

„CUT OFF YOUR TAIL TO SAVE MY FACE!”

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Gold Standard University Live

The title refers to Aesop's tale about the wolf that has lost his tail in a trap. As he felt uncomfortable being so different from others in the pack, he tried to persuade his fellow wolves that they, too, should get rid of this cumbersome and useless appendage. He declared that „the tail of a real wolf is a barbarous relic”. Read on to find out how an experienced wise old wolf answered him.

Like all of Aesop's tales, this one also has a modern message. When Uncle Sam in 1971 defaulted on his gold obligations, he did not want people to call a spade a spade. He wanted them to call the American default, more elegantly, the 'demonetization of gold'. He was trying to persuade others to demonetize gold, too, by discarding it as a „barbarous relic”. Yet he was disingenuous enough to keep the remnants of *his* gold while pushing others to sell *theirs*. He urged them to auction off that cumbersome and useless appendage and put the proceeds into US Treasury paper. „Cut off your tail to save my face!”

The late Mr. Ferdinand Lips asked me to write an introduction to his book „Gold Wars”. I was delighted and the outcome is reproduced below. In my dedicated copy Mr. Lips wrote the following kind words:

Dear Antal,
Your introduction, the intellectual input and professional insight you gave me for writing this book are the 'crown jewels' of *Gold Wars*.
With warm thanks and best wishes,
Ferdinand
April 3, 2002.

My introduction to „Gold Wars” follows.

A „gold war” is an attempt by the government upon the constitutional rights of the individual. Why do governments resort to gold wars? Sometimes they want to wage shooting wars without raising taxes; at other times they want to indulge in „social engineering” through redistribution of income. But in every instance there is a common thread: governments have, correctly, identified gold as the only antidote in the hands of the individual against their efforts to build the Tower of Babel of irredeemable debt.

This book is much more than a chronicle of gold wars. It is also an account of the historical failure of „Esperanto money”. Over a hundred years ago a Polish physician by the name Ludovik Lazarus Zamenhof (1859-1917) created a synthetic language in the hope of removing the curse of Babel from mankind. According to the Bible man had become so conceited as to challenge God by proposing to build a tower that was to reach to High Heaven. God's punishment for the temerity was to confuse the tongues of nations. The tower could never be completed for failure of communication due to the confusion of different languages. Zamenhof called his artificial language „Esperanto”, meaning „the hopeful”. The hope was in vain, as the experiment attracted imitators, and other

synthetic languages, e.g., „Ido”, sprang up. The confusion of tongues, and the curse of Babel, has remained.

Calling irredeemable currency „Esperanto money” is apt. The Biblical story may be interpreted allegorically as an admonition not to challenge God by attempting to build a tower of irredeemable debt that is to reach to High Heaven. The admonition fell upon deaf ears and, now, God’s wrath is upon us. Currencies of nations have been confused. The tower can never be completed for lack of compatibility among various means of payment. The hope of Esperanto money to remove the curse is in vain. Other synthetic currencies spring up such as the SDR (special drawing right), the Euro, and so on. The confusion of currencies, and the curse of Babel, remains.

Ownership of gold is not about lust: it is about liberty of the individual. The gold standard is not a „game”: it is the embodiment of the timeless principle: *pacta sunt servanda* (promises are made to be kept). Official hatred of gold bordering on the neurotic appears less irrational if we contemplate that gold, and gold alone, is capable of exposing the ever-present bad faith behind the irredeemable promises made by the powers that be.

The Americans who defaulted on their international gold obligations in 1971 have put great pressure on other countries that they follow suit and denounce gold. This brings to mind the fable of Aesop about the wolf that lost his tail in a trap. As he felt uncomfortable being so different from the others in the pack, he tried to persuade his fellow wolves that they, too, should get rid of this cumbersome and useless relic. But a wise old wolf pointed out to him that his proposal would have had greater merit if it had been made before his fatal encounter with the trap.

Switzerland was the only country to point out that the American demand to shed the ‘obsolete’ gold reserves would have been less disingenuous if it had been made *before* the the gold dollar was dishonored in 1971. This tale, however, did not have a happy ending. Switzerland had to be humiliated for being so impertinent as to run a currency superior to the dollar.

Mr. Lips has written a wonderful book for the discriminating reader, who may want to understand better the challenge to God’s authority involved in the construction of the Tower of Babel of irredeemable debt. (End of Introduction to Gold Wars.)

The Fifth and Last Session of Gold Standard University Live

It is scheduled to take place in Canberra, Australia, November 11-14, 2008. I invite readers of my column to come as this may be the last opportunity that I can offer to run a seminar of this type. As you may know, Mr. Eric Sprott of Sprott Asset Management, Inc., has withdrawn his sponsorship of Gold Standard University, saying that in his opinion the „results do not justify the expenditure”. Fortunately we had Australian sponsors to finance and organize this last session.

Session Five will be a Primer on the Gold Basis, as the most important trading tool ever. (Basis is the name for the difference between the nearby futures price and the cash price of gold.) I have championed the case for the gold and silver basis for many a year. I have also challenged investment advisors to recognize it and include basis-trading in their repertory. They have shied away, declining to take up my challenge. I can understand the reasons for their hesitation. To put it charitably, they prefer the endless regurgitation of COT reports and other tools of supply-demand analysis to breaking new grounds, because of their keen sense of lack of competence concerning the basis. Of course, I am not saying that there are no competent people who trade the gold and silver basis. To be sure, there are a few but, naturally, they keep their cards close to their chest. They will never spill the beans. Nothing is farther from them than the idea of sharing information. You will never hear them discussing the basis in public.

The latest severe correction in the dollar price of gold and devastation in the price of silver illustrates my point. The only rational explanation for this extraordinary decline in the midst of an extraordinary monetary crisis is *the disconnect between the price of paper gold and the price of real gold*. Of course, we have known all along that the government considers it as its sacred duty to manipulate the gold price by hook or crook. The best way of going about it at this juncture is to engineer a disconnect between paper gold and real gold in the hope that the fall of paper gold will demoralize the market with the result that real gold will be dislodged even from firm hands. The delivery mechanism of gold futures contracts, and that of other forms of paper gold such as ETF’s, is made subject to manipulation on purpose. However, *they may manipulate the price of paper gold to*

their heart's content; it is not and never will be in their power to manipulate the gold basis. Properly interpreted, variation in the basis instantaneously reveals the fact and extent of paper gold manipulation. I dedicate the last Session of Gold Standard University Live to the task of showing how to arrive at this proper interpretation of the basis, and how to turn manipulation to your advantage by making the basis a trading tool.

You must understand that the gold market, as it is presently constituted, is a gambling casino where the tail wags the dog. The casino owner is a secret agent of the U.S. Treasury. Shills abound. Bluffing and false-carding is rampant, and the bluff is hardly ever called. The reason for this is the widespread assumption that the managers of the irredeemable dollar have near supernatural power. They don't, of course, but they have succeeded in eliminating the last vestiges of transparency on the gold holdings of the US Treasury, and they obscure the purpose for which it is held. They pretend that the purpose of Treasury gold is to keep the demand for real gold in check; in reality, without gold in the Treasury the U.S. could not keep garrisons in every part of the world even against the wishes of the local population, nor could it fight several wars at once in several distant theaters. There would be no local suppliers selling them ordnance.

Managers of the irredeemable dollar can double-count and triple-count Treasury gold with impunity in order to fool outsiders, in order to keep the demand for real gold in check and to shift all such demand to paper gold. In the meantime, all we have is the telltale mark of the basis — if you know how to read it.

But *the hour-glass for the endgame is filled with gold dust, not with sand.* When the last peck of gold is gone, prestidigitation is up. That will be the most dramatic event in the entire history of money, an event that I have, tongue in cheek, called „The Last Contango in Washington”. The basis will give you an early warning signal. That is what Darryl Robert Schoon, who will also be lecturing and available for questioning at Session Five, calls „the silver canary singing in the gold mine”. Come to Canberra and hear Darryl as he explains the riddle.

Remember, basis is the specialty of Gold Standard University. No one else is willing to go public with research results concerning the basis. Prices, price ratios, volume and open interest statistics, COT reports can be, and probably are, manipulated and falsified in order to mislead market participants and scare them away from real gold. They can have paper gold as much as they want, provided that they are willing to settle in cash. They are offered a posh spot in fools' paradise. But no matter how all these signals are manipulated or falsified, the basis is a pristine market signal that never lies. It can be neither manipulated nor falsified because it shows the divergence between paper gold and real gold. It is a seismographic signal that picks up rumblings in the bowels of the earth half way around the globe, foretelling the coming of earthquake. The basis will tell you well in advance when all the offers to sell real gold or silver are about to be withdrawn in all the markets of the world. Once that happens, infinite demand will confront zero supply. Don't say it can't happen here. It has happened *locally* in France in 1796, in Germany in 1923, in China in 1947, to mention but three episodes. This time it will happen *globally*. I shall tell you all about it in Canberra. Just send us an e-mail indicating that you are interested in attending. We shall answer you promptly telling you how to register. Attendance is limited; first come, first served.

Don't let yourself be talked into mutilating yourself in order to save the face of the government!

See you in Canberra!

September 1, 2008.