

CORRECTION OR THE COLLAPSE OF GOLD

Conduct your victory as a funeral
Tao Te Ching, Lao-tzu

Gold's recent sell-off from a high of \$1033 has sent once jubilant gold investors to the sidelines to reassess gold's present malaise. Rest assured, gold is going higher, much higher. While there will be corrections along the way, gold will someday break out and explode upwards towards yet to be reached heights.

But when gold does reach that record level, it will not be an occasion for celebration—on that day there will be no dancing in the streets, there will be misery.

\$1000 gold is a milestone—on the road to hell
Professor Antal E. Fekete

In *How To Survive The Crisis And Prosper In The Process*, I describe the 5 stages of gold that precede and occur during what I call *The Time Of The Vulture*. We are currently in stage 3:

STAGE 3: THE PRICE OF GOLD BECOMES INCREASINGLY VOLATILE. The price of gold is subject to increasing highs and lows as large investment funds move in and out of gold as global economic uncertainties wax and wane, a sign that gold is increasingly a haven in uncertain times.

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This is where we are today. Macroeconomic factors such as the decline of the US dollar, the collapse of credit markets, the deflating of the world real estate bubble, the failure of banks and hedge funds, etc., are now joined by rising tides of speculative money moving in and out of gold seeking short term gain, thus subjecting the price of gold to increasingly volatile price swings. Until stage 3 ends, gold's volatility will continue.

Nonetheless, gold's determined rise over eight years confirms that a system of paper assets, irredeemable paper money and increasing levels of credit and debt is doomed and bound to collapse; and, so we buy gold and silver as insurance against that coming day and wait for the inevitable trajectory of the precious metals.

The inevitable will come but when it does, it will not be a time of rejoicing; for the collapse of paper assets and the rise of gold and silver will come at a horrific cost. Those who invested their family's future in stocks, bonds, property, and paper assets will suffer greatly when the collapse occurs—and the magnitude of that suffering will affect us all.

THE FINGER OF GOD

On November 17, 2006, Martha and I were at the University of Chicago to hear Professor Antal E. Fekete deliver a talk before the MBA class of 2007. When we heard Professor Fekete had been invited to the University of Chicago, we knew we had to go; for the University of Chicago was synonymous with Milton Friedman, the Nobel Laureate, with whose theories of monetarism Professor Fekete strongly disagreed.

That Professor Fekete was to speak on gold at the University of Chicago was similar to Martin Luther speaking on the Reformation at the Vatican. But Professor Fekete did not deliver his intended address—the day before he was to speak, on November 16th, Milton Friedman, the father of monetarism, died.

I told Professor Fekete that Friedman's death the very day before the professor was to speak at Friedman's academic home was evidence of the finger of God denoting a shift, a cosmic sign that presaged the end of monetarism and the beginning of another era in which the professor would play a critical role.

Out of deference for Friedman's passing, Professor Fekete did not deliver his prepared talk which was highly critical of Friedman's theories (his original speech is included in the appendix of *How To Survive The Crisis And Prosper In The Process*); instead Professor Fekete addressed the MBA class on the increasingly fragile nature of the economic world which they were about to enter.

The professor's words of warning, however, did not deter the student's belief in the world of paper money and paper profits that Friedman's theories proffered. The MBA students had studied too hard for their chance at the wheel of fortune, the wheel to which MBA graduates from the University of Chicago and other top programs were privy—the wheel which was to unexpectedly falter when credit markets were to suddenly collapse nine months later in the summer of 2007.

Today, 17 months after Professor delivered his cautionary words to the MBA students, their intended destination—the credit markets, the crap table of investment bankers and the trough of government largesse—are still frozen and remain locked in a now life and death struggle for survival

THE SLAVERY OF MONETARISM DEBT—THE COLOSTOMY BAG OF CREDIT

During his life, Friedman was awarded a Nobel Prize for his contribution to economics and was a distinguished member of the prestigious Mont Pelerin Society. Instead, Friedman should have been knighted by the ABA, the American Bankers Association and given special recognition by the BLA, the Bankruptcy Lawyer's Association, the real beneficiaries of his life's work.

Markets dependent on credit-based paper money produce increasing levels of debt until the amount of debt becomes unsustainable. This is where we are today. The growth, contraction and coming collapse of debt based credit markets is Friedman's legacy, not free markets. Friedman's theories gave bankers the intellectual cover they needed to indebt America beyond its ability to repay and indeed survive. Hailed as the champion of the free market, Milton Friedman was instead, its leading assassin.

CORNERING GOLD

At Session III of Gold Standard University Live (GSUL), Professor Fekete made a stunning prediction—that gold would be cornered. The professor noted that although speculators have attempted to corner markets in the past and failed; this time, with respect to gold, it will be different.

The professor said that gold will be cornered not by speculators, but by widely dispersed market forces. The corner will be a true black swan event, spontaneous and unexpected, driven by a sudden overwhelming need of the marketplace for a safe haven for savings and wealth, the safe haven of last resort—gold.

When this happens, most speculators will be locked out, as they will have waited too long to buy in, as they attempted instead to try to coax a few more dollars out of their favorite paper dollar dispensing machine.

When this occurs, Professor Fekete predicted gold will disappear off the market. The collapse of paper will be so catastrophic that gold will not be exchanged for any amount of paper money, *sic* money, paper, government denominated coupons with ascribed units of value printed on their face denoting face-value.

When paper money begins to quickly lose value, the collapse of debt-based assets will gather speed and Professor Fekete's predicted corner on gold will spontaneously occur. On that day, *The Time Of The Vulture* will have arrived and gold will be literally priceless

Note: I will be speaking at Professor Antal E. Fekete's Session IV of Gold Standard University Live (GSUL) July 3-6, 2008 in Szombathely, Hungary (see www.professorfekete.com). For those interested in monetary matters and gold, the opportunity to hear Professor Fekete speak should not be missed. Professor Fekete, in my opinion, is a giant in a time of small men.

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