your golf conditioning will show up and good speech will overcome my surprise! (smile).

TrailGuide

Gold Trail Update (08/04/01; 08:54:49MDT - Msg ID:59030)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (08/04/01; 08:54:48MT - usagold.com msg#90)
Marker on the trail: Does the game begin?
http://www.thetimes.co.uk/article/0,,5-2001243118,00.html

Hello all

While work is in progress to reply to MKs question; I thought a few markers on the trail, from time to time would be helpful.

==========

From The Times WEDNESDAY JULY 18 2001 (see link above)

Misery deepens for US high-tech industry
BY LEA PATERSON, ECONOMICS EDITOR

-----A SHARP contraction in US manufacturing has pushed American industry into its longest uninterrupted period of decline for almost 20 years, figures revealed yesterday. ----------

------industrial output dropped a larger than expected 0.7 per cent in June. This was the ninth month of contraction, the longest unbroken period of decline since 1982.---
----

--------- Capacity utilization fell to a 18-year low of 77 per cent. ----------

-------- "Another sharp decline in output confirms the damaging impact of a strong dollar, excessive inventories and weakening sales," Matthew Wickens, at ABN Amro, said. ----------

==========

Unlike past periods, when America rolled over the top of another economic cycle, this fall away should begin to develop into a permanent downhill slide! Never before in our post 1971 financial cycles have we defended the dollar against a reserve rival while trying to adjust world financial policy during a building recession.

This time the world may slow somewhat as we fall away; however, they will not have to follow us into an inflationary money policy that floats all ships in the same reserve currency ocean. America is, for the first time, about to experience the impact of such an arrangement.

As the "strong dollar" gives way, the effects mentioned above by Mr. Wickens, will fold over time and again in a historically new inflationary trend the likes of we have never seen. Each time our output declines the resulting "excessive inventories and weakening sales" will not overcome the effects of ever rising prices.

Just as our dollar's exchange rate falls, placing us in a better competitive position, localized price inflation will mute that effect. One again producing the calls for lowering "the too strong dollar" from that level. Over and over the game will cycle; producing a kind of inflation we have never known! A kind of price inflation that cannot be overcome with "typical accepted" inflation investments of the past.

This time, investing in "the industry" or "business" that produces inflation hedging investments will not work enough to do the hedging job. From oil companies to coal companies,,,,,,,, home builders to lumber producers,,,,,,, carpet makers to gold miners: costs will outrun their ability to create an after tax profit.

Even leveraged games of paper will fall victim to political moves; aimed to protect local currency use.

The world is changing and we are on the right "Trail" to understand it all. The "burning of paper" wealth is coming and one of our future talks here will describe it all so well!

Thanks TrailGuide

Gold Trail Update (08/06/01; 09:37:26MDT - Msg ID:59092)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (08/06/01; 09:37:25MT - usagold.com msg#91)
Gold Mobilization

Hello again MK!

Glad you could meet me here in Denver and share this next presentation. We can talk a bit before things get started. Yes, it was very good to have seen you up there, on the trail, and thanks for complimenting the first parts of this "message". MK, you also presented a question to me that I'm sure was rhetorical: permission to use some of these works in News & Views?

Oh my! You build a forum rock for Gold Advocates to stand on and present their case from; then you ask such a question???

Sir, you are the epitome of what gracious courtesy strives to become! Yes, please do use even the smallest portion of offerings as you desire and do feel free to disagree with any point in them. (smile)

Michael, the reason for our city meeting, today, was so we can step behind this closed door and listen in on a discussion there. It's in progress and we are suppose to be here, so let's go in now.

==========

Hello to everyone that just arrived.

In this talk we are shifting the schedule a bit to delve into a political money issue: as the question was presented by Mr. Kosares earlier. He is the gentleman that's just entered and is standing to our left. Not only is he also an educator of gold issues, to the public at large, he is also a keen observer of human dynamics in the political sense. So, this particular area of thought was the attraction for his being here. It's a privilege and honor to have him sit in on our discussion.

==========

To start off:
Someone once asked me if all of our thoughts were on the level? Well, at a young age I often thought there was difference between fact and opinion; then I learned that everything spoken was opinion and anything written was fact! A few years later, someone told me that anything spoken is not true and all things written is opinion! Last year I was told that everything is an opinion and nothing is true! Ha! Ha! So, today, I state for the record that all of our Thoughts are Absolute fact!(smile)

==========

We are asked to expand our thoughts pertaining to "a future U.S. gold mobilization in defense of the dollar" and elaborate on what "the settlement price in such a situation" could be? These truly are exceptional, thought provoking questions, and will require an equally dynamic explanation. I'm assuming most or all of you were at all of these "message" talks and have our past, long running, basis of context in mind. To understand our position, one has to grasp how position we came to know it. We begin.

==========

I am sure most Americans are uncomfortable at the prospect of our stores of Political Gold being shipped off to defend the dollar. Uncomfortable as this may be, unprecedented it is not. During most of the years of an active Gold Exchange Standard gold was routinely "shipped off" from nation to nation to satisfy foreign demands. Not just entirely to defend our dollar's value; the aim of these operations was, then and now, more so to keep the dollar in settlement use.

Yes, the dollar's continued use for trade settlement and the defense of that valued

use was always the aim of these gold trades; but even below this is a deeper meaning to this function.

==========

From a dollar point of view, shipping gold then, and now, was in the same context of defending one's currency on the exchange market. In the context of this use; gold was not sold as a commodity, rather it is clearly traded as an officially earmarked "good" that can further support the "tender status" of internationally held dollars.

The psychology of "gold exchange" is more manifest in our "legal tender" function than most strive to understand. Standing aside, for a moment, from our previous discussions concerning modern fiat demand's impact on the dollars recent value; we look more closely at the logic of this "tender"
function.

==========

Local dollar currency, circulating within US borders, is given political value because of it's legal tender designation. Dollars outside our domain, while often sharing the same trading value, are not covered by that law. Even though, through protocol they are commonly accepted, they are not legal tradable money; unless they re-enter the US again.

The process of defending the dollar by shipping gold is, today as much as yesterday, an expression of maintaining political "Legal Tender" status for international clientele. Indeed, as an ongoing trade deficit in the US has become irreversibly structural to the integrity of the local economy and remained in this function for many years; the legal tender function of foreign dollar reserves comes very much into question. It begs this suggestion: does the international dollar have any internal political force backing it's value overseas? This question can only be addressed by shipping gold in a legal "currency defending" process.

==========

During most of the "gold exchange standard" period our dollars were nothing less than contracts for gold in storage. As we all know, to defend such a non expiring gold contract nature, as the dollar was held then, one must sometimes perform as the note is written; and gold on demand was said performance. Indeed, the circulation, use and retention of international "dollars in reserve" was built upon both; it's old gold deed form, that could be traded for gold, and it's use as a viable "legal tender" vehicle, to buy local US goods.

Over the last decade or so, with both it's gold deed function and "legal tender" function blocked by political motive and structural economic forces; the currency can and must be defended through other means. Further, our international dollar has degenerated away from being even basic "money"; to being little more than an international derivative of derivatives; that represents currency swaps, gold loans, uncollectable foreign debts and still more gold swaps. In this end stage of failure, our external dollar arena must eventually be defended with performance, if demanded; if it's use and credibility as an international settlement medium is to continue. With the US now clearly proceeding into a recession, and doing so with the competition of another reserve currency for the first time, local price inflation will prove irresistible

in undermining international dollar exchange values.

If foreign political motive decides to no longer support international dollar denominated gold derivatives with physical delivery or refrain from using gold as a trade settlement; the US will have to choose between shipping it's gold or seeing all international dollar structure and use fail! In it's place, Euro system currency would easily become the main reserve as soaring gold values would replace "tender" value lost from dollar failure.

We think that: given ongoing lifestyle enhancements afforded to US citizens from the current dollar's value as a reserve currency; the loss of this standard is of greater importance than the loss of gold! Local political motive will answer this foreign dollar value challenge by using gold as somewhat of a bribe for letting the air out of the dollar slowly. The result will be a massive dollar price rise in gold that performs over several years; as the reserve function transition politically begins.

The nature of the current dollar based gold market, outside US borders, is perhaps leveraged 1,000+ to one and will require ever greater physical gold shipments, at ever higher values, to maintain dollar credibility. This failure process will draw US gold stores out in the form of "currency defense"; not as gold sales aimed at keeping the price down. A purely legal defense use of politically owned gold.

Still, gold shipments will always be far behind the price curve and only be done as last resort crisis operations. Further, the rise will be so intense as to provoke a complete cessation of all derivative gold trading within US borders. Long before this occurs traders, both foreign and local, will bail out of our gold derivative markets even as physical prices rise. A spot physical gold market will be all that remains. Something local citizens will cherish and paper brokers will deplore!

==========

To date, these gold shipments have been ongoing but have not, yet, involved original US political owned gold. The bullion involved has been metal subjugated from foreign third world countries through dollar for gold swaps; executed thru US currency protocols. Mr. Kosares is correct in observing how foreign gold is drained from these nation in trade for debt relief and crisis support. In classic form, we will be the next in line to be "swapped out" also!

I expect that "our" crisis will begin by year end as the Euro foundation becomes complete in the issuance of real currency. The new designation of our gold reserves is a classic signal that a major crisis is coming. A suspicion will eventually arise that native US money growth, now approaching 20%, will accelerate in hyper form to save it's banking function and political gold stores will not be available to redenominate the currency. The very thought of a loss of reserve status for the dollar is on everyone's minds and will soon break out into open currency warfare. By then; the Washington Agreement's restrictions of bullion supplies will begin to bite as players demand gold and rush from the failure of contract credibility. By then: it will become known that the only way to stay whole, without bullion relief, will be in aligning one's self within the Euro Zone of financing. Those that started early in resolving some of their political gold debts will be the first to receive backing. England? Swiss? The rush will be on!

How far will gold rise? At first blush, foreign dollar assets will not, in any way, return

home! They will circulate offshore; either from lack of understanding of the issues, a thought that things will be worked out or from foreign exchange controls aimed at protecting the failing US economy!

These reserves will circulate until their gross exchange value simulates a figure that can be reasonably expected to "buy something" within the US; ten cents on the dollar could be a guess? However, keep in mind that the fed will be printing like mad, local prices will be soaring and no one will be chasing dollars like they do today. I expect that physical gold trading, within the US, will follow far behind foreign trading for a time. Perhaps a $5,000 to $15,000 ratio will be a thought as dollars within the US will be worth more than outside. Still, the relative value of physical gold will eventually converge as a trading standard is reached.

Keep in mind that there could be a gap between physical prices, reflecting reality, and futures prices crashing. The Western gold world looks to the current paper gold price as the value for bullion; even though it is but an illusion. A market trading 90% derivatives and 10% physical cannot, in any stretch of the imagination, produce a gold price relative to real things.

==========
Our understanding

For years academia has gone round and round about how the US illegally went off the "gold-is-money" standard. Well, I know that and so too has most every hard money person has delved into this area. All of those days are never going to be reworked to change history; so why waste our time on a wrong that's not going to be brought to justice today? Well, we can look at some of those particular points so as to find clues for a better context concerning our subject.

As you know we have discussed, at length, how gold is not money; rather it is the very best form of physical wealth barter the world has ever known. We also separated money from gold by defining money as a "retained value thought"; a thought that exists between both sides of a barter transaction as an "associated tradable value". In this, the fiat dollars we know and use today; represent today modern money in the very best of this money context.

The result of such thinking draws a conclusion that fits perfectly into our fast paced world. Fiat currency, unbacked except by it's legal tender statutes, is a fine immediate trading medium for short term buying and selling. It's best saved for short term use, only, and spent to buy any and all forms of real wealth. Of course, if it's printing production extremely outpaces even basic GDP, it's use value eventually falls.

The problem for our dollar is that it has entered into this modern "single use" fiat world, as a currency promoted as "real wealth saved"; and the use of gold, as a parallel long term savings vehicle, is dismissed and cloaked in an illusion of price. No fiat can serve it's modern function while becoming entangled between these opposite forces of use; a wealth for saving and a money for trade.

Many times officials have tried to mitigate this cross function failure by storing gold in government control and printing fiat in a straight ratio to gold owned. Hopping to

keep gold values static so as to retain fiat values and keeping a fractional reserve banking system viable and expanding; while having said stable fiat values stabilize it's debt that's held as a reserve. In the real world this cannot function as all prices and values are dynamic. Including gold and all forms of money!

Further, we hire auditors to count the gold and the money to make sure they match. Counting the gold is easy, but counting fiat, in it's endless credit functions and derivatives, time and again proves an impossible affair. Eventually the stores of official gold must have their value "controlled" thru fiat credit entanglements; all for some ridiculous balancing act.

It is, and will be, far better to just hire auditors to do the best they can to count fiat issuance as an independent function. Then, allowing gold wealth ownership to return to the public and freely trade outside it's old official money and credit entangled realm. There, gold can be used to "tender" in the form of real purchasing power; as the real wealth trading item it always was.

==========

Concerning this subject; we find collaborating evidence to this chain of thought from the fathers of our constitution. Note that they do not mention gold and silver in the context of money! Few hard money people or historians have thought seriously about the context of this wording, or how the minds of that era were thinking. Consider the word tender as one version of the dictionary presents it:

Middle French; tendre to stretch, stretch out, offer ------ also --------- to present for acceptance.

----Article I, Section 10 of our Constitution says, "No state shall make any thing but gold and silver coin a tender in payment of debts."----------

Clearly, even then, gold was connected in thought with being something one "stretched out" and presented for acceptance. These are common perceptions from a time when much of what one brought and sold came to them through barter. Even though these early colonies were closer in time to our modern use of money associations; their lives were still very much in an era where, perhaps, 50% of trade was still outright barter!

Truly, in their perceptions gold and silver was a "good (tender) in the settlement (payment) of trade (debts)" and no state should make anything else to function in that context. But what about something outside this context? A medium of trade different from bartering gold wealth for goods?

-----Would American fiat money one day be issued as a "medium" in trade, more so than using gold as a "tender" in barter? ----------

==========

The common use of fiat currency is and was a natural evolution into using "money", in it's pure associated value form, as a medium for the trade of goods; far removed from using gold in a "real good barter" context as a "tender in the (final) payment (settlement) of trade (debt).

American money law may have been desecrated over and over again; however, nothing in our original thinking precludes us from designating "the money concept" as a "legal tender" in trade along side gold or silver as a "tender" in trade.

In reworking the definition of "note" as it appears on our currency, perhaps it is the money our system never had time to allow it to become. In another time and another place, fiat will be know as:

-a written promise to trade at a determinable value a variable sum of other goods to the bearer--

The difference between use function and value function, of our money, was most surely convoluted for political gain and banking credit interest. Truly, American history has shown we did a terrible job of rendering this ages old gold barter function useless in a modern world. Mostly because of our complete lack of money vs. barter understanding. Today, we enter the "end time" thrashing of such a currency experiment.

Thank you for attending and I thank Mr. Kosares for his presence here. Sir, please drop in at any time.

==========

Back on the trail again to watch it all unfold! (smile)
Thanks (MK)
TrailGuide

Gold Trail Update (08/07/01; 09:44:00MDT - Msg ID:59141)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (08/07/01; 09:43:59MT - usagold.com msg#92)
(No Subject)

Hello all!

Thought I would ramble a bit while we walk this 1/4 mile circle in my back yard,,,,,, here on the trail. Only a few here today,,,,,, so we can talk quietly .

Couldn't help but notice that MK posted some of his fine points from ABCs of gold! I saw it while attending that discussion, yesterday, in Denver (smile). You know, for people that lead a hectic life, that book is all one needs to understand the meanings of gold. Just do as the thrust of the text implores; put yourself on your own gold standard and save some of your wealth in gold. After reading all of it, it's a real simple concept grasp. Don't put off the necessary things required in your daily life so as to buy more gold; that just puts you in the same category as most sweating goldbugs! Saving gold, over the long run, will allow one to enjoy the wealth when it truly does appear. This, perhaps, was the centerpiece of Another's thrust, so long ago: just buy gold as you are able and as the understanding comes! Perhaps that just proves that the ancients were smarter than we are today; they owned gold and didn't need to hear all the politics.

Yes, I have had a copy of the ABCs for some time (smile). Only, I had to go through all kinds of antics to acquire it. You know,,,, CPMs private club of clientele gets all this stuff real easy, while guys like me have to pay a small fortune for it on the black market! But well worth the cost. (huge grin) Wait a min.,,,,,,,, I'll pull a copy out from my backpack. I'm only doing this because we are few here today,,,,,, I'd get thrown off the trail if anybody finds out.

I like the part on page 69:

---------- The American political process today is characterized by the politics of debt -------

Well, here,,,,, pass it around so you can read it.
Good stuff!

You know,,,,,,,

I think far too many people try to think of gold as an investment instead of an asset. Aside from modern financial doublespeak, with brokers of every kind and nature trying to sell us leverage,,,,,, the old world ideals of real property and ownership imparted a much more stable meaning to the term, "asset", than we place on it today. In Old French; assez ------ enough------ implied a holding that was appropriate. Or Latin (1531); ad to ,,,,,,,,,,, implying a build up of things.

Truly, the return on an asset, placed into use, was a return of the value of that use. Not an increase in the value of the asset. We watch gold today and see it only as an investment that returns little. It should be seen as an asset we can acquire at a very low real value. In such times we should consider this action as an opportunity to -------"ad to" or the building up of things.

You know,,,,,,,,,,

We are all trapped in the society we came into this world with. The history of mankind is an endless record of "us" coming to terms with the the people we love,,,,,, but their politics we cannot stand! The ideals are always there to reach for but for the life of "us" our little group, in our little time frame, cannot come together to reach for the right thing. Strangely enough, within this America, there go I.

A friend once tried to insult me in a toast; referring to me as the best and smartest mutt he ever knew. Ha! Ha! I lifted my glass, in front of all, and drank with a loud gulp. Then returned the compliment; "to my family and friends, from the best dog in the pack"!

All that: from a fifth generation, typical Anglo-Saxon that was born in the "USA". I walk this land, upon which my home is owned, and tear for a future we may face. Oh the irony of it all; that one day my time will end with a pocket full of gold and left fist full of Euros,,,,,,, whist a sword drawn to defend this soil of my fathers. Against all comers,,,,,, here stand I,,,, America or nothing,,,,,, my country, my sole! To the attackers I say " these are my people,,,,, so right and so very very wrong".

You know,,,,,,,,,

The seasons change, so do I
and the better part of life is in knowing why

I'm off the check the path!
TrailGuide

Gold Trail Update (08/09/01; 10:27:20MDT - Msg ID:59268)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (08/09/01; 10:27:19MT - usagold.com msg#93)
"everything to do with a gold bull market"

Hello again!

I'm just placing another "rather large marker" here on the trail for us to follow all the conflicting stories that come out; especially as all this moves into a higher gear. Note the first news item and how it reflects the paper pusher view of dollar advocates; all taken from USAGOLD NEWS FEED:

==========

US euro futures data could spell currency trouble

-------Europe's single currency could be headed for trouble if data on U.S. futures traders' positions is any indication. Recent figures from the Commodity Futures Trading Commission show that speculators have been fortifying long positions in euro futures for almost two months, a situation some see as a contrarian sign of an imminent decline.----------

-----The Commitments of Traders report showed that speculative interest was nearly flat the week of June 12 and has steadily built up to the current long bias, analysts said. "It is a fairly bearish signal,----------

------ But the fate of euros really hangs on the performance of the U.S. economy, since the gains in euros have been largely a factor of weak dollar fundamentals.----------

http://money.iwon.com/jsp/nw/nwdt_ge.jsp?section=news&news_id=reu-n09239372&feed=reu&date=20010809&cat=USMARKET

end
==========

Note:

The last item above could just as easily be printed in Another format that better indicated the new financial market ahead:

------ But the fate of DOLLARs really hangs on the performance of the EURO ZONE economy, since the RECENT LOSES in DOLLARs have been largely a factor of

STRONGER EURO
fundamentals.----------

Puts a different view on it doesn't? Now read a bit of reality news from today's item:

==========

Dollar Falls to Three-Month Low as Extended U.S. Slowdown Seen

-------- New York, Aug. 9 (Bloomberg) -- The dollar fell to a three- month low against the euro as a report of rising U.S. jobless claims reinforced concern the world's biggest economy won't revive anytime soon. ------- Since a Federal Reserve survey yesterday showed stagnant growth the past two months, the U.S. currency has shed about three- quarters of a cent versus the euro. Today's report that more workers than expected filed claims for unemployment benefits last week drove the U.S. currency to the day's weakest level. ----------

------- ``People are questioning the relative strength of the U.S. economy'' after the Fed survey ----------

----- U.S. corporations would likely welcome some further weakening in the dollar, as gains in the currency make their products less competitive overseas. General Motors Corp. Chief Financial Officer John Devine criticized the government's strong-dollar policy yesterday, telling reporters that the currency's strength -----`is destroying the manufacturing competitiveness of this country.'' ----------

-------- The euro started trading in January 1999 at about $1.17, and since falling below $1 in February last year, it has twice failed to sustain rallies above 95 cents. ----------

-------- Today's euro gains also came as the European Central Bank said in its August monthly report it will ``closely monitor'' whether interest rates are appropriate, a signal it may be preparing to lower borrowing costs as soon as this month. A rate cut may bolster expectations for a rebound in European growth. ----------

http://quote.bloomberg.com/fgcgi.cgi?mnu=news&ptitle=Currency%20World&tp=ad_uknews&T=news_storypage99.ht&ad=world_currency&s=AO3KXQxWhRG9sbGFy
end

==========

Note:

Notice our General Motor's CFO's comment --------- "the (dollar's) strength is destroying the manufacturing competitiveness of this country.'' -------!!!

This should read --------"the Euro's weakness is destroying the manufacturing competitiveness of this (USA) country.''

This item of relative logic is further confounded in that the Euro is hardly week! American media, being dollar biased as it is, has used every moment to educate us to see how far the Euro has fallen. When it fact the Euro has only fluctuated in a

tight band; just below a currency level that shifts "American real productivity" competitiveness toward the next largest economic block. Giving the world financial structure every reason to move into Euros to denominate and settle trade.

Consider this item: ------ The euro started trading in January 1999 at about $1.17, ---------

Using this 1.17 figure blurs our reasoning just enough to allow one and a half years to pass without anyone complaining it's fall. We are positioned to look at this process as --" oh see the poor old Euro, it can't hardly get back onto its feet". Consider that that 1.17 figure was nothing but a "nano-second" spurt, more similar to an IPO (initial public offering); relative to almost no actual
goods trading. In it's beginning setup we can see that the real range, from hindsight over a period of time, was between around 98 and 83. This is the area where the ECB/BIS wanted the new currency to occupy in its war to unseat the dollar. Yes, the Euro is only down some 10% as of today! This is not the sign of a failing reserve system of 300+ million people!

Further:

Also note the above -------- Today's euro gains also came as the European Central Bank said in its August monthly report it will ``closely monitor'' whether interest rates are appropriate ------

Suddenly the tide has turned and the ECB is seen as ahead of the curve while still in a non inflationary management position; relative to the dollar. Going forward everything the fed does will be seen as stroking US price inflation. Perhaps this is the reason Another said that Mr. D, of the
ECB, can and is about to leave. His hard job is done! Only to see Mr G, of the Fed, beating a hasty retreat! Truly, no one wants to reside over the transfer of our US horde of political gold as prices soar,,,, both of gold and all local goods!

Even further:

This not only has "everything to do with a gold bull market", it has everything to do with a changing world financial architecture. And I have to admit: if you hated our last one, you will no doubt hate this new one, too. However, everyone that is positioned in physical gold will carry this storm in fantastic shape. This is because the ECB has no intentions of backing their currency with gold and
every intention of using gold as a "free trading" financial reserve. None of the other metals will play a part in this.

Clearly, the coming drastic constriction in dollar financial trade will trigger a super "print press" response from the Fed. They will not be pushing on a string; rather picking up the ball of twine and throwing it! All the while using the old 1980s "monetary control act" that opens their use of
magnetizing almost anything and everything. They won't be adding reserves to the banking system in the future; rather buying any and all debts from anyone that needs fresh cash. Believe it!

For the first time,,,,,,,, our industrial production, along with the demand for industrial metals like silver, will fall away even as hyper inflation in prices takes hold.

For the first time,,,,,,,, demonstrating that no other asset is equal to gold, even though promoted to be!

When the coming paper illusion price of gold is destroyed, sending its trading price way up and way down, several times, before shutdown,,,,,,,,,,,,, the thinner paper markets of lesser metals will be absolutely devastated. Yes we will see $50.00 silver in our time,,,,,, $50.00 for a hundred ounce bar,,,,, that is! No less a relative price decline for the other metals is in store. Even if these
actual dollar numbers prove incorrect,,,,,, relative inflation adjusted prices will show the exact same ratios to gold. The gain will truly be in gold!

Gold,,,,,, a wealth for changing times,,,,, a wealth as new as it is old!

thanks
TrailGuide

Note to MK:
Nice change, going to a quarterly paper! According to
Will Rogers "everything I know I read in "News & Views"!
errrrr,,, I think that's what he said? (smile)

Gold Trail Update (08/09/01; 10:39:27MDT - Msg ID:59272)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (08/09/01; 10:39:26MT - usagold.com msg#94)
(No Subject)
Oh boy!

This item below:
----- magnetizing almost anything and everything ----

should read:
---- monetizing almost anything and everything---

But then,,,,,, you already knew that? (smile)

Gold Trail Update (08/12/01; 11:16:51MDT - Msg ID:59405)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

MK (08/12/01; 11:16:50MT - usagold.com msg#95)
A couple comments. . . .
Greetings, my good friend.

I would like to first of all thank you for your very kind words. It is you -- not I --that deserves the accolades. At every turn in this trail you bring us new mental challenges and new understandings of the economic and financial times in which we

live. I have always said the message of FOA and Another, whether one agrees with it or not, inspires a deeper meditation of world affairs -- beyond the pablumatic representations of CNBC, et al. How many who read these pages could say that they have not walked away with something valuable each time they walk this Trail? That's why I am proud -- make that honored -- to sponsor and be a part of this page. A humble bow in your direction, FOA.

So now you mention that Another believes that the ECBs Mr. Duisenberg is on his way out and it appears that you also take seriously the report from News Max that Alan Greenspan may be close to retirement as well. These would indeed be major changes on the world financial scene that I do not think the markets, including gold and stocks, have even mildly factored into current pricing.

So now do we see what the French might do with the ECB?

I have always thought the French central bank to have a Gaullist heart no matter what was happening in the French politicial sector. It has been unwavering in its position on gold leases (strongly against) as well as its position on gold reserves (strongly for). Of course, the dream of a united Europe was seeded and nurtured by Charles DeGaulle, the same man who said:

"Indeed there can be no criterion, no other standard than gold. Yes, gold which never changes, which can be shaped into ingots, bars, coins, which has no nationality and which is eternally and universally accepted as the unalterable fiduciary value par excellence."

DeGaulle was a strategist and masterful politician. He understood that gold was the key to breaking away from the dollar for Europe, and that idea has stuck in European politics, particularly French politics, from immediately after the War. He led the move to repatriate European gold from the United States in the 1960s (at $35/oz). He led the move in forming the intellectual beginnings of a United Europe. And now France and Germany together can dictate the direction of the EU confederation. It seems that gold has staked out inviolable territory in the EU thanks in large part to the French Gaullist influence within that country, and it will be interesting to see what a French head of ECB might do next.

Those among us who treat the suggestion of a gold drain from the United States to defend the dollar as unpatriotic should recall that the United States and Great Britain have not been the victims of a hostile takeover with respect to our lost gold reserves. As a matter of fact, the United States and Great Britain invited it, indeed acquiesced to it -- just as Great Britain invited and acquiesced to the drain of gold reserves over the last few years. All justified -- then and now -- by one lame-brained analysis after another. I have always said that nations do not ship gold reserves because they want to; they ship gold reserves because they have to. Usually, as you point out, for political reasons -- and the gold becomes "political gold" meant to buy time or prevent one politican or another from being blamed for the collapse of the dollar. So we sink ever deeper every day (with more and more dollars piling-up overseas by the day, the result of a massive U.S. balance of payments problem) with no apparent solution on the horizon. Let's make that no apparent solution save one: The threat of destroying the U.S. export market if its trading partners fail to hold U.S. government debt. Why wouldn't the U.S. gold reserve come into play under such circumstances. To be sure, there are those who believe it already has! (Though I, for one, do not relish that possibility.)

Back in 1997 when I was still writing in mainstream publications, MoneyWorld magazine published an article I had written titled: "The Real Story Behind Central Bank Gold Sales." I wrote the article having suffered through dozens of articles published in the mainstream press that the "central banks" were selling gold and would continue to sell gold. This, they maintained,was the weight hanging on the gold market that would not let the price go up. We should keep in mind that this article was written long before bullion bank involvement (leasing and carry trade programs) in the gold market became common knowledge and widely blamed for gold's woes. My goal was to destroy the mythology that "central banks" as a group (in its entirety) were pro-gold sales because they were not.

I started with a simple division of central banks. I put the United States, Great Britain, Canada, Australia and New Zealand in one camp and called it "the Anglo-American countries." I put Germany, France, Switzerland, Italy, Netherlands, Portugal, Spain, Belgium and Austria in the other camp and called it "the Countinental European countries." I then tracked their gold reserve holdings as groups from 1965 on. The results were incredibly interesting. They also spelled out in very clear terms that it was not the "central banks" who had been gold sellers through the period but the Anglo-American group. In order to understand what is really going in the gold market, I see this division an an important demarcation point.

Total Anglo-American reserves went from 15,754 tonnes in 1965 to 9197 in 1996 -- a loss of 42%. The U.S. went from 12,499 in 1965 to 8138 by 1996. Of course much of that came well before Nixon closed the gold window in 1971, but some was also sold in a series of futile gold auctions in the mid-1970s. Britain went from 2012 tonnes in 1965 to 717 in 1996 (and now 350 tonnes due to the latest round of gold auctions to kick off the 21st century.) So Britain's gold reserve is almost nil. It now holds 17% of the gold it did in 1965 and explains the virulent anti-gold posturing by the British press, politicians, international bankers and bureaucrats. But if Britain's gold situation seems remarkable, Canada's has been even more prodigal. It now holds 9% of the gold it had on reserve in 1965. And the policies of currency destruction continue in that country virtually unabated.

Continental Europe in the same period went from 17,740 tonnes to 16,007 -- a drain to be sure but nowhere near what the Anglo-American countries had sold. Since 1996, the only anomaly in this pattern has been the Swiss sales -- one I am still scratching my head over. You will note that what was lost in the Anglo American camp did not show up on European central bank balance sheets. Some of it showed up in the Asian official sector, but the majority of it, it would seem, has gone into private hands -- a trend I suspect will continue given the history of monetary management over the past 100 years on both sides of the Atlantic.

And then there is always the potential for secret acquisitions on the national level -- operations too sensitive to reach the International Monetary Fund's annual blue book tallies -- something I would not totally discount. I recall Toyoo Gyohten's comment of several years back. He is "the" heavyweight in Japanese banking circles and former chairman of the Bank of Tokyo. "The size of our gold reserve," he said, "really did affect our status in international monetary discussions." Japan for the record holds 750 tonnes -- up from 292 tonnes in 1965. That statement was made prior to the famous Iyaru Hashimoto (former prime minister) comment that Japan would sell U.S. Treasuries and buy gold indicating that the at the very least, the Japanese at

the highest levels have discussed gold ownership.

So you see, my dear FOA, you are absolutely correct about the potential for dollar settlement for gold. One thing I have learned over the many years I have studied the gold market is that events seem at time to move glacially only to rev up just when you least expect it. The British sales are part of a long term program tied to the policies of John Maynard Keynes and the defense of the dollar. That era is coming to an end with the recent rumblings by the Bush administration to reduce the influence of the IMF (a creation of John Maynard Keynes along with the World Bank and the rest of the Bretton Woods system).

I too foresee a new international financial architecture wherein gold plays a key role.

I would like to hear your thoughts on the potentiality of Alan Greenspan's retirement before going further. Do you see this as part of a larger picture related to euro introduction? Or just good timing for our Fed chairman. Knowing Mr. Greenspan's affinity for gold as pointed out in the Gilded Opinion piece "Gold and Economic Freedom" -- an essay which he recently said he would not change a word of.

I would point out to our readers that if I am understanding you correctly, and I think I am, you think that these gold movements of gold out of the United States would occur at very high dollar prices -- a currency windfall for gold holders. Are you also saying that at the same time buying gold in the United States would be problematic?

Do you believe there is anything the United States might do to prevent an extraordinary gold price?

I know, and would point out to our readers, that this is all conjecture, but it is interesting conjecture.

Gold Trail Update (08/13/01; 07:24:31MDT - Msg ID:59481)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (08/13/01; 07:24:30MT - usagold.com msg#96)
Political Gold 2

Hello MK and everyone!

I thought I would add a few thoughts now; before working on several new "talks" and a long absorbing reply to MKs post here.

OH boy,,,,, did everyone read J. Turk's latest? I did and am carrying a shovel with his name on it. (smile),,,,, if I ever run into him I'll use it to cover the guy up with praise and admiration! Fine work and great conclusions! This should just about cap the story as it breaks open.

Of course, the US still owns it's gold and has yet to ship any of it's official stocks of the same. A quick check of the ounces held in storage will confirm that. Any physical gold that has "walked from our accounts", to date, came from some other supplier. We contend that this bullion was the

same stores that were "lifted" from other 3rd world countries in return for US support during their various banking and currency crisis of the 90s. See back as few talks.

Now, the big question is; will the US stand behind it's international "legal tender" obligations and ship it's official gold when serious crisis and currency support protocols demand it? Our record isn't good in this area. In 1971 our dollar held an even closer connection to gold that any of the modern IMF "paper gold" substitutes today and we still closed the window! Still, we think that at this time in history, given the Euro competition, US "political gold" will be shipped to keep the dollar in play. Nothing illegal, mind you, just basic currency defense as needed.

Several years ago, many gold bugs and gold advocates missed the path as the trail turned. Something I pointed out at the beginning of these "message" talks. As most of you will no doubt agree, almost all gold discussion still centers around "the dollar's war with gold". Truly, the evolution of this story will be how that war ended then and now the dollar's war with the Euro began! A very large part of that war strategy, employed by the ECB/BIS, was to let the dollar / IMF faction hang themselves by expanding and supporting the whole arena of this dollar paper gold market. Inflating the gold market place with so much "paper gold" that we would eventually have to bankrupt ourselves just to keep the dollar in the war game against the Euro.

Because Saudi Arabia is a member of the BIS and marks it's currency to the SDR, we are going to be hard pressed, for oil reasons, not to ship against demands. Perhaps, oil's continued settlement in dollars is directly tied to gold,,,, Do ya think?

Further, much of the current credit in our modern gold market place is backed with this "legal tender" of the IMF. As we have contended for years, 90% of the entire modern
dollar gold market is a paper game first, and that will burn as the dollar loses it's position as the reserve currency. All these Giants that are holding physical gold and credible paper" are going to win big as escalating gold values displace their dollar asset base. There are a few of you smart cookies out there that "NOW" understand what we have been getting at for such a long time.

We have said all along that how much credibility your "paper gold" holdings enjoy will depend on just how important you are in the scheme of worldly economic and political affairs. Last on this list, I can assure you, are all the paper traders on various public and "industry use" gold exchanges. Did I once hear some paper brokers scoff, on various internet forums, that real gold supply was what was moving the market,,,, and that all this talk about paper gold was a joke?? Hmmmmm,,,, the trail is soon to become very, very quiet on this account. I say into this silence, plan your "asset" moves wisely as the future is now directly before you!

Yes, the war now is between the Euro and the dollar! The Washington Agreement placed gold "on the road to high prices" as it signaled a phasing out of Euro support for our American gold values. How fast gold can, now, rise will gauge how much staying power the dollar has in all this. If there is any gold war now, it's to be in just how fast the dollar gold market can disintegrate into worthless
IOUs! So, don't count on this destruction of our paper gold market to mark the real value and availability of physical gold; that ratio will split somewhere down the goldtrail. This action will scare most harden gold investors to death; especially the ones in leveraged gold stocks and lesser white metals!

Ha! Ha! What a revelation and change of events for paper gold players. What an exciting day and future for physical gold advocates! To paraphrase and old 1970s texas oil commercial:

------ "If you don't have a gold broker, get one! You'll love doing business with Centennial! ----

(smile)
TrailGuide

Note: MK, an idea for your company T-shirts:

a picture of a loan convertible car going west down the highway with the top down,,,,,, the rocky mountains, downtown Denver and a sunset silhouetted far in the distance,,,,,,, the wind blowing thru the passengers hair,,,,,, a small HY sign to the left with " ROUTE USAGOLD.com" on it,,,,, under it all the caption,,,,,,

------ The fastest gold freeway in America! ---------

Ha! Ha! Ho! Ho! I'll take a dozen large! (smile)

Gold Trail Update (08/18/01; 12:57:32MDT - Msg ID:59879)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (08/18/01; 12:57:31MT - usagold.com msg#97)
(No Subject)
Hello again, everyone.

Yes, I am still working on several posts. Some of then involving the current SDR discussion and how its evolution has changed the face of modern bullion banking. Randy Strauss offered a very good map of how these international paper gold assets came into the world. I'll draw a few more lines on the paper to show where that map leads us today.

No, our bullion reserves are no more ours than navy war ships are ours. Still, both items are fair and legal assets to use in defense! One in war and the other in currency skirmishes. Truly, it is coming to that.

I am between entertaining and talking to some thinkers about what comes next, politically. Hope to get some of this into words next week. Have a good weekend (smile).

TrailGuide

Gold Trail Update (8/22/01; 05:18:55MDT - Msg ID:60066)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (8/22/01; 05:18:54MT - usagold.com msg#98)
From the USAGOLD news site
http://www.bday.co.za/bday/content/direct/1,3523,913236-6078-0,00.html
I'll be back a little later with some "coffee cup" discussion and views of MKs last post here (and much more) (smile).

Here is one that most dollar bulls never saw coming:

==========
German economy improving: Ifo

------ MUNICH - The German economy showed signs of improving on Wednesday after the widely-followed Ifo index of the western German business climate rose unexpectedly to 89.8 points in July from 89.5 points in June. ---------- Analysts had been expecting a sharp fall in the index, which is conducted by the Ifo economic institute and is closely watched by financial markets. ---------- The euro broke the psychologically-important level of $0.92 shortly after the figures were released, rising to its highest level in five months. ---------- end
==========

The war between gold and the dollar has been over for a while now. The action, today, is between the dollar and the euro arena and this is what will break the price lock on gold. Leaving gold bugs with a lot of questions that ask why this: both systems will strive for a higher currency price for gold; one doing it because they have to; the other doing it because they want to! The casualty on this battlefield will be the world gold market as we know it. A market caught between how Western perception thinks gold's price should be "discovered" and at what price level trading in physical gold craters the entire paper structure. A structure of American based "paper gold".

We have been saying for some time that this will be "the" show to watch unfold; but only if your holdings allow you to stay still in your seat as it happens (smile).

back later
TrailGuide

Gold Trail Update (08/22/01; 09:25:52MDT - Msg ID:60077)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (08/22/01; 09:25:51MT - usagold.com msg#99)
Part 1

Hello MK!

In your message # 95, posted here on the trail, I saw a nice invitation to engage in some "conjecture" and a warm cup of coffee. Sounded too good to pass up. Actually, the seasons are changing, high up here on the trail, and it won't be long before cold weather demands much hot coffee to follow the path. Later, I'll be at my little house in Florida as winter arrives in the northern half of the globe. As you know I live in several places, but our USA is the only real home. (smile)

==========

Mike,

You mentioned DeGaulle's famous quote that ended with: "as the unalterable fiduciary value par excellence". He made that statement in 1965, but Pindar also said in 522-442 BC: "Gold is the child of Zeus. Neither moth nor rust devoureth it."!

Do you see the common thread linking these thoughts; neither time or lineage brought these gentlemen to think of gold as money. Ha! Ha!, I just had to throw that in there (big grin).

Actually, referring to your chain of thought,,,,,, I don't think we can be so sure that the Gaullist of our reference period can be the same as the ones in power today. Our Charles, the one that passed on in 1970, was a military man and even taken prisoner once. His thoughts on gold and money were molded from a harsh war experience and an extreme political interventionism common in that era. To this end, his positioning had to promote French nationalism, even in money affairs, if his Fifth French Republic was to hold up. To his credit, and far more important than his gold stance, he planted many of the seeds we see as trees today. Back then, he was leading France to be part of a greater regional economic power; early on he stroked Russia, China, even Iran and Iraq. Even though none of these nation states remotely resemble, then, what they are today; the thrust was an ideology to unite the economies more so than the powers.

Mike, in this, you are so very correct to note his "forming the intellectual beginnings of a United Europe". Still, the hard money people and leaders, we grew up with, have all moved on. The ones now in "positions of influence" and "outright power" are our very piers. Many are not far from our age group and in this; the range of life experiences, so similar to ours, so shape modern money thought. Yes, they studied the same history books we did, but have evolved to embrace different forces shaping this, oh so, different world. If you want to see the Euro Gaullist of today, just look into a mirror and try to reach for their same understandings. Its not hard to do.

How long will this era last; how much will it all change the dollar's timeline; can EuroLand ever be the same animal it once was??? Questions that only time will answer. For us, today, we follow their progress for our direction and understanding.

In a recent Financial Times article out of Paris, Jacques Chirac (French Precident) and Lionel Jospin (prime minister) were both noted for talking about the coming ECB succession. One of the few points they agree on (few indeed) centers around the fact that a Frenchman will head it next. Still, more so than knowing who will lead; understanding the political strategy that's unfolding is what counts. Seeing all this with my eyes, we can envision the posturing very clearly.

As this reserve currency transition, or perhaps war is a better term, moves on; the ECB must shift it's thrust with a leadership statement. Wim Duisenberg provided an excellent political cover for selling into the American paper gold market; as it exists around the world today. His national pedigree demonstrated a distinct flavor against gold as a monetary reserve. Truly, the ECB could not be seen prompting all their big bullion banks to short American paper gold, if they ECB / BIS were serious gold advocates. In our time of Western thinking, who could understand such a contradiction? But, politically, the game was to serve two goals; temporally support

the dollar for trade settlement until the Euro was on its feet (sending gold prices down); and inflating the American lead gold market until it burst from over issuance. A good chuck of this ties into the SDR
issue that I'll get to later.

Now,,,, with the US vs Europe economic war in full bloom today; and Euro money policy in a position of leadership; and Euro circulating currency about to begin; it's time for a shift of thrust. Jean-Claude Trichet, or at least someone of his same pedigree, will usher in a new position;
"physical gold is a great asset for private and official sectors to save"! Bamm!!! Suddenly, our decades old paper gold game will run smack into a new idea; "Euro promotion for private gold ownership" and "high gold prices are good"! And more importantly; this concept will be presented from the controllers of the next reserve currency!

Contrast this against a whole world invested in gold as a hedge,,,,, by owning all of an American sanctioned paper gold market that's inflated 1,000 times beyond physical reality. (smile) Makes a physical gold advocate feel real good inside; like this warm cup of coffee! (double wide smile)

This is the new Gaullist; a variant time traveler who arrived from failed official gold wars that pitted currencies against bullion. Never again!

[more]

Gold Trail Update (08/23/01; 07:32:50MDT - Msg ID:60129)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (08/23/01; 07:32:49MT - usagold.com msg#100)
(No Subject)
Apologize to all,
I was about to do a series of
posts yesterday and
ran into some communication / sending problems.
Have everything written up but can't pull it up from my location.

Will
post as able.
TrailGuide

Gold Trail Update (08/24/01; 10:54:31MDT - Msg ID:60192)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (08/24/01; 10:54:30MT - usagold.com msg#101)
Part 2

Hello all!

Well,,,,, with my replies drifting somewhere in cyberspace, I asked our speaker to return and address a whole cross section of recent developments. Besides, this guy always could hit the mark better than me. (if I don't find those documents, some heads are going to roll for sure) (smiling with a medieval ax in my hand). OK,,,,, let's chair up to a nice round table talk:

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Good evening Mr. Kosares, nice of you to spare some time to join us.

Historically it's appropriate for French thought to be, once again, influencing Euro Zone gold policy. In an Alpha / Omega analogy, their pro gold stance should prove to be a fitting conclusion of our 30 years of gold suffocation. It will also be most satisfying, I presume, for them to see gold valued and used independent of money function and American's "dollar foreign policy".

I agree with you, in that gold has its own territory staked out within a broad range of EU economic and currency initiatives. In time, this policy will be much more clear and further entertain a close scrutiny from all other domestic powers. I submit that this day has always been on record "as coming"; even though noone could mark it prominently on their calendar until now.

===

We enjoyed your dissertation about "the threat of an official US gold drain". It records, not only the numbers, well, but also points to long running common political attitudes concerning gold and its prominent position in international currency valuations. This recognition of gold being an important official currency measure, is something Western Gold Bugs have consistently longed for. Now with it openly acknowledged thru outright manipulation, these same thinkers object to it's being used in a similar manner as currency? It seems they want gold branded "important"; only as long as such branding makes the price go higher; not lower. In their minds this somehow places bullion in a different category from currencies that are routinely forced up and down for political objectives.

Ah yes, to this end I must present a exert from my good friend who cannot keep track of his files (smile):

---- You know,,,, I look at the last several decades of modern paper gold trading and cannot help but think of Arizona (state in the USA). Throughout the region they have roads going over old stream beds labeled "dry wash / subject to flooding". With this context I can construct a good analogy with American gold investors.

A guy begins building his house of wealth in the middle of one of these dry washes. A known gold expert comes along and tells him; "hey buddy, that old stream bed floods from time to time". The Bug says,,,, yea I know, but I only plan to be here for a quick trade or two,,,,, I know it's unstable and washes out every so often,,,,,, taking all paper values with it. I'll just catch some good sun between the rain,,, I'll be ok.

Well,,,, years go by and the rain comes and he gets washed out a few times more that usual,,,,,, but the guy still stays,,,,,, even thought the paper gold price keeps

getting washed ever lower. Then,,,,,,, a huge unending wash comes even when no rain is falling. After seeing his house of wealth float away with a falling paper price he decides to walk upstream and find out why all this water keeps driving the gold price down??

By god,,,,,,,, miles later he finds a government dam that suddenly started releasing tonnes of water all the time. He raised hell and said it wasn't right,,,,,, but the man at the valve said they aren't doing anything any different than what this type of "paper market"-- I mean stream bed,,,,, was built for. This is a derivatives market, son,,,, meant for betting on the flow,,,, not building a house from it!

If all the public is just speculating on when the rain will fall,,,, why is it so wrong for the government to do it,,,,,, and help maintain your lifestyle to boot. Besides, if all your gold talk is so right,,,,, then we are catering to gold advocates and making physical prices more reasonable???

But the Bug says,,,,,, hey, this isn't a natural market,,,, I mean stream flow!! This bed was only suppose to flow between natural dry and wet spells,,, like a real free bullion market! In reply the valve man asked,,,,, who the hell told you that??? The Bug answered:

I learned it from My Broker!

==========

Sir Kosares,
American dollar policy has built a substantial wall of separation between its currency and gold. More philosophical than material, the last decades of official declarations have served to block any useful "voluntary" return to high dollar gold prices. At every turn of the road, treasury and fed spoke persons have said that a low gold price indicates good dollar management. The price and time needed to reverse such a "learned experience" would, today, be enormous. Thus, we see a trapped currency policy that can only travel toward intense dollar inflation, riding ever lower paper gold values until both processes default; both printing press and price wise.

The reality of all this is that dollar gold prices could have soared as far back as 1971 and the world could have gone its way. I believe that noone would have left the dollar then, even with $5,000 gold, because no other currency system was ready to assume the dollar roll. Yes, US inflation rates would have soared and world economic trade would have fallen victim to mangled exchange rates: but that happened anyway and the dollar would still have retained it's reserve status.

This drive to prove the dollar, in low gold prices, now comes to its destine end. An end extended by inducing paper gold inflation backed by ever more official involvement in the world gold markets. The dollar faction is pumping paper gold to support the dollar while the Euro / BIS faction has shifted to doing the same to destroy the paper gold market faster. In recognition to my good friend's story --- the water flow is now washing away dreams and exposing houses built in the wrong place---. Indeed, why on earth would Western thinking Gold Bugs believe in a paper gold system that could only show value if it was not inflated? Did they expect a deflation in paper gold to drive prices up?

Their government considers their current derivatives based gold market to be just as

important a tool in economic and international affairs as the dollar gold exchange standard was prior to 71. America opened the dam to let gold contracts flow thru the dry wash then, as dollars were printed to inflate the largest paper proxy the gold market traded with: dollar gold!

If this was important to maintain US lifestyles at that time: so why would it not be important now? They destroyed worldwide wealth held in gold, in the form paper dollar proxies. They changed the very currency of the world to gain an American end. Now Bugs cannot believe this same system would inflate their same little market to extend the same courtesy again? In the process, this time, also destroying the whole of the gold industry.

A strong dollar policy is built upon a low gold price; once again by inflating the widest scope of the usable gold markets: credit gold. In an incredible contradiction, it seems that the real fools are the gold bugs who buy into this paper market expecting some kind of deflation to drive the contracts higher? In order for this to happen, the US would have to counter modern gold thought with policy that said; high priced gold is unimportant to dollar policy. More than ever, with Euro competition creating a currency war, dollar gold must fall or the whole system must freeze up! Dollar prices cannot rise until the entity of our credit gold market is removed from function. This will happen.

==========

I have presented this topic many times and again state that "all gold paper will burn". Most mine values included. Then and only then will gold values soar as physical units traded. Not before. As an adjunct, the illusion of most American paper wealth will also burn with this process that
transitions the dollar away from reserve status.

At the right time the Euro Zone will withdraw from the IMF, leaving the US and its factions as the only support for dollar credit assets held overseas. Then the evolution of SDR use our guide knows so well will be complete. This will leave the SDR interpretation open to only one avenue to finding support: it's basket currency function dissolved, gold will have to flow from American based stocks. With most of the present official credit gold leverage built upon IMF protocols, the US will find itself shipping ever higher priced gold to defend an ever lower valuation of dollar exchange rates.

With the world credit gold markets paralyzed in default and dollar credibility placed in question along with American economic stamina; physical gold will return to official hands in Europe in exchange for Euros. A paradox observed as high gold places more demands upon Euros and sends the dollar ever lower.

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In all of this Alan Greenspan will say good by. A gentleman of his ability and stature will find no use for a position he cannot change from; a good general does not only retreat. Any lesser player can buy public and treasury debt for the purpose of constant hyper inflation; there is no policy strategy or gamesmanship in this.

As for gold being a problem to buy in the USA? Once again, I point out that American policy has only the wish to manipulate its currency valuations with official currency

trading. It will be in the US advantage for gold prices to rise and rise strongly. An acknowledgment to Euro planning and a defeat for 30 years of American gold misuse. If treasury gold is traded at all, it will be within official channels to help control dollar values.

However, as paper gold values freeze up and their use fails the public, physical bullion brokers will become a popular as "crude oil" is to producers. I wish you "a deep well" in your affairs, my friend, and will respond more for a time.

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Thanks Mr. speaker,,,,

Thanks all
TrailGuide

Gold Trail Update (08/27/01; 19:00:07MDT - Msg ID:60350)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (08/27/01; 19:00:06MT - usagold.com msg#102)
From USAGOLD news feed
http://quote.bloomberg.com/fgcgi.cgi?mnu=news&ptitle=Economy%20World&tp=ad_uknews&T=news_storypage99.ht&ad=world_economy&s=AO4rDHBa.RXVyb3Bl

European Money Supply Growth Accelerated in July, Analysts Say By Sonja Dieckhoefer

--------- Benchmark interest rates in Europe are currently 100 basis points above rates in the U.S., ``causing investors to turn to Europe,'' said CDC's Nehls-Obegi. That may also have lifted M3 in July, she said. The ECB said ``non-resident holdings of money market paper and debt securities issued with a maturity up to two years'' have been distorting M3 growth figures higher. ---------

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The beginning of a reversed carry trade? I think Michael Kosares called this one long before anyone else could see that far down the path.

I'm working on a rewrite for the trail. Watching, hiking, talking and writing all at the same time.(smile)

TrailGuide

Gold Trail Update (08/27/01; 19:22:44MDT - Msg ID:60351)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

MK (08/27/01; 19:22:43MT - usagold.com msg#103)
Is that Milton Friedman I see peeking from behind that boulder??
Hello again, my friend. From your last post I was struck by this statement, one I am still pondering:

"As for gold being a problem to buy in the USA? Once again, I point out that American policy has only the wish to manipulate its currency valuations with official currency trading. It will be in the US advantage for gold prices to rise and rise strongly. An acknowledgment to Euro planning and a defeat for 30 years of American gold misuse. If treasury gold is traded at all, it will be within official channels to help control dollar values. However, as paper gold values freeze up and their use fails the public, physical bullion brokers will become as popular as "crude oil" is to producers."

I am particularly interested in your view that " it will be in the US advantage for gold prices to rise and rise strongly." Of course that is 180º from the current policy where the messenger throttled, imprisoned and killed in the hopes that the vacant dollar policy is not exposed to the world. Of course, as you have pointed out the euro could very well change all that. I also detect a hint that the oil producers might want "oil for gold" when you say "it [gold settlement] will be within official channels to help control dollar values."

I don't know if you saw the story today, but our friend Milton Friedman (who once proclaimed that the U.S. gold reserve should be put on the block and sold en masse to the highest bidder) proclaimed today that the euro was a "a big mistake."

What I think you might find fascinating are the reasons why he believes this. According to Forbes magazine, Friedman slammed the the euro "saying that it would create monetary turbulence and discrepancies instead of promoting political unity."

God forbid that we should suffer "discrepancies!"

Whoa, , ,Ho! Ho!

It is not difficult to see what he is really saying. The euro is going to get in the way. It's going to cause "turbulence!" (not that the dollar hasn't served this purpose all too well on its own.) And then there's "political unity." How could the Europeans be so . . . .well. . . .so totally uncooperative."

Here's the capper:

The esteemed Stanford professor goes on to say that "the U.S. should pull out of recession in 2002 but that recent Fed interest rate cuts could lead to inflationary problems."

"I believe the United States is already in recession," said Friedman, "The fall in production and employment show that clearly. Whether or not we use the word 'recession' is just a question of semantics," He also pointed to the Fed's seven interest rates cuts this year as reason to look out for inflation next year. "With the very unusual Federal Reserve policy of successive interest rates cuts...the key problem once the recession ends in 2002 will be how to control inflation," he said.

So its very clear:

With inflation just around the corner, it is difficult enough to deal with one inflation indicator let alone two. . . . .two safe havens not just one. What's the dollar to do?

Guess it all get's down to a matter of perspective. I've always contended that if the U.S. gold reserve is to be sold that it ought to be offered to the American public on a first refusal basis. (Grin.)

Thought this would be enough to raise a comment or two. . . . .

My best to Another, and hoping this finds you both well. MK

Gold Trail Update (08/28/01; 10:34:03MDT - Msg ID:60381)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (08/28/01; 10:34:03MT - usagold.com msg#104)
Just a walk down the path!

Good day everyone.

---- Two roads diverged in a yellow wood, And sorry I could not travel both -------- I shall be telling this with a sigh---Somewhere ages and ages hence: ----I took the one less traveled by, And that has made all the difference ----

This partial caption, as it appears at the top of our trails page, tells of the Gold Advocate story through out this modern gold era. An era that has so very decimated the savings of traditional hard money paper gold bulls. Clinging to all their failing theories, they assumed were financial hard money law, only to watch those market dynamics evolve away in our political world; taking much of their wealth with it.

So, down the single path we go and boy has that decision made a difference! As Physical Gold Advocates, buying and holding real gold for the future, we have avoided taking an enormous hit to the "safe side" of our long term savings. When one adds up the net accumulated loses from a decade of "gold market timing", in and out "leveraged plays" and good money poured down the "liar's hole" of gold mining prospects; is it any wonder so many are clamoring for the government to come clean and return policy back towards support for the "illusion of our paper gold market"? Back towards the leveraged player's favor so he can get even: perhaps even with coin buyers?

In a large part, this explains a lot about the cross currents and confusion gold buyers hear in today's media. Two entirely separate factions are in the gold game; one vocal and unhappy, the other quiet and very pleased to buy gold at lower prices. If you invested in the commodity side of our gold industry, that's the new gold supply side produced by the mining sector, you need a higher price or
your investment will eventually become zero wealth! If you invested into the real asset side of the market, physical gold owned and held as part of your long term wealth, higher values will one day come and easily match all the considerable currency inflation that has already arrived. For these buyers, life is good as lower prices and time are both on their side.

But, what of the guy that brought into our leveraged gold markets; thinking it was a

free market that represented the real value and price for gold bullion? Was he a victim of a government currency supporting scam that rendered his leverage a loss? Or was he the victim of an market industry that told him not to buy physical gold, instead take advantage of the leverage we can sell you?

Ask yourself: who said years ago that we know how it all works and how to out maneuver this dollar inflation stuff, ,,, who said the paper leveraged gold markets were the real free markets,,,, and we know how the government does all this because we are professionals,,,, and we have a good leveraged play that will beat that inflation when it comes and beat it X times over!

The answer we hear: "Now that these leveraged plays have and are turning into toilet paper,,,,, we want to know why the government made us buy all this stuff" ,,,, instead of real gold????

In our society, dominated by Western Thoughts about savings wealth and the use of leverage to gain it, Paper Gold Advocates have advanced the logic of their position by using overlapping reasoning. Promoting an idea that share ownership in an industry, that sells gold to make a cash profit, is the same as ownership of the gold product they produce. This is the same thinking progression where history records a shoemaker's children without shoes. Following this you, as a paper gold investor, also risk a situation where your family goes barefoot, without real wealth, while political maneuverings wipes out your stock and trade business investment; not to mention your wealth. In the same social dynamic where friends point out the shoemaker's bare feet, physical gold advocates will one day be asking; "but I thought he owned a gold mine?"

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I read all the fine articles and elaboration about the woes of our gold mining industry, it's investors and losers that played leveraged paper bets against this evolving market. Still, we are struck by a glaring flaw in their presentations: instead of taking the high ground with Physical Gold Advocates and advise dumping paper investments in this politically manipulated market and buying gold with the proceeds, they sink to the background and wait for a legal retort that would eventually lock up their lost illusion wealth for good. In the process they are trying to legitimize their use of the same failed logic the mines and paper brokers pushed; "buy our industry not the gold product its all based on"!

For decades, this entire paper hard money reasoning reeked from terrible political understanding. They tried to sell hard wealth logic packaged into something new players couldn't resist: ----- " I know you are a smart gold thinker that knows the real money inflation score! And because you are immersed in Western Thought, you can understand our logic better than most average people; let the other simple people buy real gold while you buy something that is just as good and pays off x times better; all our near gold substitutes"! ---------

Truly, the reactions we are hearing today, on many gold forums and all over the hard money media, is the "hangover" of investors being sold that logic as a "static" law of the money universe! Without their being exposed to the fact that money, gold and politics are all an intertwined dynamic human action; coursing through nations and society, as organic players fight to hang onto our real wealth and savings over time.

The notion that "real wealth" and "money function" could be combined and retained, for trade use and as a long term savings for average man, was a dream for hard money socialist. These two separate forces were stamped together and coined by a narrow logic that never would concede how incompatible it was with changing human desires.

Again, this "hangover" of loses is the result of layer after layer of misconception being placed over real gold ownership. The sad fact is that those who stand outside the ranks of Physical Gold Advocates will mostly not ever catch up, financially, with simple gold owners! The world, it seems, turns once again as it always has.

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Yes MK, I saw Milton over there behind that rock. His comments and understandings are like the wines his old (part owned) vineyard produced; sometimes ok, sometimes bad. Years ago, when I lived in San Diego, we often went to his winery: San Pasqual in the Temecula valley area,,, if I remember right? Don't think he owns it any more. I never liked their wines, but one of his wine vinegars was absolutely fantastic. We stopped at Chinos vegetable farm, around the corner from us, on the way for a sunday drive. While later cooking, I would recall how I could only like some of his offerings.

Today, my tastes for "a changing currency universe" is proving just as correct in opposing much of his thinking. Along the same lines our friend PH in LA said; we have to stop watching our favorite trees and start watching the whole forest!

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You write: ----- I am particularly interested in your view that " it will be in the US advantage for gold prices to rise and rise strongly.---------

I think this whole concept is the most difficult part for people to grasp. We wrote many portions of this logic and tried to tie it into unfolding events so it would be clear. Problem is that this was so spread out, as it occurred over years, it's hard to see it all.

A most interesting part, one I think will be studied later, is in the evolution of our modern paper money dynamic itself. The US was way behind the curve in grasping how our changing "world economic function" was reworking the use, demand and nature of how fiat money settled commerce. Even with all it's awful inflationary attributes, we were evolving with the markets to use our fiat moneys in ways that were in spite of their losing value. Had American money policy seen this in process, they could have dropped the war on gold long ago; the way the Europeans have already.

Still, as part of this political war of economies and currencies, the ECB / BIS played into our gold war theme. Aside from a separate strategy that kept cheap gold commitments flowing for cheap oil,,,,, Euroland played our gold war, too, as we murdered the paper marketplace along with the whole dollar gold system it was built on. I think that the US, just recently, caught on to the "total meaning" of the Washington agreement and is now rethinking what to do with their position.

They shifted their war on gold to become a war on the Euro,,,, only too late. Now,

knowing that the Euro is a fact, we must have a super gold price if the dollar is to stay in the game! The question becomes one of supporting a cheap paper price for the sole function of keeping the market and all its bullion players alive. With the war on gold over, they need to turn their tanks around to face the real enemy but cannot.

If we try to save the dollar gold markets, they will morph into a pure paper system with no gold supply to back them; paper would eventually be priced way below world physical markets. They will become a pure cash settlement item, in a way like the OEX. This will easily drive oil pricing into Euros. If we adopt a week dollar policy, trash the IMF and it's SDRs (prior to ECB withdrawal) we will have to supply gold bullion outright and allow a true market price based on some currency supporting function; still at thousands per ounce. Our entire anglo - London gold markets will spin off hugh,,,,, nation busting financial loses. By the way,,,, this is why our boy is driving for EMU as soon as possible. (smile)

In all of this; the main story / component is oil supply! We must keep our dollar function, if only in a diminished fashion, in order to buy oil imports. Once the dollar fully fails, everyone (our partners like Mexico and Canada) will bolt for using Euros as reserves and international settlements. OIL value in the US would spike sky high even as local inflation drives alternative energy supplies to become uneconomic to produce. Even at $200 a barrel equivalent.

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You write ------ Guess it all gets down to a matter of perspective. I've always contended that if the U.S. gold reserve is to be sold that it ought to be offered to the American public on a first refusal basis. (Grin.)---------

Mike, I know you guys have written some fine thoughts about how the government may one day take our private gold back. I have to allow that we never know what they will do: a lot of nuts become favorite leaders??? Still, we say that the government already has it's gold back. They took back what was "legal tender" , then ,,,, and won't try to get at what is now private gold wealth.

Just like the dollar tender in your pocket, US bullion is not yours to begin with. They have the right to call it in. This area is also a hard concept for gold thinkers to come to grips with. After decades of being told that the gold in Fort Knox belongs to the public, the truth that it doesn't and never was Its impending use as a currency supporting supplement is shaking people up that believed that position. Soooo many investors thought that this gold reserve was there to back their currency at home, at some future high price, that they reasoned they could just buy gold mine stocks with their investment moneys for an added play. Letting a future currency deflation and a rising gold price meet at some high price in the middle and back up their other surviving shoe box savings! Again, this ain't gona happen! Our currency is going to inflate to hell, even as we clean out our official gold reserves to ship overseas. If ever there was a story to buy gold for your own,,,, this is the tail that will create a killer offtake the world over!

However, the political choice, as you alluded to above, should will be allowed to buy our governments gold,,,,, if offered,,,,,, OR have that gold keep oil prices down to $90 a barrel so we can still drive SUVs. I wonder what will happen???

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As a side item: I see where George Mitchell sold out his Mitchell energy and development. Funny, I know a guy that used to play with him as barefoot boys on Galveston streets. He said that young George once wondered (as boys do) if a small growth in his nose would finish him off. I think he had internal radium treatment for it or something?? Oh my,,,, who would have known that this barefoot brilliant friend would one day sell out as a billionaire?? What a wonderful, free country!

I'll post more about SDRs and Randy's notes if things don't go haywire again!

Thanks all (and MK)
TrailGuide

Gold Trail Update (8/29/01; 06:09:55MDT - Msg ID:60442)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (8/29/01; 06:09:54MT - usagold.com msg#105)
Perceptions: The evolving message of gold and what it means
http://quote.bloomberg.com/fgcgi.cgi?mnu=news&ptitle=Currency%20Europe&tp=ad_uknews&T=news_storypage99.ht&ad=euro_currency&s=AO4zDXxLwRUNCJ3Mg

Here are a few quick observations:

It would be nice if our Fed could manage it's dollar policy with an eye on value only. This was suppose to be their job but it became morphed into an economic policy instead.

In his comments today, the ECB's Welteke makes a clear distinction between these two institution's thoughts on the matter:

------ Firstly, it isn't the ECB council's mandate to steer economic growth, but to stabilize the value of money. Price stability is the top goal of the European System of Central Banks. The U.S. Federal Reserve has a mandate that includes growth and employment targets ----------

Notice that phrase "to stabilize the value of money"? After several decades of evolution, US traders have come to equate the value of a currency as to whether money policy is delivering them investment profits or no. If local prices of stocks and real estate are rising, then a money's exchange rate should also. It's only natural because everyone the world over will want in on the "next great investment"; where ever that process is being played out!

Of course, that's not the way money values are determined; but because international trade has delivered money flow control into the hands of an "out of control" dollar derivatives market, this is the thinking dynamic in charge. No greater case can be made that; world wide currency values are but an illusion while being measured with a dollar reserve system. We see this ever so clearly today as the ECB strives to place a real value upon their currency by employing strengthening rates of return behind it; saying that a nation's currency is worth something aside from structural economic function alone. All the while the Fed is inflating the dollar as an

open sign that the dollar is worthless if our economy goes "only sideways" for a while.

What an incredible reversal of perceptions for American traders to latch on to; we are buying into the dollar inflation as a permanent structural component of our economic and financial markets. This trend is something we, as gold / Euro / oil people, have been promoting will happen for some time. As the Euro matures, this ongoing dynamic will lead to; a dismantling of our dollar reserve system; a flow of us gold out of the country as an only means left to maintain dollar settlement; a rising gold price that first disables, then destroys the current world dollar gold market; hyper inflation within the US and a critical loss of oil imports at cheap dollar valuations.

Our way of life and quality of life will be changing as this plays out. Truly, for those that understand, we will not actually lose anything real; rather we will lose the illusion of wealth Americans have come to value as their given right. An illusion we trade to the world and with each other in the form of an overvalued currency and the assets it denominates.

Again, I'll have more on this if this complex computer system stays together (smile).

TrailGuide

Gold Trail Update (08/31/01; 16:03:52MDT - Msg ID:60624)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (08/31/01; 16:03:51MT - usagold.com msg#106)

Off the trail and on the road! (smile)

Well,,,,,, I tried to get this incredible cluster of wires and chips to work correctly, but to no avail. My computer is fine, something wrong in the private network that supplies me. Anyway, I'll take this interlude to work in some travel time. Have a great Labor Day and I'll be back in a few weeks.

While away, some points to consider:

The Dollar

On the plus side; all thru the 90s it was the best currency to store your extra cash in. No matter if one loved it, hated it or thought it was near destruction, the dollar worked well for its owners. It worked more so because of the way the world changed in using currencies. Not because we managed it so well.

On the negative side; it is a self serving money that caters to one and only one nation state. The needs of all other users of this reserve currency are cast down into second class status.

Because it has been in this reserve position so long, the gross amounts that circulate outside the borders are completely out of any proportion that our local economic structure could service.

Even with a huge, record breaking trade deficit, our fed shows no concern to slow further dollar printing.

The level of sophistication of world trading systems has bypassed the need for a one world, all serving currency unit; like the present IMF dollar system.

The Euro

Its structure, using several central banks, is very close to our dollar system. From that point the closeness ends.

Its political structure is much more appealing to world wide users. Because it's based on a number of different nation states, its management policy will tend to carry more of a worldly mix of initiatives. Not something for everyone, but far better than the dollar.

Its built to have more of an internal function that services EuroZone trading. If it becomes the best (or last) man standing, such an internal flow will cause world trade to flow thru Europe instead of using Euros bypass trade around Europe. This alone will keep it from being a world reserve. Gold wealth may come back to serve this end.

Will it fail?

I don't know! I do know that it will endure. The reason I have moved the cash side of my wealth into Euros is not because it will outrun gold or, for that matter, outrun the dollar in the near term (Euros are a small part of my asset mix with gold being the largest). I changed because I expect the dollar to fail in a super inflation as the world moves on. I expect the Euro to not fail at all or fail less?

Further, the main reason I own gold is because the current dollar gold market does not show us the real gold value at this time. There are a whole host of political reasons why this is so. Still, as the dollar fails, American gold reserves that still exists as the final backing will have to be used in a pure physical market to somewhat deflect the dollar's fall. You can count on the fact that the majority of that US gold will not be, in any way, used to shore up a then failing paper market. As this plays out the current Bullion Bank / london market will lock up and once again rob the paper owners of bullion. No different than the way pre 1971 foreign dollar owners were robbed before the payoff.

The paper gold bulls of that time were waiting for big boys to default on their gold debts,,, like GATA is waiting for today,,,,,,, so the bulls could collect. Didn't happen then and won't happen now.

I expect the dollar to fall away from its present stature in world trade. Bring with it a changing lifestyle for all Americans who have hitched their wealth to dollar related assets. Unfortunately, most gold mine operations are in that league.

I expect gold to do a sky shot, not because of coming us inflation, but first because of a paper gold market abandonment. Then, super dollar price inflation will only drive it higher.

The dollar system, as Mr. G. well knows, is locked into a structural inflationary trend

that cannot be stood aside of because of the Euros existence. Any attempt by the fed to raise rates to slow dollar printing will stall our economy further. The Euro system will not, as in the 70s and 80s, have to follow our stance; they no longer have a mandate to bank unneeded trade dollar excesses. They have been sending this strong signal for some time by selling off dollar interest. This trend is going to accelerate as the Euro builds. They have no purpose or reason at this time to get into a real war with the dollar. They are at war just by laying comfortably with a Euro return a little above us for
their work to be done.

Good luck all

TrailGuide

Gold Trail Update (09/02/01; 10:05:39MDT - Msg ID:60680)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

MK (09/02/01; 10:05:38MT - usagold.com msg#107)

The Now Very Clear European Position and Remembrances of Harry Browne's "You Can Profit. .." Books from the Early 1970s. . . .

I see your #106 as one of the most important messages you have ever posted at the Trail or at USAGOLD. In some ways, it is a recapitulation. In other ways, it is groundbreaking.

I believe you are correct. The Europeans will be content to let the dollar take its own course in full knowledge that the seed of currency freedom it has planted is fundamentally sufficient to meet the needs of the new Europe. I do not think however that this was clear until the last euro rate cut. Your post focuses those considerations. Europe will be no more aggressive than it needs to be. As a casual political observor, I believe that this policy is a mistake that forces Europe to play the inflation game along with the United States, and that is not the way I would have played the game given the opportunity. However, I'm not the one calling the shots in Europe. I am an American businessman and investor and in that capacity I am not so much interested in the world as I'd "like it to be" but as "it is." I'm sure my European counterparts feel the same way.

What do you believe this now very clear European position means to the European currency holder and the U.S. currency holder (in the form of savings and equities)in the medium to long run? Do you believe gold ownership is important to the European investor? It is clear that you believe it essential for the U.S.-based investor as you foresee a complete dollar breakdown.

In reading your last message, I was struck with how close it came to Harry Browne's analysis in the early 1970s. In two books, "You Can Profit from the Coming Devaluation" and "You Can Profit from the Coming Moneatary Crisis", he laid out a thesis very similar to the groundwork you have laid in your #106. The Wall Street establishment and press considered him the lunatic fringe back then simply because most people never heard of such a thing. He was simply ahead of his time. And he turned out to be absolutely correct.

Here is what you said that made me think of the "You Can Profit Books":

"Further, the main reason I own gold is because the current dollar gold market does not show us the real gold value at this time. There are a whole host of political reasons why this is so. Still, as the dollar fails, American gold reserves that still exists as the final backing will have to be used in a pure physical market to somewhat deflect the dollar's fall."

Of course, this is precisely what happened in the 1970s. Harry Browne made the same argument back then -- that the $35 gold price was both an institutional fixture and institutional fiction. Europe took advantage of that situation by reclaiming a substantial gold reserve. When the London gold pool (both de jure and overt) broke down at the $35 price, the devaluation (both de jure and and overt) quickly followed. Additional formal gold sales proceeded from there from both the International Monetary Fund and the U.S. Treasury.

Since today the gold price is both an institutional fixture and institutional fiction much the same process is in motion at present -- only de facto and covert. Are you suggesting a similar result? And with the euro present and accounted for, will it lead to a new world order?

FOA, I want to thank you again for sharing these thoughts with us. I think we may have come to a new Trailhead -- perhas one that looks vaguely familiar, but then again perhaps something totally different. I am convinced you are correct that the Europeans believe that there is a certain historical inevitability to the dollar's demise and there is no need to hasten the process.

The real controversy in the weeks and months to come will revolve around what this might mean to both European and American savers, equity investors and gold owners.

Gold Trail Update (9/29/01; 16:52:02MDT - Msg ID:62670)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (9/29/01; 16:52:01MT - usagold.com msg#108)
Back on the trail.

Hello everyone!

Well,,,,, I have been home for a few days and my travels were more an adventure than a vacation. During this period of terrible tragedy for our nation, and pain felt for those lost in the destruction, my little world was only shaken in comparison. Still,,,,, almost all my communications was lost for weeks.

I'm back now and am facing a mountain of communiqué from friends and associates. With all that is currently going on I have no intentions of "catching up" with the news thread right now. I just try to jump in as I am able. Truly, this is an unspeakable turn of events and only moves our events timetable that much further ahead.

Michael, Randy,,,, all,,, I'll be back later.

TrailGuide

Gold Trail Update (10/1/01; 04:54:26MDT - Msg ID:62735)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (10/1/01; 04:54:25MT - usagold.com msg#109)
Still Clearing The Trail!

Good Day to Everyone!

Am still working thru a backlog. Yet, I wanted to say that my next address will contain a pre-hike list of answers, points and notes about our views. I'll also be shifting my writing and discussion format so as to clearly separate my thoughts from thoughts from friends and associates. This is something I always planned to do as events came into sharper focus. This change of style should help every person that hikes this path.

In conjunction with this first set of remarks I'll post the next installment of "Walking on Solid Ground". If you thought the first was worth a read, this one will also have value. Thanks Michael, for including that piece in your wonderful quarterly paper! (smile)

TrailGuide

Gold Trail Update (10/3/01; 10:21:27MDT - Msg ID:62863)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (10/3/01; 10:21:26MT - usagold.com msg#110)
The makings of a dust storm

Hello Everyone,,,,, packs on,,,, there is ground to cover!

That's not dust from our feet -------

As we walk along this Gold Trail we no longer have to look far ahead to see results; real events are directly under our feet now. True, many will point to this tragic attack on New York and Washington as the catalyst for current woes. But I say that our entire economic structure was already weak and failing from decades of dollar expansion. If these recent events had not come along, something else would have eventually triggered our economic cascade.

The effects are falling into place just as I said they would. -------

As a note to hikers: I will begin using "I" while talking and, from here on out, clearly indicate when I'm speaking the thoughts of a friend or associate. Over the years I have very often spoke the words from others, as they wanted it produced. Often

doing entire posts while stating other's positions or inserting their views in my posts, mid stream, without saying I was doing such. We have all come far enough, now, that our understanding can grasp the changing tide without this. My planting seeds of thought in such a way may no longer be needed, but your leg work is far from over. This change is a result of the evolution of our political and financial world just as much as your growing in insight.

Onward

For decades hard money thinkers have been looking for "price inflation" to show up at a level that accurately reflects the dollar's "printing inflation". But it never happened! Yes, we got our little 3, 4, 8 or 9% price inflation rates in nice little predictable cycles. We gasped in horror at these numbers, but these rates never came close to reflecting the total dollar expansion if at that moment it could actually be represented in total worldwide dollar debt. That creation of trillions and trillions of dollar equivalents should have, long ago, been reflected in a dollar goods "price inflation" that reached hyper status. But it didn't.

That "price inflation" never showed up because the world had to support it's only money system until something could replace it. We as Americans came to think that our dollar, and it's illusion of value, represented our special abilities; perhaps more pointedly our military and economic power. We conceived that this wonderful buying power, free of substantial goods price inflation, was our god given right; and the rest of the world could have this life, too, if they could only be as good as us! Oh boy,,,,,, do we have some hard financial learning to do.

Over the years, all this dollar creation has stored up a massive "price inflation effect" that would be set free one day. Hard money thinkers proceeded to expect this flood to arrive every few years or so; the decades passed as those expectations always failed. Gold naturally fell into this same cycle of failed expectations, as the dollar never came into it's "price inflationary" demise.

A number of years ago, "I" began to learn of some smart people about the real political game at hand and how that would, one day, produce the final play in our dollar's timeline. Indeed, you are hiking that trail with us today; us meaning Euro / gold / and oil people. All of us Physical Gold Advocates that have an understanding about gold few Americans have ever been exposed to.

Our recent American economic expansion has, all along, actually been the result of a worldly political "will" that supported dollar use and dollar credit expansion so as to buy time for Another currency block to be formed. Without that international support, this decades long dollar derivative expansion could not have taken place. Further, nor would our long term dollar currency expansion produce the incredible illusion of paper wealth that built up within our recent internal American landscape.

The relatively small goods "price inflation" so many gold bugs looked for will be far surpassed and the "hyper price inflation" "I" have been saying is coming is now

being "structurally" set free to run.

Why "structurally", why now?

For years now, "politically", the dollar system has had no support! Once again, for effect,
"Politically NO", "Structurally Yes"!

For another currency block to be built, over years, the current world economy had to be kept functioning. To this end the dollar reserve system had to be structurally maintained; with its IMF agenda intact, gold polices followed and foreign central bank support all being part of that structure. Truly, the recent years of dollar value was just an illusion. An illusion of currency function and value, maintaining the purpose of holding the world financial and economic system together for a definite timeline. Politically, the world does not hate America; rather they hate the free lifestyle our dollar's illusion value brought us yesterday and today.

Now that the Euro block is passing a point where the Euro currency is viable; this same past dollar support that built American's illusion wealth will now fall away. In it's place we will see the beginnings of a currency war like no other in our time.

This very change in structural dollar support is the same change that has been impacting our fed's actions for over a year now. This change is the difference between "my" call for super price inflation and the endless calls past hard money thinkers have made. Their on again / off again goods "price inflation" outlook is based on the same failed analysis that expects price rises because the fed was into another "printing money faster" cycle. I point out that that cycle has come and gone many times without a price inflation anything close to our total, long term, dollar creation.

Further

To this end, I have been calling for a hyer inflation that is being set free to run as a completed Euro system alters Political perceptions and support. That price inflation will be unending and all encompassing. While others call, once again, for a little bit of 5, 10, 15% price inflation, that lasts until the fed can once again get it under control,,,,,,,,, I call for a complete, currency killing, inflation process that runs until the dollar resembles some South American Peso!

Understanding the Western View

Most current brand of American gold bugs all invest along the "hard money socialist" line. They harp on the gold story while placing their money in leveraged bets on gold. Perhaps 10% of their hard money portfolio is in physical and even most of that is in the falsely perceived leverage of lesser hard metals. All the while 90% of their investment is in various leveraged near gold games.

Their story sounds good, but their bets can only pay off if the government statist are able to control the gold market they way it has over the last 30 years. Indeed, if the

dollar banking factions were to win this round, we will get another little price inflation cycle and paper gold will, once again, rise a few hundred dollars. The payoff would serve the mines and leveraged paper players at the expense of long term wealth creation for physical gold advocates. In past cycle form, the statist would send the paper gold price back to the pits.

Fortunately for the majority of world physical gold owners, the hard money socialist game has ended. In fact, it has been on track to fail for a decade or more. To this end, I invest for a full American economic and associated dollar currency breakdown that is reflected in a total revaluation and function of all dollar using business entities. Because governments do and must combat these types of breakups, gold mines and the hard money socialist that guide most of them will fail little better than other investors or companies. They will cry for the government to again create a stable, leveraged paper gold arena so their bets could return to even. The creation of a Euro based World Free Gold physical only market will bar all trading nations from again playing the socialist Western gold game. Physical gold will be the very best holding as all of this comes into play. Virtually all government gold policy will gravitate towards sponsoring citizen gold ownership. Essentially because Europe will have removed the entanglement of modern fiat competition from said gold markets.

Yes, late comers to this understanding will encounter a true free market, but their buy in price will be at a much higher natural trading level. Present hard money socialist decry this and invoke a call for "official money gold" as the only way governments can go. That will not ever be allowed again and it guile's them because they need their leveraged gold investments to get them back to even first. Remember, these are the same people that hold free markets on a high plateau as the goal for everyone. Yet, they talk a story of gold control for just a little while longer so adjustments can be made.

Won't happen! Plan on Americans using inflating dollars as their local transactional currency and Euros as their second currency. All the while calling CPM for their monthly purchase of a world class savings asset; 1oz bid $8,324 - ask $8,388! (right MK,,,,,,smile)

Greenspan will not embark on a dollar building policy again! Even if he changes his mind about leaving. Unlike our past inflation cycles, he has only one act to follow because he must support the internal economic dynamics of this country as its dollar falls from reserve status. There will be no inflation "cycle" on this go around. The creation of a competing Euro currency block has changed his policy dynamic.

The fed has cut rates below perceived price inflation levels already and will cut again and again; even in the face of real, published, soaring, official statistical CPI. The die has been cast and the game in in process.

Timing?

We, and I, as physical gold advocates, don't need timing for this position! Timing is for poor, paper traders. We are neither and our solid, long term, one call over several years to hold physical gold will confirm our reasoning. There is no stress for me to own this ancient asset as it is in a good proportion to all my other wealth.

There is no trading an economic system who's currency is ending its timeline. Smart, quick talking players will joke at our expense until fast markets and locked down paper gold positions block their "trading even" move into physical at any relative cheap price. Mine owners will see any near term profits evaporate into a government induced pricing contango that constrains stock equity with forced selling at paper gold prices.

My personal view

They will, one day in the future, helplessly watch their investments fall far behind a world free market price for physical gold. Further into the future, one day, mines will make money on the last thousand per ounce price for gold; only the first $XX,000.00 of price will not be available to them.

Now that I have more defined mine and our position and views; it's time for us to begin another

"Walk On Solid Ground".

I'll be back as able.

Thanks Michael, Randy,,,,,, all

TrailGuide

Gold Trail Update (10/4/01; 11:34:16MDT - Msg ID:62919)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (10/4/01; 11:34:15MT - usagold.com msg#111)

Walking On Solid Ground

Hiking the Gold Trail: understanding the evolving message of gold.

Good morning to everyone!

Glad to see so many here. This is a more formal presentation and one of our usual departures from my casual ramblings I brought a few other friends with me to support my thoughts and help guide the hike today. We'll bunch up close when we pause to talk, then stretch out in a line to stay only on the trail. Don't worry, you will all be able to hear me as we walk.

Let's go

My friends and I are Physical Gold Advocates. We own physical outright and do so employing the same reasoning mankind used in owning gold throughout most of history. However, there is a major difference between our perceptions of this historic reasoning and the current Western perceptions so many of you are attuned to. Ours is not a mission to unseat the current academic culture, concerning money teachings; rather it's to present the historic and present day views of the majority of gold owners around the world. Those of simple thought and not of Western education. Plain people that, in bits and pieces, own and use the majority of above ground gold. Whether or not our perception is correct will depend on your ability to apply logic and reasoning.

As we stand here, examine this ancient formation to the left

Most contemporary Western thought is centered around gold being money. That is; gold inherently has a money use or money function; built into it as part of the original creation. This thought presents a picture of ancient man grasping a nugget of gold, found on the ground, and understanding immediately that this is a defined "medium of exchange"; money to buy something with. This simple picture and analysis mostly grew in concept during the banking renaissance of the middle ages and is used to bastardize the gold story to this day. Even the term "money", as it is used in modern bible interruptions, is convoluted to fit our current understandings.

Much in the same way we watch social understandings of music, literature, culture and dress evolve to fit current lifestyles, so too did gold have a money concept applied to it as it underwent its own evolution in the minds of political men. This is indeed the long running, background story of our Gold Trail; an evolution, not of gold itself, but of our own perceptions of this wealth of ages. A evolving message of gold that is destine to change world commerce as it has never changed before.

Onward my friends

In ancient times there was no concept of money as we know it today. Let me emphasize; "as we perceive money today". Back then, anywhere and everywhere, all things known to people were in physical form. All trade and commerce was physical and direct; barter was how all trade was done.

If one brought a cart to market, loaded with 20 bowls and 20 gold nuggets, he used those physical items to trade for other valued goods. The bowls and gold had different tradable value; as did every other thing at the market. Indeed, gold brought more in trade than bowls. Also true; if a barrel of olive oil was in short supply, it might bring even more in trade than all the gold in the market square.

The understanding, we reach for here, is that nothing at the market place was seen as a defined money value. All goods were seen simply as tradable, barterable items. Gold included. Truly, in time, some items found favor for their unique divisible value, greater worth and ease of transport.
Gems, gold, silver and copper among others, all fit this description. These items, especially and more so gold, became the most tradable, barterable goods and began to exclusively fill that function.

But the main question is: was there money in that market place? Sure, but it was

not in physical form. Money, back then and today, was a remembered value in the minds of men. Cumbersome it may have been, but even back then primitive man had an awesome brain and could retain the memory values of thousands of trades. In every case, able to recall the approximate per item value of each thing traded. That value, on the brain, was the money concept we use today.

Eventually gold climbed to the top of in the most tradable good category. Was gold a medium of exchange? Yes, but to their own degree, so were the bowls. Was gold a store of value? Yes, but to a degree, so were dinner plates. Was gold divisible into equal lesser parts to define lesser barter units? Yes, but to a degree one could make and trade smaller drinking cups and lesser vessels of oil. Perhaps gold became the most favored tradable good because the shear number of goods for good traded made a better imprint on ones memory; the worth of a chunk of gold in trade became the value money unit stored in the brain.

Seeing all of this in our modern basic applications of "money concept", almost every physical item that naturally existed or was produced then also held, to a lesser degree, gold's value in market barter. But most of us would have a hard time remembering a bowls value and thinking of a bowl as money. The reason this is such a stretch for the modern imagination is because bowls, like physical gold, never contained or were used in our "concept of money". Back then, as also today, all physical items are simple barterable, tradable goods; not of the money concept itself. Their remembered tradable value was the money.

Gather around

Money, or better said "the money concept", and all physical goods occupy two distinct positions in our universe of commerce and trade. They have an arms length relationship with each other, but reside on different sides of the fence and in different portions of the brain.

For example: say I take a bowl to the mint and place an official government money stamp on the underside. The bowl now is stamped at $1.00. Then I take one tiny piece of gold to the mint; one 290th of an ounce or at today's market a dollar's worth. They stamp that gold as $1.00. Which physical item would be money? Answer; neither.

Using ancient historic reasoning and the logic of a simple life; the bowl could be taken to the market square and bartered for another good. Perhaps a dinner plate. In that barter trade, we would most likely reach an understanding; that the "bowl for plate trade" imprinted our memory with what a digital, numeric dollar concept is worth. Again, the 1.00 unit was only stamped on the bottom for reference. While the dollar concept is only a rate able unit number to compare value to; like saying a painting is rated from one to ten when judging appearance.

We could do the exact same thing with out 1/ 290th ounce piece of gold as with the bowl above. In the process we again would walk away with the knowledge of what a $1.00 unit of money value was worth in trade. The physical gold itself was not the money in trade; the value of the barter itself created the actual money value relationship. Again. the most important aspect for us to grasp here is this:

----- The use of physical gold in trade is not the use of money in trade. We do not spend or trade a money unit, like the dollar, to define the value of gold and goods: we barter both goods and gold to define the worth of that trade as a remembered association to the dollar money unit. That
remembered worth, that value, is not an actual physical thing. A dollar bill nor an ounce of legal tender gold represent money in physical form. Money is a remembered value relationship we assign to any usable money unit. The worth of a money unit is an endless mental computation of countless barter trades done around the world. Money is a remembered value, a concept, that we use to judge physical trading value. ----------

Onward

Naturally, for gold to advance as the leading tradable good it had to have a numerical unit for us to associate tradable value with. We needed a unit function to store our mental money value in. In much the same way we use a simple paper dollar today to represents a remembered value only. Dollars have no value at all except for our associating remembered trading value with them. A barrel of oil is worth $22.00, not because the twenty two bills have value equal to that barrel of oil: rather we remember that a barrel of oil will trade for the same amount of natural gas that also relates to those same 22 units. Money is an associated value in our heads. It's not a physical item.

The first numerical money was not paper. Nor was it gold or silver; it was a relation of tradable value to weight. A one ounce unit that we could associate the trading value to. It was in the middle ages that bankers first started thinking that gold itself was a "fixed" money unit. Just because it's
weight was fixed.

In reality, a one ounce weight of gold was remembered as tradable for thousands of different value items at the market place. The barter value of gold nor the gold itself was our money, it was the tradable value of a weight unit of gold that we could associate with that barter value. We do the very same thing today with our paper money; how many dollar prices can you remember when you think a minute?

This political process of fixing money value with the singular weight of gold locked gold into a never ending money vs gold value battle that has ruined more economies, governments and societies than anything. This is where the very first "Hard Money Socialist" began. Truly, to this day they think their ideas are the saving grace of the money world. It isn't now and never was then.

Further along

When investors today speak of using gold coin as their money during a full blown banking breakdown, what are they really speaking of?

In essence, they would be bartering and trading real goods for real goods. The mention of spend their gold money is a complete misconception in Western minds. Many would bring their memories of past buying with then and that is where the trading values would begin. Still, it would take millions of trades before the "market place" could associate a real trading value to the various weight units of gold. It took mankind hundreds? of years to balance the circulation of gold against its barterable value. Only then could a unit weight value become a known money concept. In that

process, in ancient times, gold had a far higher "lifestyle" value than it has seen in a thousand years. This value, in the hands of private owners, is where gold is going next.

If you are following closely, now, we can begin to see how easy it is for the concepts of modern money to convolute our value and understanding of gold. It is here that the thought of a free market in physical was formed. Using the relationship of a free physical market in gold, we will be able to relate gold values to millions to goods and services that are currency traded the world over. Instead of having governments control gold's value to gauge currency creation; world opinion will be free to associate the values of barter gold against barter currency. In this will be born a free money concept in the minds of men and governments. A better knowledge and understanding of the value of all things.

Next trip, we will hike the currency trail.
From an associate:

" Some men will stand on a stage, their backs to an economic forest; growing tall and green from fiat dollar use. These men will tell the audience before then that this forest does not exist and they are really in a desert. They say only gold as money will bring rain to this sand. To believe this, one has to accept that 30 years of American fiat dollar use had no part in making this landscape. I say that if the dollar created only a part of this desert, then the Euro and free gold will keep lumber mills employed at least 20 years, no?"

Thanks all
TrailGuide

MK, I'll reply about your Harry Browne thought soon (smile).

Gold Trail Update (10/5/01; 10:55:20MDT - Msg ID:62993)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (10/5/01; 10:55:19MT - usagold.com msg#112)
Discussing the World with Michael Kosares
http://quote.bloomberg.com/fgcgi.cgi?mnu=news&ptitle=Currency%20Europe&tp=ad_uknews&T=news_storypage99.ht&ad=euro_currency&s=AO72iPxRDRG9sbGFy

Hello MK

I wanted to come back to your last stop here on the GoldTrail to address your points and expose myself to the world. (smile)

I bet you and many hikers think I am tagging all Americans and gold thinkers with this "Hard Money Socialist" label. Ha Ha,,,,, let me slowly turn around so everyone can take a good look what a HMS looks like. Yes, that's right,,,,, I fit the definition completely.

Most of my life I thought gold should be locked into any official currency system so to act as a gauge and controlling factor against socialist tendencies in governments.

I studied and in some cases talked to all the prominent thinkers on the subject.

In the late 60s, when Harry B. was living in LA, his pre book views took on quite a following. Me included! Oh, it all seemed so natural then; the eventual breakdown of our misguided economic policies had to, one day, kill the whole dollar printing game! We all thought that "the coming big failure" would drive every governments back to using gold as money; or at least in some version of another gold exchange standard.

However, even then, I had some serious people pointing me in a different direction. You mentioned how people saw Harry's thoughts " " ----- considered him the lunatic fringe back then simply because most people never heard of such a thing---- " "! Ho Ho, you should have seen my reaction
to these other perceived, radical, foreign views I heard?

Truly, Harry's stuff seemed so much more real, so much more the "American Way", that it just had to work. Well, it did and we have whole libraries full of historical scrip and economic writer's papers to chronicle his correctness. But, you know, I also looked back at these other guys explanation of things and they were every bit correct too,,,,, the effects were the same. Then as the 70s ended and the 80s ran on, their much more longer term understanding really took hold and left all other gold / currency explanations in the dirt. True, all the rest of the hard money crowd gained a little with each gold cycle high, but were also shot down with each cycle drop. The trouble is that historic process is a time consuming afair (smile) and most of the younger boys and girls that come here don't have a full hands on perspective to how we got here. Current dogma has a way of leaving out important turning points that are really needed to be factored in. Hell, a few decades of cycles became so regular in our mind set that a whole industry was born, explaining why cycle investing works (smile). In time I came to understand that there really was a long term, singular move, evolving along as a political play at work here. The last decade only served to underscore it all.

The early 90s Gulf war spike in gold should have been the final revenge for us bugs. Can you imagine,,,,,, war in the middle eastern oil fields,,,,,,, hundreds of well burning and gold gets shot down?? I was already 80% in my associates camp of thinking by then and that spike down pulled my other 20% right in. I knew then that the whole story was changing on political grounds and was not going to follow the Mise path.

My typical hard money shared long held belief, back then, was always:

----"Gold is the only official money of the world and will return to these roots one day"-------- and -----" some world wide financial dislocation will drive all governments back to this position"-----!!!!

It wasn't going to happen, no matter what, short of nuclear war. All we had to do was look around and see how people the world over were attached to using fiat currencies. The economic system itself was morphing into new ground as world trade learned to function very efficiently with fiat
digital settlement. And that's something the 70s crowd said could never happen. That was how many years ago?

A lot of the Mise crowd tried to point out that ---- " hey, this is all very good but if you were on a gold system this economic game would be all the more better" ----!

Ha Ha, no one cared,,,,,, why risk what was already in process. Even the third world didn't want to hear it. They figured that any return to a hard money system would harked back to a time they remembered well. These guys suffered during the early century and no one was going to tell them that the gold standard wasn't the fault. The US, is today and was then, robbing them blind but the situation seemed, to them, that this new dollar standard was building them up. Looking at it all,,,,, we robbed the Japan life style standards the most. All to buy us an almost free standard and they loved it.

When it came to using fiat money in our modern era, it made little difference what various inflation rates were in countries around the world; 50%, 100% 1,000%,,,,,, they went right on playing with the same pesos. There have been countless third world examples of this dynamic, if only we look around. Mike, look at what happened in Russia after they fell,,,, the Ruble stayed in use and function with 6,000% inflation. My god they still use it now.

No,,,,,,, my guys are dead on the money with respect to the political dynamic that's playing out. The world is heading towards a huge financial / currency crack up, but it won't work out with gold coming back into the money game. This very long term transition is playing on a move away from
dollar domination with Europe preparing to suffer less than us by pulling in as many other political trading blocks as they can.

When you look at who they are reaching for; every one of these blocks wants gold moving higher to shelter their dollar trading losses. None of them expect to unload dollar reserves because our end time trade deficit won't permit it. They can't just send the dollars to each other, buying their
own goods that would never exhaust the external dollar float. Hell they now have their own money to do trade with, the Euro.

The game is to let the US economy suffer from its own bloated expansion by moving slowly away from supporting foreign dollar settlement with CB storage. This is more than enough to end the dollars timeline as we are already stretched to the leverage limit. They know that Greenspan has but one policy to use and that will be super printing. He is doing it now, right on que!

The ensuing domestic price inflation will waste away all buying power of dollars overseas. This is where they must install a free market in gold that ends international confidence in the current gold fractional reserve game. This is the "what for" of Britain moving itself and it's gold operation into the Euro arena. Once safely there, or there in initiative, the ECB and BIS could cash out England's gold liabilities without crashing London's banks.

Mind you, this is all happening while Western style "Hard Money Socialists" are defending their stance by saying the Euro is just another fiat. Ha! These are the same guys that, throught the 90s, put every dine in expensive gold stocks and watched dollar currency inflation drive the dow up a
trillion points while political actions killed their leveraged gold plays. Now they will refuse to buy physical when political will is about to impact this sector and they will most likely stand by while a Euro based dynamic starts another economic surge later.

Truly, reasoning and logic is all about your point below: "it is", Mike.

Mk, you mentioned:

Europe will be no more aggressive than it needs to be. As a casual political observer, I believe that this policy is a mistake that forces Europe to play the inflation game along with the United States, and that is not the way I would have played the game given the opportunity. However, I'm not the
one calling the shots in Europe. I am an American businessman and investor and in that capacity I am not so much interested in the world as I'd "like it to be" but as "it is." I'm sure my European counterparts feel the same way.----------

Right Mike, your last part is like Another said about the forest growing anyway. The fact that it worked with fiat is the way it happened,,,,, "it is"!

To address your point: well, they are awfully dog gone aggressive now. Note that they didn't make any attempt to match our post crash rates with a larger drop in their own. That has placed then in a very pro-active dollar warring position now. I'm sure Greenspan is smoke-en over this break away. Its built a major carry proposition against the dollar with it and the Euro has to gain on this. Here is an item from your News feed:

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http://quote.bloomberg.com/fgcgi.cgi?mnu=news&ptitle=Currency%20Europe&tp=ad_uknews&T=news_storypage99.ht&ad=euro_currency&s=AO72iPxRDRG9sbGFy

Currency Europe
10/05 13:06 Dollar May Fall vs Euro, Yen; U.S. Unemployment Seen Rising
By Chris Gothard
London, Oct. 5 (Bloomberg) -- The dollar, little changed, may decline against the euro and the yen on expectations a report will show U.S. unemployment climbed to the highest level in more than four years, more evidence the nation is headed for a recession. ----------
``We expect unemployment to rise,'' said Rod Davidson, who helps oversee about $1 billion as head of fixed-income securities at Murray Johnstone Asset Management in Glasgow. ``Everyone is watching for the slowdown in consumer spending.'' He expects the dollar to decline to 96 cents per
euro by year-end, and recently sold U.S. Treasury bonds in favor of European government debt. ----
Since Sept. 11, U.S. Treasuries maturing in one year and more returned 2.05 percent in local currency terms, according to Bloomberg indexes that take into account reinvested interest. For a European investor, those returns are reduced to 1.79 percent because of the dollar's drop against the euro in that period. ----------

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Add a,,,,,,, solid rate difference on top of these figures,,,,,,,,, factor in a "beggar thy neighbor" who is going to survive this economic war between Japan and US ,,,,,,,,; and europe's thrust is major! I fully well expect Europe to sell into any dollar gold market spikes,,,, now,,,,, so as to hold the level stedy,,,,,,,in an effort to inflate paper and discredit our gold market. Eventually they will move to create a rift

between physical dollar gold prices and dollar derivatives prices. The call will go out that American gold does not reflect what's happening to our Greenspan dollar policy,,,,, real US price inflation,,,,,,, and is a fraud.

You know, the US wants and needs a higher gold asset price now and I bet they are confounded to find a way to achieve it. We are stuck in a situation where we will ship a good portion a cheap prices first. We spent a decade or so playing this gold game for better oil pricing and economic
dominance; now a higher dollar price would hand our banks a trillion dollar derivatives loss if it rises. It just kills them because the Euro banking establishment would simply cash our all the dollar based gold derivatives into euro settlement and gain as gold spikes and builds an ever larger asset base for all the ECBMBs.

I have to laugh at all these jokers that keep trying to understand the ECB gold policy as some sort of currency backing similar to years past. It just flies right past them that the ECB wants gold as an dollar replacing asset, not local money backing. For your European clients, they would be in the best of all worlds it they buy gold now. Their system is almost making rising gold a law so as to buffer domestic dollar exchange rate loses.

Mk, you also wrote:

-------- Of course, this is precisely what happened in the 1970s. Harry Browne made the same argument back then -- that the $35 gold price was both an institutional fixture and institutional fiction. Europe took advantage of that situation by reclaiming a substantial gold reserve. When the
London gold pool (both de jure and overt) broke down at the $35 price, the devaluation (both de jure and and overt) quickly followed. Additional formal gold sales proceeded from there from both the International Monetary Fund and the U.S. Treasury.

Since today the gold price is both an institutional fixture and institutional fiction much the same process is in motion at present -- only de facto and covert. Are you suggesting a similar result? And with the euro present and accounted for, will it lead to a new world order? ----------

The difference today is that the whole worldly financial, economic and currency structure evolved to service a much more fast paced dynamic. Simply put, we cannot go back to not using digital settlement again. If we are to use our trading efficiencies we must embrace fiat currency use,,,,,,,,, and all its evils. This is what was recognized as we were placed on the road to high priced gold. Kind of like high priced oil has been factored into our equation,,,,,, so too will a rising gold price be seen as the price we pay for modern operation. Of course, just as those that don't have oil must pay to play, and gladly do so,,,,,, those that don't have real gold when the tables turn will have to pay to keep up.

Back when Harry wrote his early views, gold was largely a physical market. Let's see, were there futures in the late 60s. Nope, didn't think so (smile). Gold was largely a government transfer thing with private players outside the US moving a relatively tiny amount of gold. The real story in the 70s was in how much gold the truly big operators couldn't get, even at those oh so high prices. The little American brought his K rands , gold stocks and post 1975 futures and thought he was doing something

big. In retrospect, gold was dead in the water compared to where it should have gone. The dollar faction never really stopped controlling it.

Today, it's not the government pricing policy that in jeopardy, it's the very market itself and this change will break not only the price fiction but the institution also.

Ok, guess I went on enough here. I sure hope everyone can overlook my english mistakes in those last two posts? More so in all my posts? (smile) Talk later my friend

TrailGuide

Gold Trail Update (10/8/01; 08:04:09MDT - Msg ID:63166)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (10/8/01; 08:04:08MT - usagold.com msg#113)

Gold on the trail.

Hello Again.

While we watch world events agrivate the markets, the GoldTrail becomes an ever safer place to be.

With US bombs working overtime, we may as well get used to living, talking and investing in a world of disorder. It seems this particular period isn't going away any time soon. However, there is another dislocation on the horizon; once we get past this war phase, by then a real economic / currency transition may be well under way.

I wanted to further discuss a closing portion of MKs post, here on the trail.

----- Since today the gold price is both an institutional fixture and institutional fiction much the same process is in motion at present -- only de facto and covert. Are you suggesting a similar result? And with the euro present and accounted for, will it lead to a new world order? ------- I think we may have come to a new Trailhead -- perhaps one that looks vaguely familiar, but then again perhaps something totally different. I am convinced you are correct that the Europeans believe that there is a certain historical inevitability to the dollar's demise and there is no need to hasten the process. ---- The real controversy in the weeks and months to come will revolve around what this
might mean to both European and American savers, equity investors and gold owners. ----------

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In MKs quote above, he was concluding a comparison to our early seventies gold market and its predicted change as seen by Harry Browne. He also considered the European perspective and what it will mean for us. That "us" is you, me and our friends in Europe.

My thoughts:

I made a point in my last talk that: ---- In time I came to understand that there really was a long term, singular move, evolving along as a political play at work. The last decade only served to underscore it all. --------

Within this evolving political play, gold is but one portion of the pie. For us gold advocates, "how this portion fits in", is the most important segment of this economic transition in progress. In time that question will become the most all consuming topic on gold forums.

If you have spent any time at all with mine or my associates thoughts, you may have come away with a perception that these past decades did not contain gold cycles. Indeed, all of these fluctuations could be understood as one long, determined, singular process; a competitive political process of taking the world off the old dollar standard. As in MKs thought above; most European planers realized long ago that there had to be some inevitable "play out" or "wear out" of the dollar's mechanics. Especially when its whole linkage to gold was broken; making the dollar an international medium that only expressed the political management for one nation: the US!

Modern Euro Zone thinkers, today, are even more so aware of what their new currency initiative will mean in the time ahead. As much as we Americans turn a deaf ear to such logical discussion, there is no avoiding the fact that every currency that lived had an end. This fate is being hastened for our dollar even before full Euro use is established. We have but to look and see that "safe haven" currency buying has dramatically shifted to favor the Euro in this present time of warfare; something that was not recently the case for any other major national currency.

The historical fact, that fiat currencies end, is all the more true as modern economies probe the useful limits of fiat currency systems. We have pointed out many times that the dollar has a definite timeline and the equation that controls that line is linked to "political use". Where once hard metal backing or at least "hard style money" management determined a fiat's value, modern economics seem destine to morph even the next "world money" into the same process. This is part of the "why for" Europe's ECB built its gold policy as it did. In addition to replacing the huge hole a fallen dollar will create, their "non money" gold assets will establish a world class commodity link that oil
producers and other natural resource rich nations can use to deflect "new world order" building by the next zone of nations. A return of gold back to it's ancient real purpose and use in a value ratio that reflects the worth of the world's created and owned wealth in something other than national paper currency. This will send gold on a long term run over decades. Creating an international asset that forces the comparison of all economic orders, and the national currencies they use, against each other; negating the need to reinstate a Western policy of artificially controlling gold values for the currencies benefit.

The US placed its money into this current equation in 1971. Then it failed to accept the internal price inflation that over printing its money demanded and a remarking of it's gold reserves would expose to the world. Once off the last possible connection to a gold exchange standard, the dollar became a modern political tool. Little more than a derivative of value that depended upon what it could buy within our American borders. While this will be the fate of every new currency in our modern world, the

US was politically and structurally unprepared for this shift in dynamics. We left our currency in this international pot, subject to every bit of unknown economic evolution that would come along. Because we could not walk away from the free lunch it brought us, that evolution dynamic is now upon us. The price we will now pay is the complete loss of dollar utility.

We managed this threat with help from our Euro friends; somehow thinking they enjoyed and wanted our fleecing their lifestyle to the same degree we did it to the rest of the world. Their cooperation, we will find out, was but a structural policy that brought time; time for a dollar
replacement to be made.

Our ability to print and ship ever larger numbers of dollars overseas, against our local purchasing power alone, demanded a gold relationship to prove the dollar derivative's value. While implementing this policy, we morphed our internal goods production base so as to further decrease its ability to match the flood of dollars we were creating. From local manufacturing to services we moves, all the while our leaders and economists told us; "don't worry, noone is watching,,,, and if they are they are too stupid to understand it all". Herein is where gold fit into the pie. Herein our newly fiat currency became a tool with a timeline. A currency with an end.

While hard money historians, to the man, clamor for a return to honest government and a dollar backed with gold; they leave out an important step in the process that history says will never be skipped. Once a nation embarks down a road of inflating its currency for local political use, the cast is set for a constant redenominating of the money unit; that is "real bad" price inflation. However, modern economic evolution has presented an even more profound reply. Once a nation embarks down a road of inflating its currency for international political use, the cast is set for the world to find said fiats useful limits, then drop it from use; that is super price inflation as a result of fiat replacement. To this end we come.

The gold market, today, is composed of a relatively tiny physical sector with an all consuming paper component surrounding and dwarfing the standing stocks. This relationship is fine and well as it served the international community with a way to hedge dollar positions with price rises in gold. It worked as long as this "paper gold" float had credibility; not to be confused with delivery credibility. In our modern dollar gold markets, derivative gold investors need only have faith that their position "could and would" deliver a gold "price matching" quality. As long as the dollar remained the world settlement reserve currency one need not have access to real gold to generate hedged buying power, paper gold would do this for you. Whether the gold price moved or no, a position and faith was all we needed to continue dollar use.

This kind of position has grown in the final decade of dollar use. In order to float ever larger numbers of international dollars, the paper gold float had to expand with it. Our dollar was very much hyper inflated as it was used in a final act of world economic leverage; "political use" that drained the last bit of "leverage value" from a failing currency system. To this end, the "paper gold"
markets were matched, point to point, with international dollar inflation.

As we proceed with this act, the dollar will come to be seen more and more as "just another currency" rather than the world's reserve settlement money. We see today the makings of this move as national blocks move in this direction. England, Russia, China and South Africa are thinking more and more in terms of using Another currency; in a percentage that more reflects a realistic ratio of their trade flows. Soon oil, debt and all world settlement will be done more so in this same ratio. Soon, investors will match their fiat needs and savings plans so as to be denominated in Euro positions; again equal to a more worldly economic exposure.

While, at first, not completely replacing the dollar on a world trading scale, this initial shift will have a dramatic impact on the use, need and overall function of our current paper gold markets as expressed in dollar terms. In order to replace the loss of our international dollar demand and its impact on domestic economic and financial structure, the US fed has and will begin a structural currency inflation that builds upon an already overextended base of world dollar liquidity. This incredible currency expansion will break out into the open with real price inflation as never before witnessed in the US. In turn, foreign holders of dollar based assets will, not only, demand price performance of their "paper gold" hedges, even as they are compelled to shift a larger portion of their asset bases into Euro positions.

The ECB will not only be forcing a higher return to Euro holders, they will also be promoting a shift away from the US method of hedging currency risk. Moving their quarterly marking to the market of gold assets to using a local Euro Zone spot physical price; a price that will prove to out run the dollar "paper gold" market's ability to keep up. Such a play will emphasize "physical gold" positions for hedging as opposed to "paper gold" positions. The latter will become an obvious useless play as investors ratio their exposure into physical and glut the "paper gold" market with no longer needed, unwanted dollar positions. An action that forces a discount upon a market physically unprepared to match real gold against a decade of super inflated paper supply.

In the end analysis; the dollar will suffer an ever more negative reallocation of assets in a snowball effect that trends investors away from dollar use and settlement. As dollar price inflation roars, and physical gold demand soars; the dollar gold markets will completely fail their past hedging purpose as they become locked into a political cash settlement mode. A mode that forces an ever expanding discount against spot physical trading in Europe and the world.

The new world order MK mentioned above will, in time, be seen as simply a redefinition of currency use and values. As seen in a historic scope of human affairs; the world has always been on the brink of a new world order. Perhaps better said: the old world order has never stopped
changing. (smile)

thanks all
TrailGuide

Gold Trail Update (10/08/01; 18:21:27MDT - Msg ID:63196)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

[No msg#114]

Gold Trail Update (10/08/01; 18:28:06MDT - Msg ID:63197)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

MK (10/08/01; 18:28:05MT - usagold.com msg#115)
Question from Beneath a Tonne of Yellow Metal:
FOA, with respect to your comment below (which fell on me like a tonne of yellow metal), let me ask a question or two:

FOA: "The ECB will not only be forcing a higher return to Euro holders, they will also be promoting a shift away from the US method of hedging currency risk. Moving their quarterly marking to the market of gold assets to using a local Euro Zone spot physical price; a price that will prove to out run the dollar "paper gold" market's ability to keep up. Such a play will emphasize "physical gold" positions for hedging as opposed to "paper gold" positions. The latter will become an obvious useless play as investors ratio their exposure into physical and glut the "paper gold" market with no longer needed, unwanted dollar positions. An action that forces a discount upon a market physically unprepared to match real gold against a decade of super inflated paper supply."

MK: I think I might understand where you are going with this. But let me ask you just to be sure: Do you foresee "using a local Euro Zone spot physical price" as you put it, (and I interpret that to mean Europe pricing gold in euros independent of the dollar price) as a means to breaking the bullion banks' grip on the price of gold? Let's just deal with that piece of the puzzle before moving on. In such a scenario, what would happen for example if natural supply and demand took the price to EU500), while the bullion banks through derivative selling held the price at US$290? Let me throw in one more ingredient: The exchange rate between the dollar and euro remained within 90% of what it is now. Is this even theoretically possible?

Gold Trail Update (10/08/01; 18:32:19MDT - Msg ID:63199)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

[No msg#116]

Gold Trail Update (10/9/01; 10:05:49MDT - Msg ID:63235)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (10/9/01; 10:05:48MT - usagold.com msg#117)
PIZZA,,,, Bronco's,,,,,, Tonne of Yellow Metal,,,, and USAGOLD: Ha Ha,,, a gold advocates dream come true (ssssmile)

Background for everyone

All through out this period bullish gold traders have lost their shirts trying to bet on the price of gold. It wasn't until around 1995? or 1996? that these same traders even began suspecting that the price of gold was manipulated. As years turned into decades, hard money traders plunged theirsavings into our gold markets as up and down cycles drained their leveraged gold wealth. All the while thinking that the highs and lows, that were killing them, were just the ebb and flow of paper prices representing the fundamental demand and supply of physical gold. With Mises like faith they knew, someday, the currency inflation that has driven our financial markets and economies upward, would meet its end; finally taking their leveraged gold position to the top. It didn't happen then and it won't happen now; not as they are playing it! Period.

Remember, this writing is coming from one of the longest running (now ex.) "Hard Money Socialist" anyone has ever seen!

Without mentioning any names, I can remember when some of today's most avid supporters of the manipulation cause were shouting down, not only Another's voice of reason to buy physical, but anyone else that suggested manipulation or a "political thrust" was controlling the paper price.

Today, countless gold people around the world point out that gold is a manipulated item. While being on the right track, they are still using the wrong perception to grasp the dynamics of these markets. This lack of perception is what keeps them from positioning themselves and other gold
people correctly: positioned to gain wealth when a stake is finally driven in the heart of this paper monster.

The efforts by most are focused in one direction; to once again make our paper gold markets reflect the real rarity and actual fundamental value of physical gold bullion. While my heart, support and courage goes out to all gold bulls that strive for this end, it's chances of happening are the same as having government moneys return to being backed with gold: zero chance!

This grip on physical prices, that paper trading has, is only going to be changed because dollar gold derivatives no longer work. Not because some form of private lawsuit, world disaster or private coin buying is going to redirect investment flows. Only an official government change away from supporting their currency with paper pricing will do it,,,,, and don't expect the USA to be at the forefront of this move.

Lost in all the confusion is the distinction between investing in the price of gold and investing in gold itself. Perhaps 90% of all the investing in today's worldwide, dollar settled, gold market is done in this first way mentioned. Yes, the market is structured, contractually, to settle in gold. However, in practice, in norm, and in past legal precedent, it is accepted that paper gold trading is meant to only capture the price movements in gold while ceding, what could be, controlling physical trades and their price setting function to other market areas.

Obviously, this is the way it all started, years ago, with the physical trading and its fundamentals dominating the lesser paper trading. But the market evolved with the

paper contractual trading becoming 100 or more times the size of the physical side. But everyone already knows all this,
right?

What doesn't seem to be obvious is the "why for" the paper market grew so large. It grew to dominate because world wide dollar expansion reached its "non hedged" peak. In other words, the dollar's timeline was ending as its ability to produce non price inflationary economic gains came into
sight

In order to push dollar holdings further, international players needed and purchased "paper financial hedges" to balance their risk. Within their total mix of derivative hedges were found "paper gold price hedges"; modern gold derivatives. The important thing to remember is that these positions are not and never will be used to demand physical gold. They are held to buffer financial and currency risk associated with holding any form of dollar based asset. To work these items don't need to really perform "dollar price movements" in the holders favor as much as they are present in the portfolio to act as insurance stickers.

In that truth, these paper gold positions act like FDIC insurance at our banks. It can and will manage only a small determined portion of bank runs,,,,, not a full scale failure of the banking system. In a real full banking failure we would all get, perhaps, 80% of our covered $100,000 and 10% of the rest.

The same is true for these gold position's performance; real gold delivery along with true price performance, matching real bullion trading, would be only for the very few. For that matter, an actual functioning paper gold marketplace would be for the very few, too! But, in the same way a bank account owner understands the credibility of FDIC insurance when times are good; the international dollar asset owner will not grasp that modern paper gold hedges cannot be allowed to work until after a real serious price inflationary run begins.

For the first time in this portion of the dollar's timeline and our lifetimes, such an inflation is about to show its face!

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While so many of our gold bulls salivate at the prospects of some player calling for delivery and driving the gold derivatives market to the moon; it ain't gona happen! Our world of dollar based gold derivatives has grown so large and become so integrated into supporting (hedging)
international dollar assets, the central banks will band together to crush any delivery drive.

This is in the ECBs intrest as I will explain in a moment.

If some big player said he was going to take 100 million ozs out of the paper gold market, the Central Bank systems would just order him to trade out for liquidation only and go to the cash market to buy his gold. Don't think I'm confusing Comex positions and their rules as being different from the rest of the world gold market. What works on comex works everywhere when the system is at risk. The controlling governments, who's domain Bullion Banks reside in, would, could and will force those holders of bank busting positions to simply cash out for the good of their

system.

By the way; not only does a liquidation market send baby gold bulls running to sell, also, the BBs would be selling enough additional paper to temporally send gold down $100 bucks so our boy would trade out with a little less cash (smile). Then he would find an opposite "premium" spike in
the cash markets, waiting for his order.

I hope my little dose of reality drives some sense into our gold community. This is the reason Another says only fools try to buy their gold all at once on the paper markets. "NOONE" is going to exercise their "corner" until the dollar based gold system is changed.

OK, thanks for waiting, MK, I'm getting to your point. (smile)

Mike, while I'm writing this, I see gold selling off (silver more so). Once again, we see where the paper based trading has plenty of selling power and completely dominates the physical fundamental markets. How may postulated, even just a few years ago, that with the fed expanding the money
supply by a year to date "one trillion"; that paper gold could not reflect this inflation? This only further confirms that this form of market "hedge" is failing to function for its owners. Changing are coming, my friend, changes are coming! Back to the story:

==========

Paper gold derivatives became a major force in allowing this last, end time, demand for dollars and subsequent surge in it's value. This is why Another said it would run way up, even while being inflated, before the end would come.

Only now are we coming to a point where theory meets practice as Alan Greenspan now is and must hit the presses. This forced printing inflation, currently happening, is the very precursor to a lower dollar exchange rate, rising real price inflation and the very first destructive test of paper gold derivative hedges. As price inflation rises the US will protect its own banks and the short paper gold portion of these positions they created. They will sell all the paper gold they can in order to stop these hedging positions from functioning and breaking their writers.

On the physical side, the US wants and needs a higher price as they ship real gold commitments to help balance our sinking ship. So, the dollar supporting paper gold position we have sold for years will now block our ability to gain some ground with high US gold reserve prices.

In turn, Euro factions will also sell into the paper gold dollar system to help further discredit its hedging function in the face of dollar price inflation. Now to the good part:

If you are a major international dollar asset holder, watching this evolving transition, how would you act? Remember, not only is paper gold not rising to reflect real dollar price inflation, even physical gold cannot react because the dollar based market, as it

currently functions, keeps physical subject to paper discovered prices.

With the world dollar gold markets completely locked from rising and performing their portion of a hedge function for your portfolio,,,,,,, because, if they rose trillions would be lost by the writers,,,,,,, what asset based currency would you escape into.

How about a currency that wants you to redirect your fiat hedging to using outright physical gold instead of paper gold leverage? A currency, with a stated free gold pricing policy, that will allow your physical hedge to function in place of that locked dollar gold market; and function in a
currency supporting way.

They say:We understand that there will be an inflationary transition form this dollar world because we, ourselves, must absorb a certain portion of all the past created dollar inflation. A portion of pain we and the world must all bear in order to economically get pass this period. But, at least, we offer a position in the wealth of ages to reflect this financial loss as it is manifest in price inflation.

We will allow and support any physical gold Euro price rise to balance this action.

Mike,

the leverage today will be in a physical gold position, not any other form of gold ownership. By accumulating physical gold today, we are truly walking in the footsteps of giants; advancing with them as they work thru this singular, long term political move. Truly, the oil producers also fully understand and appreciate this position.

Yes, I think it is theoretically possible to see physical Euro gold priced very high while traditional American paper gold markets become cheap, non functioning, cash settlement shadows of world spot gold values. In the near future, there will be no form of arbitrage between physical gold and this failed , crushed dollar gold market because it will only allow cash settlement. While a

US physical gold free market will be locally encouraged, it will most likely simply be a shadow function of Euro Gold prices. Besides, politically, unless we once again stop all gold ownership and or implement exchange controls,,,,,, all gold buying money would head to europe. Besides again, politically, a Euro based free market will end all fictions of gold's true value anyway. (This is my private understanding or scoop, if you will) I also expect a European gold coin to become real usable legal tender (not a collector item) and be named the "EuroLand"". Again, a barter asset that is taxed when used. Just as we have sales taxes and excise taxes; gold coins used outside an investment realm would be taxed. (again, this is but the shadow of an evolving down the road position as I can best grasp it)

I also fully well expect that most world gold mine production will be forced to ship

gold into the leftovers of the dollar cash settlement paper market until the Bullion Banking system is made whole on their physical side. In adjunct to this, the ECB and BIS will play a major roll in cashing out failed paper gold positions for certain clients. Cashing out in Euros, that is.

A US workout to cover its failed paper gold position will most likely be using gold industry profits. It could be done via "windfall tax legislation", plain tax or part of any variety of emergency financial arrangement. All built in order to allow our current gold reserves to be repriced at higher world levels and help our dollar stay somewhere in the next currency system. Considering the size of the failure, real gold will outperform any and all investments once this all gets started. However, we should not be naive and not expect some serious taxes of our own on bullion sales. Still, only just enough so as to keep currency tender protected from being supplanted with illegal gold use. Illegal in that too high a rate and everyone would use gold in barter and stopped paying their capital gains taxes all together.

Dollar hyperinflation and super high gold prices are closer than many think.

MK, while I think you have always understood our thrust, if this post is sinking into the readers understanding,,,,, the words should be jumping off the page at them. Let's hope so.

Now, I think I will do some gardening and also have a pizza later. Sounded too good to pass up! (smile).

thanks

TrailGuide

I hope to later comment on the good words of Mr. Strauss.

Gold Trail Update (10/9/01; 14:55:33MDT - Msg ID:63248)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (10/9/01; 14:55:32MT - usagold.com msg#118)

Patching the trail!

Well. I read thru my last post and thought it was ok. Then I returned, pulled a copy off the printer and gulped. Don't we wish we could change these things? Here are some corrections and expansions.

[Sitemaster note: msg#117 has been properly amended to incorporate the corrections FOA indicated in this post, #118.].

sorry about this,,,,, I think I'll go hide for a while.
Just a TrailGuide

Gold Trail Update (10/10/01; 07:07:07MDT - Msg ID:63290)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (10/10/01; 07:07:06MT - usagold.com msg#119)

At the Trail Head parking lot

I'm here to post a notice that another guest speaker will soon be talking somewhere on the trail. I think this one will be covering fiats or moneys, not completely sure?

(leaning against my car, while talking to a few day hikers)

After yesterday's awful writing I went into my back property to hide and do some gardening. Some of the guys that help me out came over and dug in. It wasn't long before they, once again, started telling me what to do and, in a weekly ritual, I fired the whole bunch! By now they know this is my usual banter and just kept right on working,,,, and still telling me where and how things should be planted! The truth is, after all these years I'm still learning from them. Looking at the whole situation; I know I can talk better than they can garden, but I also know they can garden better than I can write! So, there is a certain symmetry ,,,,,, somewhere in this scheme of human affairs. It requires us all to put up with the other's weakness; especially if we want the other's understandings.

(pulling a cloth from my pocket and cleaning my glasses while talking)

On most parts of this Trail, I could walk with my eyes closed; while in other areas I would need six maps and two GPSs units just to know north! Right now, I can tell ya what's most likely out there, but in those strange areas; not really sure?

Take this Euroland gold coin thing? My guess is we won't see this anytime soon. I suspect it will be something like a K-Rand, with no marked currency denomination, but different in that it will be a hybrid legal tender. If you look here in the US, gold coins are somewhat a currency as they stand.
Just like IBM stock, real estate and most any other asset, we just have to sell it for currency first; pay our taxes and then use the money to buy something. The process only becomes illegal if you use the stock, land or gold to trade directly for something and don't pay your taxes.

Mr. Strauss pointed out that the current trend in motion is that all VAT taxes are being lifted or phased out on gold trading. Eventually, most of the world will have only some form of capital gains taxes on gold. This is fine and is bringing gold into focus as the one and only metal asset the official sector is trying to work with. But I think there is more to it than this.

As I said many times; Europe it looking to bring gold back into use as a very tradable asset. Perhaps "the most very tradable asset" but still outside the fiat money context. They want to keep the government's and socialist's hands off gold and its market function so it will serve everyone as a
savings medium. But, they also want it to gain as a trading medium so the combination of the two will create immense demand.

To gain in the "use department" I suspect we will see some push to drop all gains taxes on gold used in official coin (Euroland) form. In place of that, there will be some form of excise tax charged on payments / trades done using these gold coins. Most likely, you will have a choice of paying
completely in gold or Euros but not a combination of both. Probably, gold will be used for large purchases because gold will carry a very high price by then. And too, 1 gram coins will be the norm; being the size of our one ounce now, but with alloys. I doubt gold will ever be used in regular store / retail sales. In other words, I could go into my bank and use 50 Eurolands containing, say one ounce fine gold each, and pay off my $200,000 mortgage; minus some 15% excise tax on the deal? I could probably do the same thing with regular bullion, too, but would pay a somewhat higher gains tax rate; instead of the lower excise tax.

Anyway, this is all in the "for what it's worth area". Go ahead and take your hike,,,, I will be here giving the car a tune-up and changing the oil when you return. Then I want to talk some more about the words of Mr. Strauss (smile).

TrailGuide

Gold Trail Update (10/15/01; 07:49:10MDT - Msg ID:63645)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (10/15/01; 07:49:09MT - usagold.com msg#120)

Continuing from my last talk:

(returning to the trailhead parking lot: walking along the road with a few Gold Trail hikers I ran into along the way)

Boy, I wish those other day hikers would have returned from their walk before I had to leave. Sure could have used a ride to the auto store. Who would have thought I couldn't get my oil filter off? It seems the more we advance our so-called "modern lifestyle", the more complicated simple things become. Now it takes a $10, special angled grip wrench just to undo a simple filter and the darn thing broke just when I needed it!!!!!

You guys probably think this is all normal? But, I tell ya, all this complicated engineering only works when nothing goes wrong; the fella that designed that oil filter never thought somebody (me) would accidentally push a little more than needed; breaking the wrench and causing a problem that
stopped the whole car from running.

(now done with the car, sitting on a log with the guys)

You know, the gold market was put together the same way as my car: over the decades, a whole bunch of financial engineers each designed their own little part of the mechanics. Each one of them structured their little part to work perfectly as it functioned in the overall operation of the engine.

These fellas did exactly what their boss told them to do; make your part work and don't worry about all the rest. In truth, this dynamic works fantastically in a

mechanical environment; devoid of organic imperfections. But, apply this kind of design into an economic function and sooner or later you're asking for all hell to break lose!

You see, a fuel pump won't look over its shoulder to see if the gas tank really has all the liquid the dash board fuel gauge say it has. Such a mechanical system, as an overall part of the engine function, will keep right on running until the very end! Now understand that..... if a person, emotions and all, was running that pump, he would eventually see what's what and go running down the hall screaming "we're almost out of gold,,,,, errr, I mean gas!

Let's take a hike:

You know, modern financial engineering incorporates all the physical factors of "just in time delivery" management and labels it "just in time dispersion of risk". In other words: they try to take all the perfect workings of a mechanical operation and replicate it into financial dealings. But, financial instruments, while understood by us as being paper bonds, stocks and bank accounts, are actually completely organic! They are, like money, really concepts of value we hold in our head; not oil filters or fuel pumps we hold in our hands. The "worth" of things is a "value" we mentally create thru countless interactions with each other as we go thru the day: interactions we call "the markets".

Onward

It's no accident of nature that our world monetary structure embraced derivative expansion as it has over the last ten or twelve years. I think we can say that this modern creation of risk management began around 1988 or so. (It's funny, but I remember living in San Diego and reading a paper about a gold company called Barrick that just started only a few years earlier?)

The record of derivative evolution meshes seamlessly with the recent need for supportive dollar currency measures; a strategy of maintaining a failing system that was ending earlier than expected. Truly, a decade ago, noone was going to carry the dollar any further, waiting on the endless delays of Euro creation, without some way to hedge risk. We had hit the end of the dollar's timeline to early; we had missed the mark.

The US could not physically save the dollar, then, with gold backing or the production and sale of real goods. In the course of all the previous dollar expansion, the gross liabilities of taking dollar asset conversion into anything real, and originated locally in the US, would have made us economic slaves to the world for decades. The only answer was to let the dollar kill itself while you create an illusion of risk dispersion in the form of derivative protection; a form of backing if you will. With this "illusion of risk dispersion" in hand, called a derivative hedge, the world currency system and its denominated assets, continued on. This "just in time risk management" was and is adopted into every present day currency that carried the dollar as reserve backing. This includes all the old Euro moneys and the Swiss and British etc.. Thus, in time, derivative use supplanted IMF protocols and SDR functions; sidestepping the whole basic structure of controls built upon the old dollar based system.

This derivative buildup has effectively removed US fed policy from being a controlling

factor in dollar use and expansion. Gone were the days when the Fed could force everyone to disinflate with us. Today, if we slow our money printing, the outside liabilities would crush our banking and ,therefore, our economic way of life.

It's no wonder that Alan Greenspan has commented so often on the need to control derivatives yet has no workable plan to counter their function. Truly this dynamic was created to counter his function and few can understand this! In effect, the dollar was placed on a one way street that required it to be inflated into infinity. All as a means of protecting dollar originators; the US banking system. Dollar leverage, that is actually US liabilities, is now built up endlessly. This all points to a nonstop, end time need for an uncontrollable inflationary expansion by our fed.

Randy S, over in the tower at USAGOLD, has shown us a complete record of this current era of dollar creation. While others were waiting for a "little bit of 6%, 7% or 8% inflation" to show its head, are given a weekly guide of this new Fed policy agenda and its dilemma. An almost endless acceleration of reserve creation that, strangely enough, coincided with each increase in the confidence that the Euro was for real.

Today, our fed is confronted with a daunting task. The Sept. tragedy served to force its hand and show its true policy in the open and the risk that is driving it. We as consumers welcomed a derivative driven dollar expansion, the stock market assets it produced and the better lifestyle it brought us. We even thanked the political will that made this so; not knowing that the seeds of leverage that produced our illusionary gains were handcuffing our ability to ever stop the process. We are now learning that managing a dollar economy and the "derivative risk" that brought it, all works very well. In our first real test of "just in time risk management" our Fed is and will provide buying power to gobble up any and all risk, "just in time" and without end.

With this the decade long cries for comparison of our "US free market driven economy" and "Europe's terrible socialist polices" fall silent. It seems that when our "free market" created assets are threatened to be exposed as an illusion of value, Americans embrace any and every form of government socialistic bailout known to man. Perhaps, our much exampled form of a "free market driven economy" was little more than "free as long as derivative risk is covered with social money" "just in time".

Now, we will follow this trend in an accelerated fashion, until all derivative process is exposed as nonfunctional outside a massive hyperinflationary policy. Our wealth is and was nothing but an illusion of safety and created in our own minds. Within this mix is contained all the various gold derivatives we have come to love so well. The future failure of a gold contract does not mean that the long holder gets his price or his underlying good; it means his derivative fails to shelter his exposure by matching his other loses. In terms closer to a gold bug's heart; paper gold in any form will not match up anywhere near the price of free traded physical gold.

We are on the road to high priced gold and under priced derivatives. The same thrust will be apparent in all financial derivatives. Further, we are on the road to a fully "cash settled" contract market for gold; here in the US and abroad. In the time ahead, just before serious real price inflation rears its head, look for most all dollar based contract commodities markets to be restructured into pure "undeliverable" cash settlement markets. Markets that, also, many gold producers will be forced to

use. The day of big premiums on gold coins and bullion is coming and coming fast.

Let's head back to the parking lot and home and get ready for another day. A real hike is coming.

TrailGuide

Randy, please rework the recent mistakes on the trail, in your time(big smile). Thanks

Gold Trail Update (10/18/01; 08:22:08MDT - Msg ID:63834)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (10/18/01; 08:22:07MT - usagold.com msg#121)

There they go!

(At the trail head, loading the packs)

Quick, use your binoculars, watch the action on the other side; across the paper gold valley.

Do you see them? Right over there, follow my point? Just under those low bushes; next to that big bolder; making their way out of the paper valley. Yep, that's a big paper gold trader, going over the top. Ya see em? Ha1 Ha! Sure sign the seasons are changing!

These guys, and others like them, are trying to run ahead of a trend we already knew was in process. They are going over to the other side of the paper gold mountain. If only they knew about USAGOLD a long time ago?

Yep, us PGAs beat um to the punch and those pikers

(slang for hikers on some peak in Colorado [smile])

will pay a big premium to be in our dust! Indeed, they are headed where our very own gold trail has been: in the middle of a physical gold market transition that finds its roots in
Europe.

Yup,,,,,, silver is back into the 4.20s as China sells it to buy gold; while the question of what to do about gold paper gets more official consideration every day! The dynamics of money is in flux, for sure!

Keep loading your packs, people, take lots of stores for a true wilderness experience under a starlit night; a big hike is coming.

TrailGuide

(thanks Randy)

Gold Trail Update (10/20/01; 08:50:21MDT - Msg ID:63932)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (10/20/01; 08:50:20MT - usagold.com msg#122)

Taking broader steps: heading towards a clearing

Onward

I'll repeat a remark made here on the trail before:
-----[One day the ECB will be] Moving their quarterly "marking to the market" of gold assets to using a local Euro Zone spot physical price; a price that will prove to out run the dollar "paper gold" market's ability to keep up. Such a play will emphasize "physical gold" positions for hedging as opposed to "paper gold" positions.----------

Follow my steps

The coming dollar currency crisis will be, very much so, driven by an across the board failure of all derivative market function, not just in our gold derivative markets alone. As these risk dispersal markets built up over the years, that system allowed the dollar to continue in its reserve roll. The very failure of this hedge system is what will begin to transition the world away from dollar holdings. Not to mention settlement use and retention in CB reserve function.

Truly, our dollar's value would have never arrived at or retained its current level, for so long, had foreign CBs not supported it by making a background market for derivative exchange management and low rate gold loan commitments for major world investors to use. Within this tremendous mass of paper risk assets, our modern paper gold markets find their home.

When this whole quagmire of dollar support is allowed to fall away, the true nature and worth of paper gold derivatives will truly come to light. Prompting a trading recognition of their real value and their quick disposal. The ensuing price action will sever investor's faith that there is an equal connection between the owning of; what is the fundamental value and leverage of physical gold assets and simply capturing gold's currency price changes in paper asset form.

This change in market pricing dynamics will shift investor perception and force private and public wealth hedgers to see physical gold as having a far greater leverage over paper positions. An image and position the dollar gold faction and the entire gold industry have fought against for years.

This transition in hedge book policy will set off a new dynamic trend in our gold markets where physical gold soars to find a fundamental value modern gold thinkers knew existed. A value steeped in gold's rich history of being the very best barter wealth savings in the world. A value that gold could never find when tied into official money systems.

Our evolution of thought will find its roots in an inflationary financial crisis that is

now beginning to unfold in dollarland. In fact, "all" dollar hedging systems will most likely meet the same fate as the effects of a real, serious price inflation in local US markets escalates. In the final overview, physical gold will be seen as the only real risk hedge; in fact; the only world class asset "that can perform such a task"!

Onward further

In simple political terms; the very leverage that all modern currency supporting derivatives represent, never could be allowed to perform; in large outright quantities! Once real inflation begins to demand that these hedges truly spread financial risk with real performance, resulting in a pile
up of loses, the political solution used time and again will return as the time honored utility that saves the day:

------change the rules------!

You see, just as there wasn't enough real gold stored in official US vaults to match pre 1971 dollars at the then existing exchange rate, there isn't enough "tradable gold" to match the inflated paper gold markets today. Both then and now, the paper derivative's function to relate and capture the value of gold was blocked from functioning.

Pre 1971; people held dollars because the physical gold that those dollars should have represented and could be traded for, hedged the risk of government sponsored price inflation. But, people found out, too late, that those gold derivatives; those pre 1971 dollars; would never be allow to function as risk hedges. We found once again that man's ability to maintain a constant link, a constant derivative value, between official money and gold,,,,,, was always an evolutionary failing trait.

The response will be exactly the same for our problems now as it was then.

-- Then --:
The dollar faction universally abrogated all gold delivery options against dollar currency and implemented cash settlement against all claims for gold. In other words; implement a pure fiat floating exchange rate and close out all gold claims by saying that investor holdings in dollars were equal to gold. In hindsight this was just another illusion; dollars were only ablr to capture the gold price if that relationship was controlled thru paper market valuations.

Then -- to -- Now:
By saying that dollar cash, using the old 35 dollar controlled rate, was the same as owning gold; the Western world embarked down the same paper road we travel today.

Modern "Western Thought" is convinced of an illusion; that capturing the price of gold is as good as capturing physical gold. Indeed, this thought was further extended to include capturing a leveraged price of gold.

--Now--:
A process is in the works to change our dollar / gold relationship again, after derivatives were inflated beyond use. Now, even the price of gold can no longer be captured on a par basis between derivative gold paper and real physical gold as the

preceived value of gold is soaring. Once a super currency inflation breeds super price inflation; the derivative markets will begin to fail their hedge purpose and their trading value. These asset themselves will become the real risk.

Dollar supporters have no choice but to "NET OUT" at even any derivative hedge that may risk the system. That is, "Net Out" in a way that completely voids their risk transferring purpose as they are settled in dollar cash "no matter what effect inflation is having on the currency's value or your other dollar assets! Remember, the financial world today turns on dollar assets that are hedged; not just pure bare holdings! Block the hedge markets from performing and the dollar itself is unseated.

Make no mistake, every official rule and regulation ever written for currency crisis management involves not only currency profile assets, but also gold profile assets. With this concept in grasp; it's easy to see, with gold derivatives so widely used in current dollar support functions today, why they will be impacted as part of the paper mass.

Modern derivative usage involves gold derivatives and a new evolving crisis policy management will function somewhat the same as in 1971. It will arrive as some "net out" policy directive and universally abrogate all gold delivery options as part of the package. Any gold derivative that is used to support dollar currency exchange rates will be reworked to implement cash settlement against all claims for international currency derivatives written for gold.

Further

Is it no wonder that Euro Banks have no fear from writing short gold paper. Because the entire Euro money profile is in the background for them. Running in parallel to and not in conjunction with the current dollar system. Any Fed policy that must break the risk transferring dynamic of derivatives, to protect our US banks, will open the door to the ECB's dumping IMF protocols and using the Euro alone as their sole reserve currency. This will immediately shift all dollar derivative plays onto the market, dynamically devaluing our dollar in the process. The ECB would then be cashing out holders of their gold loans in Euros as dollar physical gold prices spike and paper gold prices plunge.

Higher still; we climb

Of course, the big difference is that Euroland will encourage a physical only market price that, in turn, also floats Euro gold values to the sky. All in an well balanced effort to replace the massive dollar asset base it lost. In this; the Euro will become the first currency block that functions as a local reserve, yet under scores its image with huge non- monetary gold assets. Is it no wonder that EuroLand citizens will be buying gold as much for its prospects to rise as for its ability to be a wealth savings. In this it will hedge the future remains of a dollar failure and its impact on the world system.

If Mr. Huge EuroLand bank owes the ECB system gold worth 100 million in current gold deals; with each 1,000 euro rise in gold he finds himself able to settle in less received physical gold. In a true "cashed out" transition of currency reserve hedges, each ounce of contracted gold owed could be
reduced many times. Every player in the gold system, that is caught with their pants down, will rush to be a part of any Euro workout. Indeed, for every major player that

was long the gold loan system, for the purpose of buying gold, cash outs in Euros will offer the only return. Official players in the oil sector would eventually be receiving American gold (but that is Another story).

Pause here

Remember; we have presented, for some time, that official gold stocks were never physically "in play" to the degree the gold industry suspected. It has always been our position that it is and was "gold commitments" that were behind the market, while official physical gold was traded mostly within the CB system or delivered to the most pertinent oil players. The Swiss operation points to an end time settlement of these for the Euro side of things.

ECBMBs (European Central Bank Member Banks) never really sent out very much real gold; they just lent their good name to the BBs. That means cash pooling for the loans also. So, when a new currency transition workout proceeds, the members of the ECB are receiving Euro cash in payment for gold loans. In hindsight; it will be seen that they lent the commitment to sell gold only long enough for US inflation to end the dollar's timeline and bust its dollar system. Around ten or fifteen years over this recent concluding period?

Truly, the gold that is filling the fundamental demand deficit never was the gold coming out of CB ranks; this position was and is the gold industry just looking for an answer to explain what was truly an paper market problem impacted by official currency games!

Besides, if your business is financially structured within an ongoing paper gold market and needs said paper to trade at par with physical gold; you don't want to consider an outcome where you may be trapped selling your product at a discount! Better to fight for a rework of the same markets. A process that robs physical gold owners of fundamental value by reinforcing the paper market illusion for the benifit of a relatively small group of gold players.

That will not happen this time; believe it!

In a final thought that explains the fundamentals that tarnished gold:

The gold that filled "the supply demand gap" came from tired Western thinking gold bulls the world over. Over the last years of our dollar's timeline, they transitioned their portfolios from holding physical to holding essentially unallocated forms of leveraged paper gold. This took place in both public and big trading firms.

To the thinking of these smaller world players, who made up this mass of original physical gold ownership; future gold, options, gold stocks and long gold loans, all captured the price of gold in this modern era. Indeed, for them it was all the same and suddenly so logical and simple. But, they did and are losing their wealth to the paper monster and now,,,,, just when they thing gains are in their grasp,,,,, the rules were changed again.

let's rest here; that clearing is in sight; where some speaker if giving a talk

Packs off for now

thanks
TrailGuide

Gold Trail Update (10/23/01; 10:30:13MDT - Msg ID:64084)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (10/23/01; 10:30:12MT - usagold.com msg#123)
The real world

No backpacks today. Lets just stroll over to that clearing where I'll be giving the talk. In reality, I'm just sharing with everyone the thoughts and views of a like minded gold advocate. Someone we rarely understand but somehow always knew.

Hello again and I welcome everyone to these ongoing talks on gold. Talks that focus on where gold and its market is taking us: -- an evolving message from an ancient metal.

It's wonderful to be with you, here in the American West, with its clear skies and cool dry air. Meeting here on the gold trail speaks to our senses in ways no city location can; imploring our minds to hearken back to what is real and alive in our world. While standing here among the mountains and trees, our financial perceptions begin a change; recasting our thoughts of accounts and credits into hazy feelings of virtual wealth we never really knew. Suddenly, bonds, stocks and paper investments descend to lower levels of importance.

It was as true yesterday as it is today, and will again be so tomorrow; that the touchable things in life are what make us whole as much as they make us wealthy. Our bodies are real, so too is the earth and all upon it: is it such an unreason that our wealth should not be real also?

For myself and many others that hear our message, the answer is no. No, it is not unreasonable to clearly own and touch what our efforts in life have brought us. I suspect that during this era, within this moment in time, events will eventually define such logic more clearly and prove it to be sound beyond any doubt.

Times change, my friends, history moves on and so too will mankind's perception of wealth. Once our perceptions will evolve, not in a forward matter, but rather in an ages old oscillation that returns us back to saving wealth itself; instead of a paper promise of wealth. With a regularity of seasons, as sure as the phases of moons, a changing of "political will" is once again about to redefine what our virtual written worth really is. In response to these changes, often made with little more than the stroke of a pen, mankind will seek a secure position. A position that will more so value an ancient wealth: a golden savings that no politicians could ever write the value of.

- As my friend would say out here: onward we move

Once again we hear the voices of shock and dismay among modern gold bulls.

Followers of paper values who, ironically, display the same emotions each time their gold strategy fails them. In cycles that seem to repeat on regular schedules these investors wager on the price of gold instead of investing in the physical attributes of the real thing. In doing so they fall victim to their own misunderstandings: -- falsehoods represented by their own perceptions of what our Western gold market does and does not do.

Somewhere over the course of these last decades, Western Gold Bugs learned that it was very easy to wager on the price of gold. During this time a market evolved that made it far more convenient to bet on gold that to own it. But as this market expanded to include retail gold buyers, even simple reasoning seemed to be cast aside and all logic was lost. Truly, these were becoming markets that traded opinions and failed to produce wealth.

---- Did we Consider that: if it was easy for me to buy a gold wager, is it not just as easy for one to sell a wager?

Throughout this period, Gold Bugs seemed to reach conclusions about their paper markets that were never real. They understood how rare and valuable gold was. Yet, they fully well expected these same attributes to be reflected, not only in physical gold, but also in the price of their paper wagers. The reasoning was presented as such: -- investors that wanted to bet on the price of gold going up were unlimited in number and their demand could easily overwhelm the supply side that created these paper wagers. -- Conversely; investors that wanted to bet on the price of gold going down were limited in number and their supply of these paper wagers could never keep up with demand. You have got to be kidding?

But why would this be the case?.

They looked at this paper market and tried to think of it as a physical market. They figured that any investor that sold a wager, had to have his hands in the actual gold market, so as to supply the physical gold his wager was created against. Somehow, in our gold bull logic, we never grasped that perhaps 99%+ of the "world's" paper gold game always settled in cash. With the wager / seller simply losing his currency if he is wrong.

In a further convolution of logic, paper gold bulls never thought real world reasoning applied to them. If our paper gold bears didn't have the gold or the cash to buy the physical item, if they were demanded to do so; -- neither did our paper gold bulls ever want the physically delivered gold either! Nor did they have their hand in a cash bin deep enough to to do the deal.

---- The purpose and structure of these markets was always ignored.

The reality that confronts gold players today is that their perception of this paper market is flawed. The entirety of the world's paper gold markets are structured to capture the currency price of the metal; not actually deal in a majority of the physical aspects of it. Lost in this reality is the understanding that these markets do not impact the supply and demand for gold as much as they make a "virtual" price for gold.

Those in the business of selling paper leveraged gold to investors love to point out that long buyers can and do demand from the shorts to deliver bullion. But these

same sales clerks quietly ignore the fact that short sellers can and do demand delivered cash from the bulls! When we have a market where both sides run from the other's physical demands; you are left with a paper arena that makes a "virtual" market price; not a fundamental supply and demand price.

-----Supply and demand

Also lost is the very real perception that the sum total of dollar based paper gold wagers, that can be created on both sides, is only limited by the sum of dollar liquidity floating in the world. In this logic; the number of bets on where the price of gold is going is unlimited on both sides and has no corresponding connection to the actual physical supply of gold bullion.

What "IS" firmly grasped by every major player in this market is: -- If at any time a majority in the market were to attempt to use these paper markets to extract a gross amount of physical product, the rules would not be changed! Rather, the rules would be enforced and the players would be cashed out and sent into the real physical markets to do their deals. Only then would fundamental supply and demand, based on gross dollar liquidity, create a "non virtual" real price for the product.

-- Disappointment rules the day!

Time and time again Western gold players are finding out that as dollar inflation creates more liquidity, the same of which will eventually drive price inflation, it also creates more liquidity that paper wagers can use to sell against our "virtual" gold price. While this is truly a fundamental fact of currency supply, Western paper gold bulls want to use this liquidity to leverage and effect their long side only. So as to capture a gold price moves on the upside. But they don't want others to use an equal amount of this liquidity driven leverage to supply the other side of these wagers to send gold's prices downward.

We wanted a free market and a free market is what we got: -- but it doesn't move the virtual price toward the gold bull's favor. Now they are mad because their bets are countered while physical gold advocates scoop up an almost free metal: -- using the liquidity that dollar inflation is producing. Truly, if ever there was a way to profit from gold mining, today, it's by buying this almost free physical gold the mines are producing; while mine players and paper gamblers pound their wealth into the dirt. This is what PGAs call benefiting from the leverage in mining (smile).

--- Supply and Demand: one more time

In a convoluted stretch of reason, "virtual" gold bulls wanted these markets to be regulated so the supply side of these paper creations would pay off on their bets. The bulls wanted to be able to create all the buying leverage they wanted while the bears would be locked into delivering a metal who's total world amounts are fixed. The bulls wanted free leverage without the using full amounts of real cash but wanted the bears to mark to the market with real gold buying power for every wager they made. If there is manipulation in our paper gold arena, it's in this area of investor understanding. What these markets "truly represent" is the misconception about gold in our time.

If the gold industry is unhappy with the prices their product if bringing from this

paper market's leverage; they should be pushing for a change in the rules so as to force physical delivery upon everyone in these markets. That is; force delivery upon both sides! They don't, because their
financial structure is so completely immersed into the current function of these markets. Many of them and their banks could not handle a real gold price that runs out of their derivative's trading ranges.

Western paper gold bulls fueled the creation of these markets by supplying the demand for such gold vehicles and governments helped their currencies by using these same as FDIC like stickers on their reserve positions. They all wanted a place where they could bet on gold, using maximum
leverage, and not have to fully fund the physical delivery of bullion if it came to that.

Somehow in the process, everyone was thinking they were doing an end run around the slow thinking, stupid gold advocates the world over. Hoping that coin and bullion buyers, who were creating the physical demand, would one day feed the leveraged paper profits of paper players. Hoping that the rules would be changed just enough so gold could be kept in a nice tight range (300- 500).

We are seeing the results today as this fraud of a paper game as it comes to an end. It's not nice to watch. Busting, not only the dollar factions that played this sector for their best interest, but also denying any profits to the whole gold industry that chose to ignore the long term best interest of gold's market value. The same industry that decided to cater to the singular greed of a small group
by sacrificing high gold prices so leverage plays would work. In the process they played a political game to limit gold prices from getting too high and will now suffer on the altar of a "gold price without a range".

They can call the outcome anything they want: "bullion at a premium to comex" or " comex at a discount to bullion". Either way the whole system is destine to split and leave the paper players holding an incredible bag as bullion runs away with the help of fundamental gold factions in Europe.

So the message to paper players, gold mine owners and the gold industry is clear:
--we are in a world where free markets rule and political games bite the hand that feeds them
-- if you don't like your profit margins on the market you are forced to sell into, close your mines like the rest of the world's business is told to do,, if you can!
-- if paper players don't like their investment returns because the leverage is eating their lunch, move to another area,, you are free to choose -- or better yet
-- go control your controllers if you don't like the way it is in this evolving political world
-- in the mean time we PGAs are and continue to exercise our free market rights
-- we will keep doing something to advance our wealth: buying physical gold!

Next talk is about inflation, titled:

---- "Forget deflation! The deflation theorist are losing their wealth fast enough for all of us!" --

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OK: lets head back and rest up for the next round
Thanks
TrailGuide

Gold Trail Update (10/25/01; 09:30:27MDT - Msg ID:64182)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (10/25/01; 09:30:26MT - usagold.com msg#124)

A quick report and comment from my office on the trail.

Once again the ECB is acting in a way that lends credibility to it being a true hard backer behind the Euro currency system. The ECB is taking an international, long term stance to managing their money and the dollar faction hates it. They hate it, because such a policy position is no longer open to them as we are forced into a super inflationary direction from which there is no turning back.

It won't be long until this downturn in the US drives the dollar into the toilet and leaves the Euro as the "last man standing". As the gap between inflation rates and returns on Euros grows, that currency will be seen more and more like a world class money. World class; in that the Central Bank is more driven to keep the money strong and not base its policy on local politics the way the US does.

---- Remember: Unlike the Fed, which has a mandate to boost jobs, the ECB's main task is to combat inflation.------

----- Over the last decade or so, my nation (the USA) has always played it's economy and financial arena as a free market driven system. Well, it always looked that way as long as the dollar's reserve function helped deliver those free trade benefits. But, low and behold, let us turn down a little, come under a little preassure and our socialist printing pressed go into overdrive.

The call goes out to bail out the Airlines, banks, brokers, insurers, post office and anyone else that's in trouble. Protect our Steel industry and to heck with the world: this free market idea can take a hike, boys. --------

The media concentrates on treating the dollar more like a stock investment than a major international reserve. Considering the way our Fed is socializing our money policy now; perhaps the dollar has embarked down that road and is becoming " just a quick trade investment"! Perhaps a Hyper Trade investment, at that.

I think the majority of Western money theorist want this perception in place:

--"lower rates build the economy and therefore the currency, too!"--

Never mind that this flys in the face of everything we and the IMF taught the third world about money policy over decades! A policy that says: your country is going down the drain because your money policy is not free trade structured like ours is! Now, we suddenly cheer any policy that trends to support us and try to explain it in a "dollar supporting" slant.

We do this, because we want the dollar market to deliver our investments out of the current US fire storm; it has nothing to do with the strength or hardness of the dollar. In this respect, media cheer leading has little to do with the dollar being a sanctuary for foreign holders during troubled times, either. It has everything to do with local internal US investments going bad. To hell with the hard currency policy we taught you: -- a return on money that's above inflation or free market competition to weed out the week: -- We want my money back and hang the world!

This is a repeat of the same message sent in 1971 when we dropped gold.

I think the ECB and the BIS have known, for some time, that this would be the typical US reaction whenever some trouble really came along. They just waited untill the world twistes the wrong way and sure enough, the US dove for the bait! This is why Europe and the BIS structured the Euro system so it could completely discard all dollar reserve function if needed.

Truly, if the dollar IMF system can be the reserve for all internal US banking assets; then the Euro could easily do the same in Europe. Especially as US inflationary money printing eventually drives our price inflation rate to a level that makes dollars and dollar debts, outside the US, valueless assets! Paying back those debts will be like tossing a nickel where one once launched a bill to settle a debt.

Today, many dollar investors have a terrible flaw in their view of Euros; not unlike Western thinking gold investors. They curse the Euro as it strives to reverse the very trend that dollar lovers say is taking down their own currency. Standing next to them, gold players curse the dollar and buy illusions of gold assets; but at the slightest move up can's wait to sell their gold paper for more dollars. Then they tell everyone that they are making wealth by building up their holdings of a failing currency. I tell you this simple minded human game has bankrupted more than one nation of
peoples.

I buy Euros because that's the currency I intend to keep through out this transition era. Of course I own dollars and will likely keep using them right thru any super inflation. I never expect the dollar to disappear. Most hard money investors, with extra funds to hold, also have that same view. They are simply wanting some of their wealth in the next international currency trend. A trend who's management policy is based on creating a real return; not socializing the currency holder wealth thru US and Japan like give-a-way interest rates.

Apart from our Western trading crowd, who consistently lose their money, Euro owners and Physical Gold Advocates own these items with no intentions of selling these to make more dollars. They hold them because the world financial system is changing faster than trading can compensate; and this trend will accelerate to run right over traders as their markets shut down around them. Believe it.

So, I say, good for the ECB and more so, good for gold. I'm playing the leverage that modern dollar derivatives are delivering to my door step; buying cheaper gold and cheaper Euros. The leverage in gold mines is delivered to us; in that derivatives markets force them and stale physical longs to supply the world with gold at almost free prices. At least until the dollar crashes this illusion gold market price. The leverage in dollars is delivered to us; in that the US must super inflate their currency

to support its derivative hedges, in the process creating Euro exchange rates at low levels.

The game goes on and Physical Gold Advocates keep right winning while leverage hard money types pour their wealth on the ground. In this day, at this time, investments in most dollar assets and any other "gold want to be" metals is to be doing little more than to play the leverage side of a
failing derivative.

Physical gold is the only wealth to hold and the only wealth that can and will stand beside to the next reserve currency system; the Euro. The history we are writing will further prove this to be so. Events are moving our way. I say; find yourself a coin and bullion dealer that has a grasp of these
events and stay with them thru it all. The world is moving towards high priced gold on a free physical only market and physical shops will find themselves at the center of this evolution.

USAGOLD: get you one
(smile)

Thanks
TrailGuide

Gold Trail Update (10/25/01; 17:19:55MDT - Msg ID:64192)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (10/25/01; 17:19:54MT - usagold.com msg#125)
More Thoughts and Comments from the Trail House
http://money.iwon.com/jsp/nw/nwdt_ge.jsp?section=news&news_id=reu-l2510670&feed=reu&date=20011025&cat=USMARKET

Somewhere in the 1970s era I was exposed to the thinking of several different deflationist. It seemed that all of their conclusions came to the same end: that dollar deflation would rule the day, no matter what. Mind you now,,,,,, most of them were split on the finer points of the issue, but for all of them; inflation would have its day even if prices would rise somewhat. Deflation was always the final outcome.

One of the central themes, in these thoughts, was concerning how this coming deflation would impact plain old residential real estate. You see, most of these guys advocates selling excess residential property because it was, sooner or later, going down for the count. Mostly because the mortgage markets would be destroyed in the deflation and nobody could buy.

-- Note: The reader has to understand that these discussions were directed towards people and investors that had plenty of net worth. And I do mean Plenty! The argument wasn't about how to survive; rather how to balance a truly conservative estate portfolio. --

As time has passed we can see several major flaws in their thinking. Flaws that cost them a bunch of credibility, if not personal money. One point, that I have touched on here several times, was in understanding just how much ourselves and our economic

structure would and did evolve into accepting fiat money use. Even though it was, "god forbid", separated from gold.

In one area alone, the bond markets, investors reacted far different than deflationist thought they would. Twenty ++ years ago, it was expected that just gross increases in money printing alone would be enough to crash the bond markets. Not talking about price inflation here, but money inflation and that should have started a deflationary fall in our credit markets. It almost happened, several times, but never followed thru. It seemed that the market function had evolved to accept fiat inflation as a prerequisite to modern economic function. In a like comparison to today's thinking; investors assumed that as long as we had an expanding economic stance, sourced by inflating fiat supply, price inflation would not impact long bond credibility. We saw confirmation of this over many years. We saw that our credit markets, especially long bonds, were used in spite of
the price inflation threat. Indeed, there was a ready market demand for bond purchases.

In hind sight, long term holders of bonds did do very well if their position was part of a balanced holding and they didn't need to sell at bad times. Even now, dollar bonds have gained as rates are pushed lower.

Back to the thought:

This whole IMF dollar system has always been based on an expanding fiat theory that swells GDP over time. Investors that bet on deflation coming along, after each of our bouts of inflation, were badly burned as deflation was overcome. Economic function returned, essentially because price inflation could not rout the overall market for long credit.

The flaw in all of this was in the reserve structure of our Dollar IMF money system. The fact that the world had to walk, lock step, with our money policy meant that their goods production would almost always be cheaper than ours; keeping local US price inflation under control. In other words; local US based price inflation could not get out of hand as long as the rest of the world was willing to use their economic production to control it by selling into our expanding fiat system.

In this, the dollar could be inflated without end while our credit markets functioned in a non inflationary environment.

But there is an end.

A money system like this has a definite timeline and that point is reached when the world can move away from keeping price inflation low in the US. That point is reached when Another money system comes along to challenge the dollar and, in the process, offer these other goods producing countries a chance to buy some "lifestyle" for themselves.

At first, the show is dull as investors keep right on buying into the dollar argument above: that an expanding fiat base builds non inflationary growth. This is one reason traders still buy US long credit, not to mention chasing rising dollar exchange rates; they expect more of the last several decades of economic theory to keep right on going. It won't.

The dollar faction saw its match early in the 90s as the Euro was taking shape. To counter this threat, as I have outlined here in several ways, they promoted derivative hedges as a way of insuring dollar dominance. These hedges, including gold derivatives, only served to leverage the entire dollar / IMF system beyond its ability to serve as a real fiat money system, today.

I mean; that our whole dollar landscape has now become just a trading asset arena: its now evolving away from any meaningful currency use to trade for real goods. It can head in no other direction because our local economic structure, the USA economic base, cannot possible service even a tiny fraction of the buying power currently held in dollars worldwide.

So what does this have to do with Real estate?

Take a look at any broad section of the US; Northeast, SouthWest, etc.. If any of the deflationist were correct, their reasoning back in the late 70s and early 80s should have produced at least an average fall in Residential real estate. Can any of you find an "average" of property today, that is lower than early 80s prices?

Of course I'm not talking about the spikes in Hawaii, New York , Denver or San Francisco; those are just blips on an ever rising inflation scale. Even if they fall some from here, it isn't part of a deflationary act playing out. Average home prices will rise all across this country no matter what the future economic holds. A super inflationary stance by the Fed means that even unemployed workers can buy a house and pay for it! Watch how this all comes about. The dow will not be much different when seen ten years from now; a drop to 5,000 then off again, is a real possibility!

The same is true for anything perceived as something real: "even silver" (grin).

The difference is in the drastic ups and downs derivatives will place on all asset markets. Silver may hit my .50 before taking off and so will many other real assets. My point is that we are on an "end time run" in fiat dollar production that will soon produce a spike in real price inflation that crushes hedge vehicles. One item alone, physical gold, because it is the main wealth asset behing the next currency system, will outrun everything by a wide margin. No matter the derivative's hold on it!

As the Euro builds a base, it will drive an inflationary recognition into our credit markets, then freezing up our derivative markets. That perception will fuel a complete failure of our bond markets and force the fed to buy up any and all credit; paying in full. If needed, Bush and congress will see to it that enough money is printed so we are paid in cash for everything! Don't laugh, this is where we are headed. In the mean time, whether or not our economy is growing, stalling or failing, will have little or no impact on price inflation.

You see, living with real serious price inflation goes something like this:

---- "Honey, I talked to Fred again, he can't sell his house! Poor guy, he has had it up for two years now and has to raise his asking price again. No takers, yet. The last couple was just about to close but took a month too long; they almost got the cash together, too. He backed out to raise the asking price, again. Oh well, that's not so bad, we had to jump ours up three times before selling."

Inflation runs crazy when a money system is forced to "print out". We will "print out"

our dollar, too. Getting there just takes time and an alternative system to cause it.

In the mean time look for the premiums on cash bullion and cash coins to begin rising well above contract and futures prices. I have been watching for this confirmation for some time. This one signal is all we need to confirm that a breakdown and total failure of dollar based bullion markets is near. I expect we will hear and excuse like this:

-- The settlement price on future contracts is really a wholesale price. Besides, because we are moving into full cash settlement of gold, without physical delivery, you can take this wholesale price and add whatever premium is necessary to buy your physical gold. No matter that our wholesale settlement cannot match a payment for bullion cost plus premium; just use more leverage to buy more contracts than you need for outright physical. See,,,,, it all plays out! (BIG BROKER SMILE with little horns sticking out of his head) ----------

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People, take a hard look at Randy's post on the main forum. His ----# 64186 Monetary choices -- ECB holds rates solid, dumps dollars------- goes a long way to showing the mindset of the Euro system. (thanks for sharing, Randy) This stance is very appealing to a whole host of nations outside our dollar faction world. We have but to look no further than Britain to see that this is true.

------Blair says 2002 EU summit key for euro, economy -----
Thursday October 25, 2:41 PM EDT --

LONDON, Oct 25 (Reuters) - British Prime Minister Tony Blair said on Thursday the success of the euro and the wider European economy hinged on the EU's ability to push through
long-discussed economic reforms next year.

Blair, launching a Belgo-British conference in London, earmarked the European Union's Barcelona summit next year as a key staging post and said the success of the launch of euro notes and coins was crucial not just for the 12 euro zone members but for Britain too.

"We have an interest in this," he said, stating his policy that in principle his government wanted to join a successful single currency.

"Barcelona will be critical in how the world views the development of the European economy," Blair said.

If the summit is a success, it will help make the euro a success, he said.----------
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Another thing we can count on and I mentioned this before:

The moment England is seen as even a "virtual" member of the Euro club; the world will jump on every physical ounce of gold available at whatever dollar amounts anyone will part with it,,,,,,,,,,,,,,,,, and sell every paper gold play into the dirt in the

process!!

I say, know your dealer, buy your bullion early and watch for this act to begin. It's closer than you think!

Thanks for hearing my thoughts
TrailGuide

PS: I'm going to stay on this track for a while because I think something may be in the works. I'll post as able (smile)

site steward (10/25/01; 12:12:28MT - usagold.com msg#: 64186)

Monetary choices -- ECB holds rates solid, dumps dollars

http://biz.yahoo.com/rf/011025/l25344987_2.html

FRANKFURT, Oct 25 (Reuters) - The European Central Bank left interest rates unchanged on Thursday, ignoring calls from politicians urging it to do more to prop up the euro zone economy....The [independent] ECB angered some euro zone governments, worried about rising job losses and stalling growth, when it kept rates unchanged at its meeting two weeks ago, arguing that still high inflation left it little room for maneouvre.

Central banks have learned this lesson in the past three decades (but politicians have not): the provision of easy monetary policy does not create jobs nor does it stimulate real economic growth. Therefore, a "good" (competent) central bank will not meddle with monetary policy under the premise of affecting the unaffectable. The best contribution a good central bank can ever be expected to make to the well-being of a national economy is through the successful delivery of price stability -- thus providing a stable basis upon which business planning and contracts for the future are made.

The Federal Reserve surely knows this fully as well as the ECB. The problem is that the Fed does not have the independence to resist the off-base political/legislative mandate to foster full employment via monetary policy. But even if we were to put that consideration aside, the Fed would likely be aggressively easing anyway, simply to save the banking system from collapse during this downturn in our manic economic cycle.

Sure, the Fed tries to maintain the stance that no bank is too big to be allowed to fail, but we always find that theory and reality serve different masters. So, as the officials at the Fed ease rates, they put the best political spin on it by saying it is to satisfy the politicians and to stimulate the American economy. In reality, they are trying to keep the banking machine from seizing up with ample applications of easy grease.

Meanwhile on another front, the latest consolidated financial statement of the Eurosystem reveals that gold reserves during the past week were held at a steady level, whereas the net position in foreign currency was allowed to drop by EUR 600 million in value. The prevailing trend continues to be a net dishoarding of dollars.

Within the Eurosystem, foreign currency assets now stand at EUR 258.1 billion in value, while gold assets stand at EUR 128.235 billion (valued this quarter at 318.53

euros/ounce).

R.

Gold Trail Update (10/26/01; 09:01:39MDT - Msg ID:64222)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (10/26/01; 09:01:38MT - usagold.com msg#126)
Still at the Trail House
Ok!

Check out those new home numbers? How can this be; people are financing and buying homes in the middle of massive layoffs and cutbacks. It just goes to prove that if you expand a fiat enough, the physical market for anything real will be brought. The secret is in "expanding enough" and using the right kind of fiat to expand with.

----- New Homes Sales for September were just released and came down 1.4% at an 864K pace. This was slightly stronger than the consensus estimate for 860K though softer than August's reading of 898K. ----------

Well, our fed isn't shy at all. They don't hide behind some hard dollar theory when it comes to giving out free money; especially when the currently they are giving away is the world's reserve. No sir, our American home buyer has the right to buy himself a roof no matter what his economic fate.

This is the game plan that works,,,,,, has worked,,,, for decades. As long as your local economic structure is based on a "fractional credit reserve banking" that is not affected by price inflation: then the people using your internal dollar market will buy goods using whetever "almost free credit" that's avaliable.

Americans exploit the system because they use credit created buying power to buy real "non inflationary priced goods". No matter the debt load as long as the fed will cover their cost by refinancing said debt at ever lower rates. And the Fed can do this as long as the world has to support the "only currency game in town" by delivering their real goods for our dollars.

Again; this all works as long as the world "buys into" using our dollars. As I said; an expanding fiat works to grow the economy thru expanding credit buying power because the fed can support the system with credit creation that has no "inflation premium". That lack of premium only exists as long as Americans can exchange free credit for real physical goods. Once this perception changes its over. Once the world understands that it's not local US goods that stands behind dollar growth, but less expensive foreign goods,,,,,,,,,, the stage is set for our "supporters" to sell to themselves!
Making themselves "lifestyle rich". All they need is Another currency unit.

Today, the ECB said that their M3 was rising at a 7.6 rate and doing so because people were moving more wealth into savings. Can anyone figure that one out? Hello,,,,, they keep their short rates well above inflation (or at least above the US dollar rates) and international people are saving the currency. In the face of this our

fed is expected to lower rates again to around 2%?

Somewhere in the middle of all this; real savers will supply Euroland with a solid base of credit wealth that can be borrowed without driving their local price inflation thru the roof. Then: other national economies will have a market that shares realistic price levels for all goods. Then; all economic systems will begin a non inflationary expansion that centers around Euro use! All of this period will mirror our (US) internal coming inflationary expansion that limits our ability to import or export. Think about it.

There is a lot going on now,,,, so: Later today I'm going to address some posted items made on the Main forum in an effort to expand on the political game in process. Will be back later.

TrailGuide

Gold Trail Update (10/26/01; 21:21:34MDT - Msg ID:64243)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (10/26/01; 21:21:33MT - usagold.com msg#127)

A few comments on comments!

----- The Euro is a mere convenience for trade among the group of user nations if it cannot buy a bbl of oil in international markets. That's a fact.----

I hear that some French buys are already being invoiced and settled in Euros. But, then again, they don't like to admit that they even use the awful stuff. (grin) Actually, with so much of their electric needs provided by Nuclear,,,,,, what doooo they need oil for?

------ Could it be that some dollar holders are buying up US stocks at what will later seem to be bargain prices? What better place is there to dump dollars without upsetting prices?-------

Well,,,,,,,, some small players may be doing this. But, big holders of overseas dollars have to ask: "what would foreign exchange controls do to my big stock gains"? Besides, if they can only get 5 or 10% of their dollar wealth into physical holdings,,,,, the rest of the cash could evaporate later and they would still be light years ahead. Considering the coming gold / dollar free market revaluation. Only, the problem has been for a number of years; how do all of these old Euro Dollar accounts get into even 1% physical when the whole market has such a waiting list. But, ask about paper gold? Sure,,,, all you want. Has anyone ever figured how much gold 1% of the whole Euro Dollar float would buy? Even at $1,000 US per ounce?

----------Europe has not matched US efforts to stimulate growth since the September 11 attacks, Breuer said, because "we have no common, defined, decided economic and financial policy in Europe".-------

(comment by USAGOLD site steward) More importantly, it does have a single independent authority steering monetary policy down the middle of the road so as to be neutrally suitable for a wide coalition of interests. ------

You have that right Randy! Rolf Breuer sounds like all the late model financial planers in Europe that still don't know where EuroLand is headed. These guys got their economic stars while studying at the socialist feet of our political Federal Reserve. Only trouble is that they never understood that fiat inflation using a world reserve currency, like our dollar, is different from other systems. We buy cheap social policy and economic expansion with the blood and sweat of foreign productivity. I bet Old Breuer thinks its ok for a business to buy $1.00 running shoes from asia and sell them in Dollar land for $120.00. Then he would point out that shoe inflation is only running at a few percent
because those shoes went up $3.00 last year. Oh well.

The Euroland Germans, and the ECB studied our ways for a long time and now fully understand how to attract other nations into a fair game. The Euro will become a "world standard" more so than a reserve because they want it to be a fair currency that's accepted for it's value. For the Euro to gain American financial acceptability later, it will do so because it will be the "last man standing" when this inflation storm resides.

------ Government gets "tennis elbow" from throwing the ball of string --------

I know where that one came from (smile). All of us concentrated much too long on when the Fed would eventually fail to push our monetary string. Did we ask this question as if the US was about to become "suddenly dollar responsible"? Or was it because the markets would over rule the fed's hand? I bet we asked because "fiat credit theory" said the fed would eventually meet such a fate.

Double baloney! Our fiat world would and did evolve around this problem. Once the dollar inflated itself to the end of its "gang plank", it was into the inflationary drink sailor! The Euro will take over and we will become like any other national currency; subject to pay as you go politics and social policy. Can't push that string? Pick it up and heave it in a third world like inflationary pitch. That ball will fly, brother,,,,,, oh will it fly!

--------Putting these two together, I observe the following -- So, really, the Euro Banks don't mind selling gold short, because when the big blowup comes, they suddenly have a use for the the dollar reserves they have piled up. Is this a fair conclusion? ---------

Well sir,,,,,,,, we should all think about this for a bit? It's awful clear, to anyone that has just a little of the facts, that the paper gold markets cannot ever be converted into physical gold. The numbers would be????,,,,,, That's just a rhetorical, don't even try to put a real number on it.

You see, all the armchair gold bugs hold onto their paper leverage and cheer for some big paper short covering blow up. A paper squeeze that forces the "virtual" price of gold way up. But, who exactly is it that is going to be a threat to the paper Bullion bank market? You,,,,, me,,,,,, that man
behind the tree?

What if me and a thousand others came up with a 1 trillion in cash and used it to lock down paper contracts to deliver us 1 billion ounces of gold. The paper gold market has the means to match our commitments dollar for dollar. I mean, they could put the money up, not gold ina a vault, and get
on the other side of us,,,,, margin to margin.

OK, now we stand face to face. Even if we had enough free cash to pay for delivery,,,,,, what jurisdiction would let us settle; England, US, South Africa, Canada,,,, who? No, we would be told to cash out and buy our gold on the tiny physical markets. In a Hunt like joke,,,,,close out would come and we would eat it, big time. Even if we broke even, how exactly would we exchange our cash for metal in the tiny bullion markets without driving the price to the moon?

The reason I play this out, in text, is for others to understand that there ain't gona be a run up in paper gold. That market is a derivative style currency support and it was never set up to be a big time deliver machine. Its control will end when the currency system, it's built on, fails and takes the "virtual" gold market price with it,,,, to the floor! But, long before that plays out, the real bullion markets will get extremely thin and build up a huge premium to contract settlement. It will do this because some financial disorder will invalidate, and most likely, force an official deferral in physical delivery; indefinitely. From there the show will proceed.

The big dollar gold shorts in Euroland have real market exposure but no political exposure. Their political house would just as soon settle this at whatever level the paper prices sink to; this is their real market exposure and it will most likely be profitable. There will be no political exposure, forcing them to settle in physical delivery; because the US system will opt out first because of inflationary preasures! Very simple political logic, right? Try asking someone that is hip deep in gold stocks or futures if they grasp it? Hard thing, that political perception is,,,,, especially when your pocket book controls your brains. (smile)

Again; this all mostly covers the bulk of the markets. Paper gold owners that have oil to trade will get their ticket clicked,,,,,, believe it. However, I bet that by then most of them will be asking to settle their gold in Euros.

----- So, Japan has excess fiat they don't know what to do with.------

Japan is a different problem. They have been locked into the US dollar economy for so long that they cannot escape. There is simply no way that China will let them into the Euro house. The HK / China central bank system, also known as Big Trader, simply wields too much economic sway between Asia and Europe. In historical precedent, the orient express always headed to Europe and never saw "The Japans".

Actually, Japan doesn't want to go there and has risked a decade of time waiting for some economic change in the US. I have said from way back, that Japan will go down with our (US) inflationary tide. They will waste away their dollar assets following our lead. Those that think that these peoples want to be part of a third world currency block do not know them. I do,,,, but that is another story.

--------- A Trail house? A Trail office?! Life on the Trail is growing much more comfortable than before, when we all "pitched camp" and ate pork 'n' beans around the fire! ----------

Believe it or not,,,,, I was in a real tent on my last vacation. Tell this forum the truth,,,, my-Lady,,, when was the last time you went for a wilderness experience,,,,,, slept in a tent and watched the stars while around a fire? On the GoldTrail such an expierence is valuable beyond all things, no?

Pork-n-beans??????? I should not have saw that,,,,,, I'm off to eat! (smile)

thanks
TrailGuide

Gold Trail Update (11/2/01; 12:35:28MDT - Msg ID:64561)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (11/2/01; 12:35:27MT - usagold.com msg#128)
Gold,,,,,, Gold,,,,, Who has the Gold?

Let's take a walk and think about the big picture for a minute. Then we can get back to that question.

If you followed most of Another's Thoughts over the years the line of reasoning below will fall easily into place.

Somewhere during the late 90s, when events made it more certain that the Euro would be formed, the threat to use real gold as a partial pricing unit for oil was moved to the back burner.

By including an extremely small amount of delivered gold in trade for oil, along with digital dollar settlement, gold would once again be returning to it's ancient roots as a world class wealth used in barter. Instead of allowing it to be controlled by bankers and governments, gold's socialist tie in with official money use would be all the further distanced.

So, if swapping oil with third world nations, for grains, finished goods and other commodities, offered lesser countries another way to circumvent their lack of hard currencies while using the dollar system; then using gold to partially settle world wide oil trades would bring more balance into this one-sided dollar economic world. Trade alignments, such as gold for grain, grain for copper, copper for oil, then oil for gold would easily be adapted into our current solo dollar realm; forcing the dollar to share it's fiat use demand with real barter trade for real goods. In this, allowing international trade to abrogate the dollar's iron clad pricing of goods and services to the singular benefit of American lifestyles.

Where official dollar supporters have structured our paper gold market in a way that values gold only upon it's money backing merits; a returning of gold into it's barter trade realm would force a realignment of values between physical and paper. Once again allowing gold's value to soar and creating a large enough liquidity mass to serve not only as an oil trading medium, but wealth savings for all.

On the back burner, perhaps, but not out of the picture.

In this premier position of barter trade for oil, gold itself would have been backed with a demand component, the demand for oil, that would last as long as the world remained advanced. As dollars and Pounds were once backed with delivery of gold, in a turn of events, modern physical gold would be backed with delivery of oil.

Even matching a barrel of oil to just 1/100 of a gram, the long term demand for oil would have brought physical gold trading back into the forefront and shown the true worth of gold in it's non money barter roll. Such a price valuation that has not been seen in, perhaps, a thousands years.

With physical pricing again setting the level for derivatives pricing, the dollar reserve system's evolution from gold standard to derivative standard would permanently dissolve. Not only would our current form of paper gold would lose it's effective control in price discovery; in a repeat of 1971, our paper gold game failure would once again costing paper leveraged investors many fortunes.

For now the Euro: the vision held together

Once again the choice would be clear for both common man and international trader; use fiat if it's economy of use is efficient and controlled or use taxable barter to help control your controllers. Within the confines of the US, this may not become a reality (I think it will), but internationally, with European support, it cannot be avoided. All nations will use gold as nature intended and do so for the betterment of mankind.

At this point in time, there is no longer a concern that the Dollar's timeline might have no end in sight. With the world's more favorite form of trade settlement, digital currency, about to be represented by the moneys of a group of nations; the dollar's singular drive to enhance the lives of only one people is about to end with the currency's credibility.

First and foremost in the ECBs political will to establish a credible fiat, gold was and is set free to be valued at whatever level free physical trading would allow. We know now that the dollar marketplace for gold paper is coming to an end with this process. Not only will they be allowing limited, taxable gold barter to accelerate, but to also encourage it's bilateral barter use within international trade settlement. Something the IMF has fought so hard to contain.

Therefore, by the end of the 90s, the need to employ gold for partial payment in oil settlement, as a means to block our dollar faction, was removed from the table. With that the threat that buyers, traders and hard money players would join oil sellers in flocking into the physical gold markets, also disappeared. The thought that driving this suddenly new oil pricing tool thru the roof, was simply restructured. For the time being, the complete burning of our paper gold markets was put on hold; along with the 280 floor big trader and other official gold holders said "must stand" at that time.

Indeed, from hindsight, the often repeated remark that "all paper would burn" was

not invalidated; rather expanded in scope beyond just our dollar paper gold markets. It now seemed that this paper burning would also include the entirety of dollar assets, both debt and equity. With the
acceptance of a Euro based trade protocol, our dollar system would now be forced into a super inflationary fire. Truly, this day has arrived with current events literally shouting "monetary inflation" as we have never seen it before!

Not only Euros, but some form of freely priced barter gold is now firmly on the road to becoming a real competition for use in world wide trade. Within this evolution, the currency trade settlement game is being slowly switched from virtual to real time as the act of slowly accumulating gold over
a long transition period is drawing to a close. Over several past years and for the remaining time ahead, selling the illusion of paper gold short while buying free gold will come more into open view and no longer be the sport of kings. The coming premium price, paid for physical delivery, will develop for all to see. Something I will personally welcome as an open confirmation of our views.

The events begin to unfold:

To the bane of Western thinking hard money gold bugs, who craved the leverage illusion our gold markets seemed to create, the death watch for their favorite game is about to begin. As if out of a fog, an end to our gold pricing illusion will march, hand in hand, with an end of our economic prosperity. The coming inflationary fire will now sever the wealth our reserve dollar system created for all of us Americans. In the same scope of time a, Euro based, free gold price will evolve out of these inflation fires. I for one do not relish this outcome, but welcome the good such a staunch reality will infuse into our national values.

We pointed out earlier this year that our Fed would begin it's inflationary march "now" and never turn back again. They did "then" and we are well into it now! Our point was made in spite of all the past decades of similar "dollar inflation" calls other hard money people declared were coming. Our dollar's decline never arrived for these people because they based their calls on economic theory; instead of "political will". "Political will" won then and will so now as we point correctly in the next direction.

Many said that the "bond vigilantes" would hamstring any effort to price inflate a credit driven money like the dollar reserve. Perhaps causing our Fed to eventually lose the war as it "pushes on a string"? Many of you have read countless opinions as to why our credit markets would implode into deflation as a "mise" style economic theory surfaced to control the controllers. Truly, these people confuse theory with human action as much as they do not understand real physics! Indeed, strings that cannot be pushed are either thrown or cast aside in the real world.

Reference today; we see where the "political will", trumps economic theory hands down, as the dollar people remove 30 year bonds from the system. In the process, forcing rates all the lower. The next time someone reads to you reams of hard money theory; ask they why they said the same thing 30 years ago about the dollar and the US economy? But it kept right on running; proving them repeatedly wrong? Now, for the hundredth time they say: "mise is correct, the markets cannot be faked, so a little deflation will follow this inflation!"

Baloney! The evolution of Political will is now driving the dollar into an end time

hyper inflation from where we will not return. That is our call. Bet your wealth on the other theorist's call if you want more of Their last 30 years of hard money success.

More is to come!

Are you worried about South America? Don't! We will print all the money it takes to save any and all US financial interest in that sector.

Are you worried that we will enter an Japan like economic environment with rates at zero, economic stagnation and falling real asset values? Don't! They do not use an out going world reserve currency and we do! We will print what ever amounts needed to keep real Estate up, the Dow up and our economy purring: no matter what the value of the dollar on foreign exchange becomes. Or our eventual price inflation.

Our local economy will soar in dollar terms; no matter what our dollar is worth.

Are you worried that our 10 year bond, the new bench mark, will soar and squeeze off any recovery? Don't! We will just remove it from use and move to the 5 year,,,,,,,, to be replaced later by the 2 year,,,,,,,, to be replaced later by the 6 month,,,,,, 1 month,,,,,, 1 week,,,,, 1 day,,,,,, then
CASH!

Who has the gold?

I do and so should anyone that wishes to participate in the next currency system. Only, don't expect your gold to become money, it won't! It will become the most valuable wealth asset in your portfolio,,,,, by a long shot. For the simple thinker; gold is good. That's all we need to know. For the man with a question: Gold must vise in value many many times just to regain it's wealth barter asset value. Perhaps $10,000 to start. Then, it will run with any and all dollar inflation,,,,, even Euro inflation that ECB people openly admit must be a part of a dollar to Euro transition.

The EuroLand Central Banks have every bit of gold in their vaults their accounts say they do. For that matter, so does the USA (for now!). So what if they or we swapped it out on paper? It means nothing because the gold never moved. Remember, EuroLand is playing a dollar gold market game
for now. If we walk, and they know we must will walk first, they will simply opt out of the dollar bullion paper system. Period! Why do you think England it trying so hard to enter the Euro fold? Think: saving their bullion liabilities by opting onto the other side!

Hell, pre 1971 the US swapped it's entire vault of gold to foreign interest by issuing dollars overseas. In a news flash, some seemed to have missed, we killed that arrangement by simply keeping the gold! Today, because the ECB would love to see the entire dollar gold market fail, I cannot imagine them shipping gold to support it if we default on shipments. Well, perhaps gold bugs would think this appropriate because it saves their leveraged futures, options and mine investments?

No,,,, most of these theories about missing gold are extrapolations that attempt to explain how the industrial / physical gold market is meeting demand. Hard money

thinkers simply cannot believe that private Western gold holders have been unloading real gold for the paper variety and filling the physical demand void in the process.

If this paper buying is true, it goes a long way in explaining how fractional gold paper has filled the real demand for gold. It also ruins the dreams of investors in "illusion gold" because it points to a colossal default and asset seizure (via windfall taxes) is coming to a mine near you. Events march on and will soon begin to prove "who knows what" about our political world. Watch carefully, the show is beginning.

In a final note: I see that in spite of world shaking events, the downfall of our paper gold markets is keeping the "virtual" price of paper gold very low. Just remember; inflation in the paper gold markets works the very same as inflation in currency markets: it cheapens the value of the paper holding and works against allowing leverage to return real gains. Conversely, physical gold will gain as leveraged gold assets fail.

Once again, I see where Big Trader is selling silver to buy real gold. Some people just know where "political Will" is going. (smile) Others don't.

Thanks
TrailGuide

Gold Trail Update (11/3/01; 14:39:17MDT - Msg ID:64622)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (11/3/01; 14:39:16MT - usagold.com msg#129)

An "inflationary depression" is in the cards -- a "price deflation" doesn't have a chance!

Back in the mid to late 70s Sir John Templeton always drove his point home for investors watching Luis Rukiser's show. (how does one spell his name,,,,, we always called him Lou Baby (smile))

Sir John, living here on Layford Cay, kept saying that the Dow of the 70s was very under priced and would soar. He was the most absolutely correct person stating that then! But more into the mechanics of his perception: he knew that anyone buying the Dow and waiting a decade or more, would gain way beyond mere price inflation. Monetary inflation would eventually drive the perceived virtual wealth of US stocks ever higher. So high, in fact, that their percentage gains over price inflationary gains would be incredible. They were!

Truly, what John was referring to was the effects that simple "passive inflation" has on paper assets; especially in a "reserve currency's" domestic market. In this; real price inflation is mostly exported by importing "real goods" competition. This happens as we export excess credit dollars to buy things. It also has another effect; some of that same exported printed money flows in a circle and joins native investor's buying of local paper assets. When this process first starts, "passive

inflation", in the form of massive money creation that's far beyond real price inflation, allows one to gain "virtual paper wealth" even before the markets price out the gains. That is; the Dow stays cheap at first then eventually rises to absorb the money inflation! As long as prices don't rise too much.

People that followed his advise, accumulated the Dow over a decade or more; buying "virtual wealth" before the fact! Stock investors made a killing by positioning their assets where this created "passive monetary inflation" would eventually end up. Even though hard money players laughed at them all thru out the 70s, 80s and early 90s! Look who is laughing now? Stocks tromped hard money plays hands down for over 20+ years! Even considering the latest fall on wall street.

My friends:

Today, this same "virtual wealth" effect has been created again and is located in physical gold bullion. I believe Sir John has already made part of my point but I will repeat.

When a currency system comes to the end of it's reserve use, I'm speaking politically, it's domestic market will come to a point where it can no longer export "real price inflation" in the format of; "shipping it's excess currency outside it's borders". This happens because internal money inflation, that is super currency printing, is increased so much that it overwhelms even it's export flow. Worse, even that export flow later tumbles as the fiat falls on exchange markets.

The effect is that local "passive inflation" , built up over decades and fully reflected in "Sir John's" paper assets, spreads out as "aggressive inflation" and hyper price rises begin. In this action, the very same wealth effect that was eventually priced into "John's" Dow stocks and other assets, begins a long march of being priced into real gold.

Anyone that has accumulated physical gold over this past long period was doing the exact same thing Dow buyers of the late 60s and early 70s were doing: ------ saving "wealth" as unpriced "virtual wealth" stored up over that "passive inflation" period. ---

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As "political will" begins to impact the economies of the US,

our old "virtual wealth" that is no longer in the form of "passive inflation" nor limited to the currency, and is openly displayed in our vast sea of paper assets values including stocks, bonds--------

must now be defended in the open with official printed money flow.

The "virtual wealth" in gold, saved over years by patient investors, will also be priced to market in this process.

Never mind that during the Dow years paper gold markets could not work in parallel with all the other asset gains; it couldn't. Hard money players, trying to somehow play the Dow's game, never caught on to what was happening. Instead of buying "virtual wealth" by saving real gold; they brought

leveraged bets that gold would be priced correctly during the "paper asset" years.

Obviously, this "trade" failed hard money players as the waves of value from other paper gains and derivatives leverage were employed to match against their every long bet on gold. Not only that; the "virtual wealth" in gold was never opened for them with the super price inflation they all thought was coming during that era!

Now that the paper game is about to stop for the dow, it will also cut off the leverage of gold bets. Just as the real game begins.

The reason for this is that our massive, decades long gains in our stock markets did not bankrupt the leverage in the money system. Where as any massive rise in physical gold values cannot be priced into "derivative gold" without crashing the system.

Remember; in political inflation's, money is printed
to save the assets as they are currently priced; not create new loses by saving the liquifying the leverage that's countering your play!

This paper gold market will be cashed out at prices far below real bullion trading so as to inflate further the books of the Bullion Banks,,,,,, not destroy them. At least this is how the US side will proceed.

Michael Kosares-- A thru Z

In this perception USAGOLD has been guiding it's clients, and now the world, in much the same way Sir John did decades ago.

"Buy what has value at the greatest discount and wait for the politics of money to price your new savings correctly"!

The politics of wealth today is centered around gold bullion and only gold bullion: that is where the wealth and power will be manifest: this is where the gains will be! To bet on the rest of the hard market ; is to bet against the coming inflation making your asset whole!

Place as much of your wealth in physical gold as your understanding allows and save this "virtual wealth" of the ages today: waiting for it to become real wealth, priced correctly in the market place, tomorrow.

Make no mistake, the wealth is there "but only there in bullion"! Because a free bullion market cannot be denied or controlled

----- when it stands between the opposite goals of political powers! ---

In this: it will separate from the politically crushing reality the current dollar based paper gold markets represents. The premium on bullion will soar!

The "Political will" of old world Europe is about to help make our investment real. For myself, a large percentage of my wealth is being saved by going with the evolution of paper moneys: not against!

This trend is visible now and based on the forward flow of human affairs, not the backward rules of money theory!

Our future is today; if not just around the trail!

Sir Douglas; aka FOA

your: Gold - Trail – Guide

Gold Trail Update (11/5/01; 18:31:03MDT - Msg ID:64763)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (11/5/01; 18:31:01MT - usagold.com msg#130)
A quick note from the "TrailHouse"! (smile)
http://www.forbes.com/work/managementtrends/newswire/2001/11/05/rtr415069.html

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You just have to give the devil his due,,,,,, Wim Duisenberg gave a clear signal today and his timing
allowed him to hit two birds with one rock.

First target: He has all of Political officialdom now holding their tongues because they learned that
the ECB is not the same animal as our Fed. From the link:

---- "Politicians have been scared of publicly pressing the independent ECB to act for fear it may
dig in its heels and remained cautious Monday" ----

Ha. Ha. They now know that these guys (ECB) are looking out for not only the money of a large
diverse group of nations, but perhaps a new bench mark currency a good portion of the rest of the
world may use. Their stance, recently, states that a currency should be valuable too and even offer
a real return for those that hold it for a while.

Don't expect Western dollar investors to fully taste this flavor just yet. But, they will as their local
economic structure begins to hold complete sway over the Feds actions. And all those deflation
boys thought our Fed would not inflate? Shoot, even our treasury in manning the guns now!

Second Target: Wait long enough for the US to have to drop dollar rates even lower before you move. "Watch him Alan,,,,,, Old Wim keeps his Euro biding a little higher

than your dollar! I got a bad feeling about
this trend!"

Leigh,,, thanks for reading and thinking. I also want to thank everyone for using the fine services of
USAGOLD. Because then they further offer this entire forum library to further expand your understandings of gold. It takes a lot of effort by
everyone, who thinks and writes here, to offer such a broad spectrum of Gold thought.

Gold has always been the most political metal our world has ever known; political because it offers
so much power to those that hold it in their hand. Many of the downtrodden look at government
policies and say:

-----"they dictate our wealth and put us in debt so as to control us"! -------

Conversely; A simple person can control his controllers by staying out of debt and owning a wealth
no government can dictate the value of: Gold Bullion!

GOLD:

-- value it with official contracts and currencies and your wealth is their power
,,,,,,,,, keep it as your savings of ages,,, and your wealth becomes their master!

TrailGuide

Gold Trail Update (11/8/01; 15:10:36MDT - Msg ID:64956)
The Gold Trail Discussion has been Updated
The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (11/8/01; 15:10:35MT - usagold.com msg#131)
Words of a fool!

These are parts of several posts presented today on the main forum. This person does not know me or my associates. Indeed, most of us let blood for this country in a war long gone. I will say this for the record: Another is English and not Islamic!

But you have no trouble at all casting me in with the same evil that crashed into our nation on the 11th., do you? . Sir, you have spit upon the "flag" that waves outside my window. I do so now spit upon your name. You are not part of the same country I served!

I have spent years teaching and debating with men great and small. And have learned that only the mean ego of a useless fool uses such tactics. I am ashamed to have read your words at all and will do so no more. You are but a reflection of the

very political hatred you condemn. It is a sad, sad day when someone wants your story silenced, so badly, that they resort to such comments. My spirit is low, I will walk this trail in silence.

-------However, I do not say "all paper will burn", and I definitely don't send demented religious fanatics to crash into the paper trading house and burn it down. -----

------ Finally, when FOA started putting forward his economic theories, I realized that he had spent too much time listening to an Islamic cleric who had not a clue as to economics.----------

------ So, from my vantage point of budding economist, FOA's explanations come down to being non-arguments and economic gibberish that would even shame Marx and Keynes. ----------

------ The motives of these people complaining of US defaults and monetary imperialism are simple: the greed for the unearned, envy grown of a zero sum view of social life that is characteristic of feudal societies such as Arabs still live in and Europe has barely made one step out of, and fear of their economic and financial future as a result of their stealing and wasting of their people's wealth. ----------

Gold Trail Update (11/12/01; 16:31:29MDT - Msg ID:65193)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (11/12/01; 16:31:28MT - usagold.com msg#132)

There comes a time

There comes a time in all things when one must do nothing and simply wait. This is an ages old truth that crosses all the boundaries of life's endeavors; for everything is not always in the doing, but also in the watching. Any good farmer knows that he does not grow a crop; he only prepares his field so the growing, he knows is coming, can take nature's course.

My friends, we have crossed time and space, while plowing these fields of understanding, and the unfolding drama before us must now sprout it's own life. For now, it is my time to watch the trail and let the crop develop. Indeed, it will and it will do so for all to see.

Enough has been said to prove our reasoning is true, especially when the fields become full and in a shade of physical green only our seeds will produce. And planted them, we did, by hand, one at a time, over many years.

Enough has also been said about myself as this story was never about me; perhaps too much untruth was also said by others?

I am going to travel for a while and watch the trail from a distance. It won't be long before the rains come and the ground begins to open; in that time I will return. Until then; this farmer will rest from this work.

Thank you USAGOLD and all the fine people that make this media the best gold site in the world! Another time, we WILL hike again.

Sir Douglas
Your Trail Guide

Gold Trail Update (12/16/01; 15:27:35MDT - Msg ID:66977)

The Gold Trail Discussion has been Updated

The **G**old **T**rail **D**iscussion has been updated. Click on the link to read the latest updates.

FOA (12/16/01; 15:27:34MT - usagold.com msg#133)
(No Subject)

Seasons Greetings and a Happy New Year to the entire USAGOLD GROUP. Certainly, this includes every reader / lurker at the forum, hikers on the Gold Trail and the staff at CPM!

Of course, the largest thanks must go to Mr. Michael Kosares; as this media would not exist without his enormous efforts. Thank you Michael (smile)!

We rest from discussion during this holiday season; a season that also happens to be ushering in one of the most dramatic financial changes the world has seen in our time. As the rains arrive and our crops begin to grow :

---- "We watch this new gold market together, yes?" -----

A happy (smile) to all!
TrailGuide