Secretary: Marlea Sheridan **Editor: Penny Esplin**

DATE: September 27th, 2012

Call to Order: Claudia called the meeting to order, and welcomed members.

In Attendance: There were 11 members present. No guests and no new members.

Meeting Minutes: The minutes recorded from the August meeting were approved by our club members and accepted by our president (Claudia).

Claims Report: Bill Moore stated that all legal paperwork has been taken care of for our claims (Josephine Co.)

In regards to our claims on Briggs Creek being in "Essential Salmon Habitat", Larry reported that at least one of the two waterfalls downstream would be impossible for a salmon to jump, so BLM, DSL, DEQ or all involved should be alerted to this, and take Briggs Creek off of the ESH red tape restrictions. Tom Quintal (Willamette Valley Miners) said he is going to physically scale the area and check out the waterfalls so as to prove this to be correct.

Larry also said he and Marvin talked with a Forest Service guy from Cave Junction while they were camping on our Briggs Creek claim. The guy said that there are only 3 sheriffs that patrol all of Josephine Co., and that "while you are down on the creek busy dredging, it is too easy for someone to come and steal what they can from your unattended campsite". It has been happening all too often, and there isn't much that can be done about it, for lack of law officials. So he advised them to clean up around the campsite, so as to not attract would-be thieves.

He said he was there surveying the area because the forest service was "tentatively" planning to do a "controlled burn" in the meadow area next Spring.

Claudia asked members if we knew of any other mineral localities we could stake a claim on. The response was that many [personally] known sites do not

contain enough retrievable/appreciable material to warrant filing a claim on. This is something we can still look into, future prospects may yet turn up something worthwhile.

New Business: Penny agreed to send a card on behalf of the club to Larry and Marlea; Marlea is suffering from something wrong with her eye and Larry had problems with atrial fibrillation the night before and was rushed by ambulance to the hospital. We were so glad and relieved when he showed up at our meeting!

Cascadia Wildlands Organization (cascwild.org) – Bob Ferris, author of the article "***Suction Dredging Sucks***" (where he condemns all gold dredging and miners), received 45 real good comments from miners so far. Rick Solensky of WMA (Western Mining Alliance) wrote a great comment. Joe and Claudia sent him their comments. Bob told them they were "cherry picking", and led him to write his new article "***Dredging up the Truth***". He addressed every topic in question by referring readers to the CDFG EIR "references", which were totally un-interpreted data relative to actual small-scale gold suction dredging and not helpful. Most were insults to miners and scientists alike trying in vain to educate this misguided man. Read his profile below:

Bob Ferris, Executive Director bob(at)cascwild.org
Bob grew up in Silicon Valley as urban sprawl was absorbing the natural playgrounds of his youth. This profound experience was the catalyst for his "**career in conservation**". He has worked for 30 years as a researcher, teacher and advocate working on issues ranging from Yellowstone wolf restoration to stopping coal exports from the Pacific Northwest. In his spare time he looks for that perfect trout stream and is creating an urban homestead with his green architect and artist wife. He is a fisherman turned activist to stop anyone who might be an alternate user of our public property. Bob Ferris hasn't heard of the Multiple Use Act apparently? If you're not fishing you must be doing harm is Bob's moto.

Events/Outings for October: On **Saturday October 20th**, the club members are invited to go on a rockhounding outing near Paulina Lake in central Oregon. There are several sites to find pink limb casts, moss agates and colorful jasper. Anyone interested in going? If so contact Ken Orndorff @ 831-206-5444

We plan to meet at the McDonald's in Prineville at 9:00am Saturday morning. If it's wet out, a 4WD vehicle is advisable. Top off your gas tank while in Prineville. Bring shovels, pickaxe, rock hammer, buckets, leather gloves, safety glasses, and wear good boots. Dress in layers and bring a warm coat! Bring plenty of water and something to eat. If you plan to stay and camp overnight in the area, plan

accordingly! Probably no campfires except in designated campgrounds due to lingering dry conditions, so a propane burner or stove is a good idea.

Will send out an email with map.
Contact Ken Orndorff @ 831-206-5444

Old Business: About the State/Feds secret surprise inspections on miners regarding the DSL, DEQ permits on the Rouge/Illinois Rivers: no citations were given.

Division of State Lands (DSL) is in the process of making a new permit for the Essential Salmon Habitat/Wild and Scenic Rivers. Tom Quintal (WVM), Louie Frick (WVM) and Claudia attended a meeting with DSL and Louie did a demonstration of the highbanker. DSL didn't want to include it on the new permit. They met with the assistant director of DSL Eric Metz (water quality environmental manager) and one of the permit writers. They were surprised after seeing the demonstration that that's all it was; a power sluice/high banker- "May include it on the permit. Need to bring it to committee". He said if there is a problem, it wouldn't be the science; the problem would be "political".

On this new permit, dredging the gravel bars would not be permitted. Mining is being referred to as recreational; through new restrictions and regulations, they want to reduce the amount we produce, thus making mining less and less profitable. There will be a public meeting in October regarding DSL/404 permitting.

James Buchal is running for State Attorney General. He has been the lawyer for the miners throughout all of our legal battles. He is a voice that is heard!

NOTICE: **On Thursday November 1st, at 6:30 in the Salem Public Library Loucks Auditorium, James Buchal will be facing his opponent and give us a live taste of his worth. It will be great if the entire auditorium is cram packed with his followers! Americans for Prosperity (AFP) is sponsoring this. Please make plans to be there!!**

Rocks/Treasures for this month: "F": Delmon brought his collection of sunstones (plagioclase feldspar), Ken brought some nice fossil pieces and fire agates, Penny brought fluorescent opalite, fluorite, a phosphorescent piece of chalcedony, fluorescent calcite and a funny rock that looked like a smashed face. Claudia brought fire agate, and Joe brought his ultraviolet light which he demonstrated the fluorescent properties of the calcite with fluorite and willemite (rocks he found while in Arizona), they all lit up in brilliant multi-colors.

November's Letter is: "G": Examples include Gold, Galena, Gypsum, Graphite, Garnets, Goethite, Glass, Goldstone………..?

Our Next Club Meeting: November 22nd @ 7:00

Visit our website at http://www.millenniumdiggers.com/

The Millennium Diggers Club is a group based in Keizer, Oregon, which is near Salem, Oregon. The club is for people that share an interest in searching for things of value. The club's charter is to provide members with a club that will help promote the hobbies of metal detecting, prospecting, rock hounding, and treasure hunting. Part of our yearly dues pay for mining claims that are available for all club members to use. We use club meetings to share information about locating gold, silver, coins, jewelry, gemstones, fossils and metal detecting. We plan club outings each month where we can help each other learn all aspects of our hobbies. This is a great family activity, bring the kids! Please feel free to drop in on one of the monthly meetings or outings.

We meet the **4th** Thursday of each month, 7:00 p.m, at:
Clear Lake United Methodist Church
920 Marks Drive
Keizer, OR 97303

We meet in the church's Fellowship Hall; a real a nice meeting place complete with tables, chairs and a kitchen. The church is located across the street from the Clear Lake Fire Station. There's plenty of parking in the church's parking lot.

Fourth Amendment - Search and Seizure

The right of the people to be secure in their persons, houses, papers, and effects, against unreasonable searches and seizures, shall not be violated, and no Warrants shall issue, but upon probable cause, supported by Oath or affirmation, and particularly describing the place to be searched, and the persons or things to be seized.

The following article raised the question of what are our fourth amendment rights in Oregon after we buy a hunting, fishing, or mining permit.
Since we published the Jim Holden story last month we have heard from other people on the abuses of the California Department of Fish and Game. Apparently their zeal to achieve television ratings on Wild Justice has resulted in

some notable abuses of miners. It's a slippery slope when you combine regulation enforcement with reality TV and the result is the abuse of "we the people." We've discovered some truths along the way. **If you apply for and receive a permit to hunt, fish or dredge you are giving up your 4th Amendment rights.**

The California Supreme Court has affirmed that if you are holding a license to hunt, fish or dredge then the California Department of Fish and Game doesn't need a search warrant. Scary isn't it? This would lead you to believe you shouldn't apply for a permit, advice that has been repeated elsewhere before. However, in the Jim Holden case there was no permit issued and consequently the raid on Jim's camp was a violation of the US Constitution in our opinion, but hey, we're not lawyers, we're simply "we the people." Help stop the police state by getting out the vote in November. If you're as tired of it as I am, do something - vote. We need all of you to convince at least ten other people to vote for pro-mining; pro-freedom; pro-capitalism candidates. Remember, every two years we have the chance to change our government, let's do it!

From the Western Mining Alliance, August Newsletter
http://westernminingalliance.org/wp-content/uploads/2012/08/SEPTEMBER-2012-Newsletter.pdf

Alaska, concerned about gold miners' health, to test them for mercury

By: Reuters, Published: 27th August 2012
http://www.miningweekly.com/print-version/alaska-concerned-about-gold-miners-health-to-test-them-for-mercury-2012-08-27

ANCHORAGE – Alaska health officials, concerned about amateur miners seeking riches in a modern-day mini gold rush, plan to test prospectors in the town of Nome for mercury exposure for fear that archaic mining techniques may be inadvertently harming their bodies.

The Bering Sea port town of Nome has been a magnet this summer for gold prospectors, some of them with little experience, in a boom that state officials attribute in part to publicity from Discovery Channel's reality TV show 'Bering Sea Gold' and other mining shows set in Alaska.

Modern miners may be putting themselves at risk by trying to recover gold from mercury-heavy sediments on the sea floor, said **Ali Hamade**, a state environmental public health manager. A century ago, it was common for miners in Nome to use mercury to recover gold. The gold was extracted while the mercury was left behind.

"Now when people look for gold, they could find mercury with it," he said, adding that mercury introduced into the environment from the early 20th century gold rush has sunk down as deep as bedrock and that digging might release the toxic metal.

The planned mercury screening is the latest in a series of government efforts to manage the boom in the remote town of 3 700 people 800 km northwest of Anchorage that became famous for its raucous, historic gold rush over 100 years ago.

Modern miners in Nome use a variety of methods to draw up sediments that are screened for gold specks. Some dredge with boat-mounted excavators, while others use diving equipment to descend to the sea floor and suck up sediments with hoses or manually scoop them out. Some small-scale miners work with shovels and sluice boxes on the beach at the water's edge.

In liquid form, mercury binds with small gold particles, he said. The historic practice in Nome was for miners to heat mercury-gold mixtures, evaporating the liquid mercury to leave behind pure gold, said Hamade, who works for the state Department of Health and Social Services' epidemiology section.

Hamade said there were anecdotal reports that some modern-day Nome miners were doing the same thing, making use of residual mercury deposited in sediments by gold rush predecessors. The process is as dangerous to today's miners as it was to miners of yore, he said.

"If it's not in a well-ventilated area, they could be exposed to mercury fumes, and those could be toxic," he said. "When it's vapor, when it's fumes, you could inhale it, similar to any gas or dust that you may encounter."

PROSPECTING MINI-BOOM

Mercury is toxic and inhalation can harm nervous, digestive and immune systems, lungs and kidneys, according to the World Health Organization. Inhaled mercury can be fatal, according to the WHO.

Health officials will begin voluntary tests next week to see if traces of mercury are in miners' urine, Hamade said. Elemental mercury is usually excreted after it spreads through the body, he said.

The state received 171 applications so far this year for permits to dredge for gold in the two Nome beach areas designated as recreational mining sites, said Brent Goodrum, director of the Alaska Division of Mining, Land and Water.

That is twice as many permit applications as received in any previous year, he said, adding that applications were capped for the first time this year because the division imposed a deadline, Goodrum said.

The Alaska Department of Natural Resources, which oversees the mining division, has issued numerous notices to gold-seekers, including a sharply worded notice advising that individual miners cannot replicate the 'Bering Sea Gold' experience because Discovery Channel is using exploration rights through a state auction.

The show follows the exploits of four crews aboard dredging vessels used for relatively large-scale placer mining operations off Nome's coast. Discovery Channel media officials had no immediate comment.

Nome city officials this year also imposed some new rules for beach activities in response to what a municipal notice said were "several incidents of friction" between gold miners.

The US Coast Guard has been also been trying to educate amateur miners after a miner from Montana drowned last year while dredging Nome waters. The Alaska state troopers and other agencies have also beefed up their services in Nome.

As in historic gold rush days, many would-be miners are failing to find riches, Goodrum said. About half the people who received permits have so far

declined to venture out into the Bering Sea surf to dredge up the potentially gold-laden sediments, he said.

"Some folks have gotten out there and realized that it's a lot more challenging than what they saw on the show," he said. "It probably hasn't lived up to everyone's expectations."

How long before money collapses and what will it mean for gold?

Julian Phillips argues that, while developed world economies will prevent the global monetary system from a total collapse they will, in the end, once more fully harness gold.

Author: Julian Phillips, 13 Sep 2012, JOHANNESBURG (GOLD FORECASTER)

http://www.mineweb.com/mineweb/view/mineweb/en/page31?oid=158565&sn=Detail&pid=31

The Current Scene

Since 2007 and the start of the "credit-crunch" the developed world's money system has been under stress. As a consequence, there has been an economic downturn that government and bankers have not been able to stop, convincingly, in the last five years.

The developed world has decayed to the point that it can't handle another major crisis such as an oil price well into the $100+ area.

Food inflation, now threatening, must not be allowed to take off because consumer/voter reaction will undermine government and money still further.

As it is confidence in both the euro and the dollar is at a low ebb. Yes, it is still the only means of exchange and it can be forced onto citizens, but general confidence in the economy, the monetary system and a broad range of markets is suffering as never before.

There are bright sparks of hope, such as the Dow Jones Index returning to the highs it saw in 2007; however, this is by no means in the same investment climate as before the credit-crunch. Fear and instability pervades most markets as faith declines.

Daily we see another Eurozone crisis unfold casting doubts on the continuance of the euro and the financial credibility of its weaker members. Overall, on both sides of the Atlantic, consumer confidence continues to fall after so many efforts by central bankers to resuscitate their economies.

Why is so large a burden being put onto the central bankers, who should only really support governments' actions? Because the U.S. government is mired in political gridlock, it cannot achieve the vigorous action needed to do all it can to restore growth and confidence, and doubts now remain as to whether it's too late for any government to do so.

[Forecasts of a dollar decline are seen daily as its debt levels mount to new, unacceptable highs. With the impending 'fiscal cliff' on the horizon and promises of a heated political battle, consumers and companies expect a savage tax blow around year's end, further damaging consumer confidence. Will we see a recession in the States next year? It seems likely. Its timing could not be worse.

In the Eurozone, we daily see discord between citizens of the financially stronger nations and the weaker ones. Government discord is constantly apparent. Growth is proving even more elusive in the world's biggest trading bloc as it stands in a mild recession already.

Hope springs eternal, but today, realities keep hope on the run.

Can the Money System Collapse?

The thought seems unrealistic to people because it's what we use every day. But the money we use is entirely reliant on government and its central bank. If their performance does not meet the criteria required by money then confidence in that money will collapse eventually. It's clear that all currencies are not performing well at the moment as the balance sheet of most nations (except China) gets weaker and weaker. If most nations were individuals, then they would have been bankrupted by now.

A look back in history shows that not one paper currency system has lasted throughout the centuries, with the exception of those based solely on gold and silver which remain as money assets all the way.

Not today, you may well answer! We say oh, yes, today too. Despite all the rhetoric since 1971, gold remains in the bulk of the world's leading reserves for that rainy day when something else is needed other than the currency issued by the nation's central bank.

How Does Money Collapse?

Look back at Argentina in the 1990's and you see it using the U.S. dollar, but the economy of Argentina could not support the use of the dollar so it reverted to the Peso after savaging its citizen's dollar savings in exchange for that Peso. That was a 'collapse' of their currency. If the Greeks return to the Drachma or the

Spanish the Peseta, we will see a similar scene; it will be a collapse of their currency (the euro) inside their nation.

Can the dollar collapse? Because it's a government-controlled money system, the dollar will remain the means of exchange it is, even in a collapse.

A collapse will be expressed in several ways:

Its exchange rate against other currencies can fall heavily. In the case of the dollar as the world's foundation, un-backed currency, this is unlikely as it supports the un-backed currencies across the world indirectly. Its trading partners will try to pull their currencies down with it so as to protect their trading with the U.S. The same applies to a greater or lesser extent with the other main trading blocs of the world such as the Eurozone and China. You will have noted the narrow trading range of the **euro and** the **dollar** between $1.21 and $1.45 over the last few years. This is because of the mutual support between the Fed and the ECB by way of currency swaps.

It can collapse inside the country, as its buying power declines rapidly. This is monetary inflation usually caused by the over-issuance of a currency.

Another form of collapse could include a bond market collapse where the markets push interest rates up so high as to make it impossible for governments to repay debt. This level is generally set at 7% and we have seen it in the P.I.G.S. nations of the Eurozone over the last three years. If these countries had separate currencies, they would have collapsed, but inside the euro we see that that final collapse will be expressed by exiting the Eurozone and returning to past currencies.

In a nation where there is still a working economy, a collapse can also be expressed by the imposition of Capital and Exchange Controls, restricting the flows of money in and out of a country to protect the capital inside its borders. Its citizens usually bear the brunt.

Can the Global Monetary System Collapse?

We're of the opinion that even if the system is hobbling along, it will continue until global economies collapse. This was the case in Zimbabwe in the last decade. The Zimbabwe dollar continued in use because the government enforced its use inside its borders. But to all intents and purposes, it ha**d** collapsed long before then. In the case of Zimbabwe, the U.S. dollar became the currency **of trade** in the country and in what's left of its economy. This is still the case today.

Before any such collapse occurs, we are certain that each individual developed world economy would cooperate with each other to take whatever measures are available to them to shore up the monetary system. These measures will prevent the system from a total collapse, keeping it staggering on all the way. We believe that they will fully harness gold then.

The questions remaining are how and when.

Julian Phillips is the founder of **www.GoldForecaster.com** and **www.SilverForecaster.com**

A new gold standard?

Alasdair Macleod, 2012-SEP-16

http://www.goldmoney.com/gold-research/alasdair-macleod/a-new-gold-standard.html?gmrefcode=gata

The US Republican Party recently announced its intention to set up a "gold commission", to examine the feasability or not of returning to a gold standard. This raises important questions, cutting across the neoclassical economic consensus, so is bound to be controversial. If the commission is appointed, it members will have to re-learn how gold works as money, take on board the consequences of its reintroduction, and understand the reasons why mixing un-backed paper and gold is a flawed compromise.

Gold as money is fundamentally different from the paper-money environment we operate in today. Gold cannot be manipulated by government, while fiat money gives governments the flexibility in monetary policy they are accustomed to. To ditch flexibility for inflexibility is hard to justify, whatever the economic case. To do away with the option of easy money will also make many businesses judged to be not over-geared in a flexible monetary environment potentially insolvent.

For this reason, it is likely that any proposal for a gold standard is unlikely to go the whole hog. There is also the question of how much gold the central banks actually own, given decades of denying its monetary role, and of intervention by releasing bullion to discourage any thoughts that it is money.

The road to hell is paved with good intentions. The reality is that any attempt to go back to a gold standard is an uncomfortable rewinding of the clock. This is not to decry the benefits of sound money: if we had stuck to sound money in the first place we would not be facing the economic crisis we have today.

The only way gold will return as money is when fiat money destroys itself, which at the current rate is a matter of perhaps no more than a year or two. But let us generously assume for a moment that a gold standard is seriously considered. In that case, people will argue that there is not enough gold. They are wrong: it is a matter of price because gold is infinitely divisible. They will argue not being able to expand the quantity of gold faster than current rates of extraction is deflationary. It is true that in the long run prices expressed in gold will fall; but it is an error to assume that falling prices are a deterrent to consumption, as anyone in the consumer electronics industry will tell you. The origin of this mistake comes I believe from a reductio ad absurdum of the economic effects of a sharp reduction in the money quantity.

More important is the unknown differences between official gold reserves and the true position, and considerably more important is the power a gold standard would give China, who under-declares her gold reserves and would be a major beneficiary of higher gold prices. The reason it is a waste of time looking at a new gold standard has less to do with the erroneously supposed disadvantages of gold as money, and more to do with what our political masters see as the unacceptability of the disciplines it imposes. It is more than likely that this proposal will be quietly forgotten.

Band of America Makes the Case for $3,000 Gold

Matthew Boesler, Sep. 25, 2012

http://www.businessinsider.com/bofa-makes-the-secular-bull-case-for-3000-gold-2012-9

Everyone loves gold these days. Deutsche Bank sees $2000 gold soon. And Citi says it could go to $2500 in six months.

BofA, too: the firm recently initiated a $2,400 target price for the shiny yellow metal since the Fed's announcement of open-ended bond buying.

However, BofA analyst Stephen Suttmeier thinks there's a case to be made that gold goes even higher than the bank's official call.

In a note to clients today, Suttmeier writes:

The secular bull case for Gold $3000

We remain secular bulls on gold. Key chart and uptrend supports between $1600 and $1400 have held and we have viewed $1550-1500 as a good area to buy gold. The breakout above the year-long downtrend line completes the correction within the longer-term uptrend and targets resistances at $1800 and $1925. **But, the secular bull market for gold points to a stronger rally to $2050-**

2300 and up to $3000 longer-term. The top of the rising channel from mid 2005 is near $2375 and reaches the $3000 area by early 2014. Key channel supports are in the $1600 and $1400 areas and rise ~$25/month. The chart below shows the secular bull market for gold.

Here is the chart Suttmeier is looking at:

Prices a little soft, but peak gold far from the horizon

Lack of funds for gold exploration for junior company's means mining may face a very challenging time trying to grow over the next 10 years, says gold guru Pierre Lassonde.

Author: Dorothy Kosich, 11 Sep 2012

http://www.mineweb.com/mineweb/view/mineweb/en/page31?oid=158428&sn=Detail&pid=31

We are not witnessing a time of peak gold prices, renowned gold expert Pierre Lassonde observed Monday during the Denver Gold Forum.

Nevertheless, Lassonde warned the gold mining industry faces a "very, very challenging time" trying to grow over the next 10 years, a situation he attributes to the lack of a paradigm shift "in our industry's exploration"

Junior exploration companies aren't getting funded, Lassonde noted, as new finds are taking longer to bring to market, an average of 12 to 15 years until production. Instead of today's mega-gold projects, Lassonde suggests mining companies need to find smaller, higher grade projects that are easier to permit.

Another detriment Lassonde sees in the mining industry are analysts who persist upon determining their own ranges for gold prices. He would like to see the practiced stopped, and instead have analysts use current gold prices or spot gold prices or contango in their evaluation of gold markets. "Either you hire Nostradamus [to forecast gold prices] or just use the spot price," he joked to the audience of mining analysts, mining company managers, and investment fund managers in attendance at the Denver Gold Forum.

Lassonde feels the global gold mining industry "has had an incredible growth rate in dollar value" with a "really well-balanced, diversified [gold] demand at a record level.

And, while gold investment is growing steadily, Lassonde said he believes gold is "significantly under owned." Meanwhile, investors in China and Indian are snapping up physical gold; China at the rate of buying 2,000 tonnes of gold a year, a figure Lassonde believes will go higher.

Lassonde also quipped that he is willing to "bet a lot of money" on a dollar-gold ratio of 2-to-1 in the future, noting that the ratio was 42-to-1 in 2000 and is now down to 8-to-1.

Why are commodity prices currently a little soft? Lassonde suggests that a mid-cycle correction is currently taking place in all of the commodities except gold due to central bank gold purchases. He observed that central banks "are finally learning that all currency is suspect" and are buying back gold, which Lassonde believes will generate new mining of gold to meet escalating gold demands.

QE to insanity and beyond - best for gold lies ahead

The upwards path of the gold price looks to be an almost certainty, inasmuch as anything is certain in this world, driven by open ended QE commitments around the world.

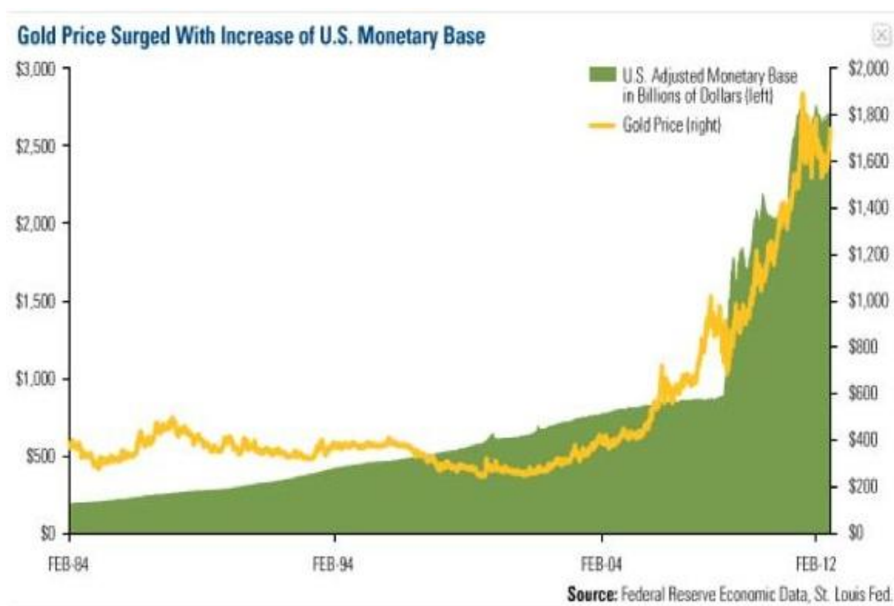
Ross Norman, 24 Sep 2012

http://www.mineweb.com/mineweb/view/mineweb/en/page33?oid=159071&sn=Detail&pid=33

2012, like 204 and 2008, was ALWAYS going to be a relatively modest year for gold and silver. Modest, that is, within the context of a run rate of a 17% year-on-year increase (compounded) that we have seen for 12 years. Up until "QE Infinity" gold had scored a 4% gain YTD and today it stands at just 9%.

The thing that links 2012 with 2004 and 2008 is of course that these are US election years and not untypically the incumbent is wont to remind us how well the US is doing - by extension the dollar is firmer and gold weaker than it might have been.

With the US balance sheet already at a staggering negative $3.0 trillion we should expect this to rise by $0.5 trillion a year until the economy improves and it has been suggested, unemployment falls to 5.5%. This is expected to take, at best 5 to 6 years. In short, expect the Fed balance sheet which has already grown nearly fourfold from pre-crisis levels is set to double again.



If gold is to maintain its run rate - and why wouldn't it - and if prices were to correlate with the size of the US monetary base, this would suggest that the gold price rally is also only roughly half way there (arguably it would outperform as confidence in the US dollar evaporates). In other words gold has the capacity to rise to between $3,500 and $4,000 - something we have maintained for some time. Furthermore, this level would see the Dow/gold ratio marking a fall to 2.5:1 as we also forecast.

Central to Fed policy is the question is whether or not additional QE would lead to jobs growth? Particularly given that the Fed is flush with cash lying fallow from private and corporate owners who are reluctant to commit it to the markets because of a pervading sense of uncertainty. More QE could, it may be argued, simply be making matters worse. The biggest crisis in our view is less of under-employed people than under-employed money (or investment fuel). Some have coined QE3 as "QE Infinity" on the basis that the Fed will be purchasing $40 bn/month in mortgage backed securities for perpetuity - bringing to mind that line from Buzz Lightyear "To infinity and beyond" - others might reflect on the latest policy move and call it "to insanity and beyond".

In the meantime, gold looks rosy and we maintain a bullish outlook - with the best for prices yet to come.

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Two views on gold but same conclusions big increases in price ahead

Two presentations by well-known gold analysts in London yesterday both came to remarkably similar conclusions as to where the yellow metal's price is headed. Substantially upwards.

Lawrence Williams, 21 Sep 2012

http://www.mineweb.com/mineweb/view/mineweb/en/page31?oid=158983&sn=Detail&pid=31

Yesterday's Mining Journal Gold Day in London differed from the norm in that as well as seeing presentations for a few companies it started with two keynote presentation on gold and the gold price by Ross Norman of Sharps Pixley and Charles Gibson of Edison Research and while both approached the subject from slightly differing angles their ultimate conclusions on where the gold price is headed were remarkably similar.

Ross Norman was the first to speak and looked at the long term pattern of gold price appreciation having been driven initially by fundamentals, but latterly by the global economy - but also concluded that on the patterns shown by other bull markets the current gold bull could have some way to run yet which would likely see the gold price rise to unprecedented levels, but at the moment very much driven by the huge increases in U.S. monetary supply to which the rising gold price bears a very strong relationship. With Europe and now Japan following a similar path this is not just a U.S. phenomenon.

On the bull cycle front Norman concluded that these bull cycles tend to last for around 17 years trough to peak and on this basis there would be around 7 years or more yet to run. He also commented on the gold bubble argument so popular with gold's detractors and came to the strong conclusion that this is not the case. Gold is not yet following a bubble pattern but he did concede that it does have the capability of meeting some bubble characteristics at some stage in its climb.

A week ago at the Denver Gold Forum, Pierre Lassonde looked at the Dow:Gold ratio as being an indicator of where gold is heading and pointing out that past history suggests that this might end at 1:1 (suggesting that at the current Dow level gold should rise to over $13,000), Norman also alluded to the relationship between the Dow and gold - but used a more conservative 2.5:1 ratio as where things might well end up suggesting that gold might rise to $4,000 with the Dow falling to 10,000.

Other points made were that gold accounts these days for less than 1% of global assets giving it room for advance here, that it is under-owned and that its average run rate over the past ten years or so has been around 17% a year - a
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level he feels could continue for the next few years at least. In a reasonably benign economic scenario he felt that gold would double in price in the next few years - but should the global economic situation continue to deteriorate it could easily go to double this number.

Following on Charles Gibson commented that real interest rates remain the key and with the FOMC policy of keeping these down until at least 2015 there was little likelihood of any real slippage in the gold price over this period - and probably beyond as there is no real end in sight to the global economic problems. He pointed to remarkable parallels to the 1970s run up in the gold price, but then pointed to the huge differences in scale this time around with astonishingly high increased growth in money supply - which he also pointed to as being absolutely in line with the rise in the gold price. In effect he felt that QE1 and QE2 had only served to replace the money that the global banking system had lost in the previous few years, which was why it had not really flowed back into the general system with the banks reluctant to pass it on. QE3 might thus see some of the Fed's largesse being passed on, but perhaps not enough so to make a real difference.

On forecasting the future gold price Gibson saw the underlying fundamental long term price - perhaps that on which mining companies should base their development decisions - as being at around $1880 by 2014, but that the spot price would rise much higher than this. Indeed he came to almost exactly the same conclusions give or take a little as Ross Norman on this with an upside of $2,000-$4,000 - but not impossible for the price to surge to $10,000 should things go really wrong with the global economy. (Indeed some would argue that they already have!)

Gibson concurred with Norman's conclusions on the gold 'bubble' saying that the recent price rises represented a fundamental shift, rather than an unsustainable peak and that consequently any real downside in the gold price was extremely limited and thus that the high prices were here to stay . A bubble suggests a rise to a peak followed by a collapse back down to the level at which the bubble started and the likelihood of this happening with the gold price was seen by both speakers as virtually zero. Certainly gold will likely peak one day, but would then find equilibrium at a hugely higher price from that whence it had commenced its run up. That is not a sign of a burst bubble.

So overall we listened to two commentators independently coming to similar broad conclusions on where the gold price is headed, and that the current main driver is probably the growth in US monetary supply. With the latest QE3 being somewhat of an open-ended commitment this does perhaps suggest that the rising gold price too is open-ended - at least while QE3 remains active. But if QE3 doesn't work and not make a substantial dent in U.S. employment

figures, what then? Would we have QE to infinity as Jim Sinclair suggests - and does that in turn indicate the gold price rising to infinity as the purchasing power of currencies continues to diminish? One hopes not and that at some stage the global economy returns to a semblance of growth without the need for ever continuing monetary stimulus, but the historical portents are not good.

The gold price and the exponential growth of our problems

Alasdair Macleod, 2012-SEP-02

http://www.goldmoney.com/gold-research/alasdair-macleod/the-gold-price-and-the-exponential-growth-of-our-problems.html?gmrefcode=gata

Two Bloomberg correspondents reported on August 8 that the US Government's unfunded liabilities rose by $11 trillion last year, "ten times larger than the official deficit", and are now at an estimated $222 trillion. The authors base their estimates on figures supplied by the Congressional Budget Office. This makes talk about the "fiscal cliff", as the Bush tax cuts come to an end, a secondary issue. Meanwhile in Germany the Constitutional Court will be told on 12 September that the bailout costs faced by Germany are €2 trillion with a further €1.7 trillion in the pipeline, compared with only €170 billion a year ago.

In contrast with these accelerating deficits, the gold price has fallen from over $1,900 to recent lows under $1,600. Admittedly this move has been accompanied by growing apathy in the market, matched perhaps by complacency in bond markets over the state of the government finances quoted above. Furthermore similar budgetary problems, particularly those welfare-related, afflict all advanced economies. And these liabilities are not just rising; they are accelerating and are unlikely to remain hidden for much longer.

While the general public is aware that the eurozone, for example, has difficulties and that world economic conditions are far from blissful, it is unaware of the enormous scale of the global sovereign debt crisis. Even economists who should know better ignore it; however, they are gradually beginning to realise, contrary to what their text-books tell them, that stuffing new money into an economy is not leading to recovery and underwriting future tax revenues. This being the case, unfunded liabilities will emerge at the same time tax revenues diminish.

Waking up to this reality will create its own financial shock, made worse perhaps because it has been the intention of governments to hide the truth. They have pursued this deception with zero interest rates, which have artificially cut the cost of government borrowing and kept stock markets from falling. At the same

time they have fostered the myth that government spending can make a positive difference to the economic outcome. Contrast this with Spain and Italy, who are unable to conceal their financial difficulties any longer. Their problems are a foretaste for what the rest of us will eventually face.

Do recent stirrings in precious metal prices indicate an end to this complacency, or is it just a speculative bounce? Time will tell, but given the rapid deterioration of government finances, gold and silver have been left a long way behind. But summer's lease hath all too short a date. In the next few months we will think less about outdoor activities and more about what's ahead of us. Some of our future pre-occupations are easy to anticipate, such as the growing risk of the eurozone disintegrating. Others are less visible, but could this winter see us waking up to the consequences of governments' off-balance sheet liabilities turning into actual deficits?

If this is the case gold and silver – having dallied for a year – have a lot of catching up to do, and the recent rise should be the start of a major move upwards.

The Greatest Threat to Gold Ownership

Jeff Thomas , International Man, 19 September 2011

https://www.internationalman.com/global-perspectives/the-greatest-threat-to-gold-ownership

If you hold precious metals in your portfolio, there is a good chance you fear hyperinflation and the crash of fiat currencies.

You probably distrust governments in general and believe they are self-serving and have no interest in your economic well-being. It is likely your holdings in gold are your lifeline; your hope to get you through these times while holding on to your wealth.

But have you ever given it any thought to the possibility of having this lifeline confiscated by the authorities?

In my conversations with friends and associates, I have often raised this question. The typical responses:

"They'd never do that."

"I'll deal with that if and when it happens."

"I just wouldn't give it to them."

I consider these *wishful thinking* responses.

It's an interesting thought that the greatest threat to gold and silver investment might not be the possibility of losing on the speculation, but the government taking it away from you. It's a thought that I've found few want to even think about, let alone discuss.

If you fall into this camp, you're in good company. Some of those forecasters whom I respect most highly also treat it either as "unlikely" or, at best, "something we may need to look at in the future." To date, in conversing with top advisors worldwide, the two primary reasons they believe gold will not be confiscated:

1. *"Confiscation would mean the government acknowledges the reality of the value of gold."* Yes, this is quite so. They would be changing their official view… which, of course, they do all the time. But I submit that all that they need to do is put the proper spin on it.

2. *"They would meet greater resistance than they did back in '33."* I expect that this is also true, but that a plan will be put in place to deal with that resistance.

We'll address both of these assertions in more detail shortly, but first, a bit of history.

In 1933, Franklin Roosevelt came into office and immediately created the Emergency Banking Act, which demanded that all those who held gold (other than personal jewelry) turn it in to approved banks. Holders were given less than a month to do this. The Government then paid them $20.67 per ounce – the going rate at the time. Following confiscation, the Government declared that the new value of gold was $35.00. In essence, they arbitrarily increased the value of their newly-purchased asset by 69%. (This is enough reason alone to confiscate.)

Today, the US Government is in much worse shape than it was in 1933 and they have much more to lose. The US dollar is the default currency of the world, but it's one that's on the ropes, which means the US economic power over the rest of the world is on the ropes.

I think that readers will agree that they will do *anything* to keep from losing this all-important power.

The US has essentially run out of options. At some point, the fiat currencies of the First World will collapse and some other form of payment will be necessary. Yes,

the IMF is hoping to create a new default currency, but that, too, is to be a fiat currency. If any country were to produce a gold-backed currency in sufficient supply, that currency would likely become the desired currency worldwide. Fractional backing would be expected.

As most readers will know, the Chinese, Indians, Russians and others see the opportunity and are building up their gold reserves quickly and substantially. If these countries were to agree to introduce a new gold-backed currency, there can be little doubt that they would succeed in changing the balance of world trade.

That said, the US Government is watching these countries just as we are and they are aware of the threat of gold to them.

The US ostensibly has approximately 8,200 tonnes of gold in Fort Knox, although this may well be partially or completely missing. Additionally, they ostensibly hold a further 5000 tonnes of gold in the cellar of the New York Federal Reserve Building. Again, there is no certainty that it is there. In general, the authorities don't seem to like independent audits.

In fact, there are rumors that the above vaults are nearly or completely empty and that the above quoted figures exist only on paper rather than in physical form. While there is no way to know this for sure, it's not out of the question.

Either way, if the US and the EU could come up with a large volume of gold quickly, they could issue a gold-backed currency themselves. It's a simple equation: The more gold they have = the more backed notes they can produce = the more power they continue to hold. By seizing upon the private supply of their citizens, they would increase their holdings substantially in short order.

Either that or they could just give up their dominance of world trade and power… *What would you guess their choice would be?*

It is entirely possible that the US Government (and very likely the EU) have already made a decision to confiscate. They may have carefully laid out the plan and have set implementation to coincide with a specific gold price.

So, how would this unfold? Let's imagine a fairly extreme scenario and ask ourselves if it could be pulled off effectively:

- The evening news programmes announce that the economic recovery is being hampered by wealthy private investors who, by hoarding gold, are skewing the value of the dollar and threatening the middle and poorer

classes. The little man is being made to suffer while the rich get richer. A press campaign to equate gold ownership with greed ensues.

- The Government announces the Second Emergency Banking Act, advising the public that, "the first EBA was instituted by FDR to solve this same problem during the Great Depression. This act was instrumental in helping the little man 'recover'." (As the average man on the street doesn't know his history or how wrong this statement is, he'll believe it. Besides, the announcement has a "feel good" message and that's all that matters.)

- Possessors of gold, who make up a small minority of the population, would become pariahs. It won't matter that the guy who owns two gold Maple Leafs is not exactly a greedy, rich man. No one will wish to be seen to resist confiscation. Neither will they wish to go to prison for resisting, no matter how remote the possibility.

- The US pays for the gold – in US dollars, which are rapidly headed south. Yes, the Fed will need to print more fiat dollars in order to pay them off but this suits their purpose, as it inflates the dollar even more. Those who have turned in their gold will do whatever they can to unload the US dollars as quickly as possible and will need to find another investment at a time when there are very few trustworthy investments other than gold. The stock market would likely rise, showing the public how the gold confiscation program is "working".

- One last scary possibility: The Government demands that gold is turned immediately and that settlement will occur *following* confiscation. After confiscation, they announce that, as there have been such a large number of cases of rich people ripping off the little man, processing them all could take months, possibly even a year or more. A further announcement states that some investors have made an unreasonable profit on the backs of the poor and that they should not be granted this profit. This profit must be returned to the people. (You can almost hear the cheers of the people.) Then they set about making assessments. They find that most investors do not have formal, acceptable receipts for every coin in their possession. So, if you paid $1200 for a Krugerrand a couple of years ago, you get paid $1200. If you bought it at $250 in 1999, you get paid $250. But if you have no receipt in an acceptable form, you get a "fair" median payment, say, $500, regardless of when you bought it.

- Appeals: Each investor will be allowed up to one year to appeal the decision of the Treasury as to what is owed him. Of course, the investor

knows that the dollar is sinking rapidly and he would be wise to shut up and take what he is being offered.

Again, this hypothetical scenario is an extreme one. The reader is left to consider just how likely or unlikely this scenario is and what that would mean to his wealth.

But bear this in mind: If the above scenario were to take place soon, the average citizen would have mixed feelings. They would be glad that the evil rich had been taken down a peg, but they would worry about the idea of Government taking things by force because they might be next. It would therefore be in the Government's interests to implement confiscation only after the coming panic sets in – after the next crash in the market, after it becomes plain to the average citizen that this *really* is a depression and he *really* is in big trouble. Then he will be only too glad to see the "greedy rich" go down, and he won't care about the details.

As terrible as the thought is, it seems unlikely to me that the government will not confiscate gold, as they have little to lose and so much to gain.

Those who own gold would prefer to think that this cannot happen, but they have quite a lot riding on that hope and precious little evidence to support it.

To my knowledge, this is the first article that directly outlines the worst case scenario. It is entirely possible that this scenario will not take place, just as it is possible that confiscation will not take place. The purpose of this article is to hopefully spark some serious discussion – both for and against the possibility.

Investors are, by their very nature, planners. It may take a community of investors to develop a legal plan to deal with the above eventuality. Time to get started.

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When Will Gold Finally Take Off Again?

Jeff Clark, Senior Precious Metals Analyst, Casey Research, September 12, 2012

http://www.caseyresearch.com/articles/when-will-gold-finally-take-again?ppref=CRX410ED0912A

Gold's pullback a year ago no doubt shook out a lot of nervous buyers. They got in on the rise, they got nervous on the pull back. They sold, and they lost.

That's just the way the market works.

But it's a shame, because when we look logically at gold's historical performance – for example over the last 12 years – we see that holding their nerve, tough though it can be, will most likely turn out to be the best approach, and for good reason.

Look at gold prices for the last five years.

You can see, despite the pullback, that the trend is clearly heading up.

But to get a feel for *when* the current pullback will end and to understand what we can expect when it does, consider these three key reasons you should be considering gold in your portfolio mix:

1. Gold is an inflation hedge.

Our economy has been flooded with paper money and national debt has skyrocketed.

At the same time, the dollar is being actively devalued in order to repay that debt.

To you and me, it means that sooner or later inflation – *real inflation* – will hit us hard. It's just a matter of when, not if.

Historically, as I discuss in my report *The Three Best Ways to Invest in Gold*, gold has been the number-one way to protect yourself from inflationary times.

If we are heading toward a period of high inflation, as it seems clear we are, then gold should play its part in protecting you when it arrives.

2. Gold is a dollar hedge.

As we come out of the summer and straight into elections, the chance of any big plan for reducing pressure on the dollar is slight. Problems caused by negative interest rates, debasement from bailouts, debts, and money printing are all pushing the dollar lower.

Yet gold has risen against the dollar, euro, Swiss franc, Canadian dollar, and British pound every year since 2000. The following list shows gold's rise from then, priced in US dollars (gains listed are year over year).

2000 – $271.50

2001 – $278.10 (gain of 2.43%)

2002 – $347.50 (gain of 24.96%)

2003 – $415.20 (gain of 19.48%)

2004 – $437.10 (gain of 5.27%)

2005 – $516.60 (gain of 18.19%)

2006 – $636.00 (gain of 23.11%)

2007 – $833.30 (gain of 31.02)

2008 – $880.80 (gain of 5.7%)

2009 – $1,095.60 (gain of 24.39%)

2010 – $1,421.60 (gain of 29.76%)

2011 – $1,566.40 (gain of 10.19%)

Those numbers show a solid, unbroken, and global bull market.

3. The US dollar has inflation baked in the cake (and so do many other currencies).

Because the Fed continues to pour money into the economy, it's difficult to say for certain when gold will make a dramatic move. But when inflation hits home and people start to question the value of paper currency, then people will turn to history's premier safe haven – gold.

Getting your timing right is tricky. If you buy today, gold may still go down. You could hold off buying and watch the price take off. The important thing to realize, though, is that the overall trend is clearly upward.

Currency dilution is a key factor, and signs –including growing expectations for another round of economic "stimulus" from the Fed soon – tell us that it *is* coming. When headlines about gold start showing up on the evening news, it will be too late. By then, of course, prices will be moving fast, so logically, the time to get in is now.

There are three ways to invest in gold as prices take off once more: Owning physical gold; owning "paper gold"; and finally – where the life-changing profits can come from – owning the right gold stocks.

Getting your strategy right, and doing it sooner rather than later, is the key.

STUDY OF HISTORIC GOLD VS. DJIA PRICE RELATIONSHIP

The Melman Report, 244 - 2465 Apollo Dr., Nanoose Bay, BC, V9P 9K2

Originally published summer, 2006 - Revised January, 2007
http://www.themelmanreport.com/articles/art2.html

One of the most fascinating long-range studies involving the world of gold is the relationship of the price of gold to the Dow Jones Industrial Average (DJIA). For those who think it has mattered relatively little which side of that investment equation one has 'placed their bets', they couldn't be more wrong.

During the past century, the movement of the relationship between the two numbers has been both sweeping and dramatic - and being on the right side of those monumental undulations has been a matter of extreme importance. In capsule form, here is the record:

In late 1929, the Dow reached its 'Roaring Twenties' climatic high at a peak of near 380 while gold's price was held at $21 (all prices US$) for a ratio of 380/21 or 18 ounces of gold to purchase one unit of the Dow Jones Industrials. From that point, the securities markets collapsed, reaching an ultimate low of near 40 in late 1932 and, with gold still at $21, the ratio had plunged to 40/21 or just about two to one.

By 1962, the situation had changed dramatically with the Dow peaking near 840 and gold fixed just below $33, leaving a ratio of 25.45 to one in the Dow's favor, but once again, the markets reversed themselves and by January 1980, the Dow was still in the mid-800s while gold roared ahead to the same number. The ratio had dropped to ONE TO ONE! However, that marked the relative peak for

gold, while the securities markets roared ahead in the grandest bull market in history and, in early 2000, the Dow reached 12,000 while gold had declined to the 260 level, resulting in a Dow/gold ratio of FORTY-SIX TO ONE!

Since 2000, the securities markets have basically marked time, gold has rallied strongly and, as this is written in January 2007, the relevant numbers are 12,500 and 626 for a ratio of almost exactly twenty to one.

Clearly the markets have been able to identify the periods of time when economic prosperity and social stability have prevailed and when they have not. During the former, an investor profited immensely by being in securities over gold while during the latter, the reverse was true. From the end of WW1 until late 1929, optimism reigned supreme and the ratio rose to 18:1. In late 1929, the Great Depression entered with frightening suddenness, securities markets collapsed, gold investments prospered and the ratio plunged to two to one. Despite the advent of WW11, economic conditions gradually improved, abetted eventually by the huge post-war boom and, as a result, both social and economic conditions improved and the securities markets soared, resulting in a rising ratio reaching to 26:1. However, gold then gained the upper hand over securities markets as the first signs of rising inflation came into view, political upheavals such as Watergate and the Soviet incursion into Afghanistan occurred, gas shortages were experienced and feelings of uncertainty became pronounced. Ergo, the ratio plunged.

Next came the securities and technological boom of the 80's and 90's at the same time inflation appeared to be under control and the message was "Exit gold, load up on securities" and the ratio exploded upward. Finally, we have seen the ratio now returning to lower levels by declining to 20:1 during the past six years.

The great question for us at this time is: "Are we on the way once again to the point where the price of gold will equal or exceed that of the DJIA, or is the recent movement just a blip on the road to ever-greater societal prosperity?"

As we see it, the growing concerns which have been reflected in a rising ratio for gold over the DJIA during recent years have four main themes:

1. The rise of international terrorism with the potential concurrent threat of disruption to the world's petroleum supplies.
2. Rising fundamental demand for all materials, particularly including petroleum plus base and precious metals resulting from enhanced prosperity in India, China and other nations.

3. Concern for the stability of the United States Dollar resulting from America's needs for massive quantities of imported oil and support from the international community for the greenback.
4. Growing indications that the American real estate boom may be in the early process of imploding, thereby placing the American consumer-driven economy at a heightened level of risk.

The question, then, is whether or not the world can solve these and other serious problems in time to avoid dire social and economic consequences. If it is able to do so, the ratio will probably increase once again; if not, we could be headed back toward ONE TO ONE - or even lower.

Faustian precedent bodes ill and leaves gold and silver in prime position

Faust Part 2 by Goethe includes a cautionary tale on money printing replacing gold with ultimately dire consequences - alluded to recently by Jens Weidmann. Could this be a warning to all Central Bankers?

Author: Jan Skoyles, 21 Sep 2012

http://www.mineweb.com/mineweb/view/mineweb/en/page103855?oid=158960&sn=Detail&pid=102055

Bundesbank President and economist, Jens Weidmann, hasn't exactly kept quiet about his lack of support for the ECB bond-buying program. But this week he put it into a context which the public would be able to understand, and 'shocked' Europeans by relating the program to that of making a deal with the devil.

Weidmann refers, as many have before him, to the 'Faustian pact', called so thanks to Act I, Part II of Goethe's 1832 play 'Faust'. In the play the Devil, Mephisto, convinces the Holy Roman Emperor to print large amounts of paper money rather than use gold. In the short term, the money printing solves the emperor's financial problems, but it soon leads to rampant inflation.

Inflation is an invisible thief, it leads to disposable incomes falling, savings decreasing in value and interest rates becoming effectively detrimental to those who try to be sensible with money.

Whilst Weidmann did not refer to Draghi's, or anyone's money printing exercises, he warned "If a central bank can potentially create unlimited money from nothing, how can it ensure that money is sufficiently scarce to retain its value? ...This temptation certainly exists, and many in monetary history have succumbed to it".

Mr Weidmann of course speaks of his own country's historical experience when the money printing in Weimar Germany led to devastating consequences, something which just about remains in living memory.

Following Mr Weidmann's comments, many are arguing that the economy of the 19th century was quite different to that we have now. Therefore, surely we cannot use such a simple, archaic example to forewarn of dangers in the monetary system today? Well that's most likely what the wise men in Weimar Germany thought as well, and maybe even Gideon Gono, Zimbabwe's reserve Bank Governor during its period of hyperinflation.

If new money could pay off bad debts, then why has no economy in history figured out how to make it work? History told Goethe this wasn't a sensible solution, history since Goethe tells us it isn't a sensible solution, so why do our bankers think they are suddenly all superior?

Easy money, as Mephisto shows, solves problems for the short-term, brings praise for those who action it in the short term, but brings nothing but bad feeling for those same people from those it affected the most.

When launching QE, central banks are very much hoping to set off the 'wealth effect', low interest rates, higher bank lending - people feel wealthier and so they spend more. However QE doesn't have a proportional response.

QE, or any other technical form of money printing, is a practise which demonstrates the law of diminishing returns, just look at Japan. They've been at it the longest with nothing but stagflation to show for it.

Chris Martenson points out that given the median household income in the US is approximately $50,000 the Fed, by this time next year, will have printed up the annual earnings of 9,600,000 households under QE3. Therefore, each time the Fed prints, you have to work even harder the following year in order to recoup the same benefits as that original $50,000 would have made for you.

As Eric Fry over at the Daily Reckoning points out, in the last 4 years the number of Americans on food stamps has increased to 17 million, whilst the number out of work has increased by more than 3 million.

The US, which has embarked on a 'QE to infinity program' has is headed down an un-trodden road. The US economy is now an experimental economy for which the citizens suffer.

PLEASING LUCIFER

As Nasim Taleb says 'Quantitative Easing is a transfer of wealth to the rich. It brings up the housing prices. The state is subsidising the rich, it is the top 1 per cent that benefit from QE, not the 99 per cent. QE really is flooding banks with money so they pay themselves bonuses with it. Banks have money and assets so now they can borrow easily. The poor guy here who is unemployed and can't borrow is not going to benefit from QE.'

Late last month, the Bank of England released a report on the 'Distributional effects of asset purchases'. Somehow, it finds, without proof, that without the Bank's asset purchases 'most people in the United Kingdom would have been worse off.' It argues that savers and pensioners have been protected from the potential effects of unemployment, company failure and low economic growth. All of which we have, but apparently they're not as bad as they could be.

The media did notice however, how the central bank acknowledges that QE has seen a huge transfer of wealth to the already super rich.

The super-rich love QE, as do the central bankers, and banks. QE provides a huge boost to asset prices. However this does not mean an increase in the value of the assets.

This increase in asset prices is supposed to make everyone feel wealthier. So whilst those savers and pensioners might be being screwed over by the negative interest rates and a loss in deposit income, they'll still spend more of what little money they have because they 'feel' wealthier. However whilst inflation may not feel as though it is punishing us now, it punishes past accumulated assets by making them far less valuable.

QE seems to insulate banks from the need to address their problems, it does not allow for a self-sustained recovery. Japan demonstrates this in full. The BoJ just keep printing money whilst the people feel the full effects.

We might not be able to perform an exorcism on the economy, but we are able to on our own finances. It's time we showed we're not ready to make a pact with the devil but instead can protect our finances from this Faustian pact of which we are not a part.

What is the monetary system which the devil persuades the Emperor to leave? As noted above, one based on gold. Ironically, the only way to gain 'operational wealth' during a mass money printing session, as we are seeing now, is to buy and hold gold and silver.

Silver Is Outshining Gold by a 2-to-1 Margin

Matt Nesto, Breakout, *Sep 26, 2012*

http://finance.yahoo.com/blogs/breakout/silver-outshining-gold-2-1-margin-lydon-162916579.html

Gold may have more prestige and a broader fan base, but experts say, silver is where the real action is right now. In the past 3 months alone, the price of silver has risen 25%, while gold's recent run up, albeit impressive, has only been about half as strong.

Still, whether it's gold or silver or platinum or palladium you are chasing, the penchant for precious metals has been reignited by the dovish central bank action commonly called QE3. But Tom Lydon, the editor of ETF Trends, says when it comes to silver, there's more to this hard asset story than monetary policy, inflation concerns and fear.

"There's been a huge increase in emerging market demand as more people move up to the middle class, and silver is an easier acquisition for them," Lydon says in the attached video. "Although somewhat of a speculative investment ten years ago, gold and silver are now becoming a foundation investment." He says the average investor no longer just puts 60% in stocks and 40% bonds anymore.

Naturally, some pros have doubts that the current run can last, or at least will run out of steam. While there is really no way to tell what the future holds, metals traders and analysts do say that silver tends to outperform in a bull market, underperform in a bear markets, but overshoot in either directions.

While silver is unarguably more volatile, Lydon points out that it is still almost 40% below its highs of two years ago, while gold is just 15% beneath its $2,000 peak a year ago.

Ease of access via ETFs is another reason why metals are gaining market share in portfolios Lydon says, calling the precious metal investing process "much more free flowing." While he says the largest silver fund is the iShares Silver Trust (SLV), the ETFS Physical Silver (SIVR) and the Powershares DB Silver (DBS) are also very widely held and actively traded.

In addition, just like their brethren in the gold patch, Lydon says some investors prefer to own the metal producers instead of the metal itself and do so via mining ETFs such as the Global X Silver Miners (SIL) or the iShares Global Silver Miners (SLVP). But no matter what route feels right, Lydon says to would-be investors, "it's exciting, but you've got to do your homework."

Silver steals the spotlight from gold

Demand's poised to rise, but watch out for silver's volatility

September 07, 2012 | Myra P. Saefong, MarketWatch

http://articles.marketwatch.com/2012-09-07/markets/33652435_1_precious-metals-silver-futures-prices-silver-trades

SAN FRANCISCO (MarketWatch) — Silver has been a top performer among major metals this year, and it looks set to continue to steal the spotlight from gold, with investment and industrial demand for the white metal expected to rise.

"We could see a spectacular performance in silver" during the rest of the year, said Julian Phillips, a South Africa-based editor at SilverForecaster.com. "Silver, in addition to its demand [and] supply disjoint, will attract huge investment demand."

Already, silver futures prices (US:SIZ2) trade above $32.60 an ounce, up about 18% for the quarter to date and up 17% from the end of 2011. Gold (US:GCZ2), at more than $1,700 an ounce, has seen a quarter-to-date gain of 6% and less than 9% rise for the year.

"Investors see precious metals like silver and gold as hedges against the debasement of paper currencies," said Elliott Orsillo, co-founder and portfolio manager at Season Investments LLC.

Much of the recent move in both silver and gold has been a reaction to rising expectations for more monetary easing on the part of the European Central Bank and the U.S. Federal Reserve, which tend to devalue currencies.

Orsillo warned that the market might have gotten a little ahead of itself regarding those expectations. "We could see a pullback and a better entry point [for silver] in the next couple of weeks," he said, noting that silver tends to be more of a "high-beta play," much more volatile than gold.

Overall, however, "quantitative easing acts as a catalyst for precious metals," said Dawn Bennett, portfolio manager of the Bennett Group of Funds.

The Fed's second round of quantitative easing, or QE, helped lift gold to a closing record of almost $1,900 and silver near $50 an ounce in 2011.

A third installment of QE will likely have an even greater impact and both metals will "retest, if not surpass, 2011 highs," added Bennett. "While silver trades more volatile than gold, when the fundamentals for the safe-haven trade are in

place, it performs extremely well and is affordable for any investor seeking refuge from the equity and bond markets or looking to hedge the dollar."

Ratios

Silver's lofty gain this year may be one that's built to last, but also one that's raised concerns over the risk of a steep pullback.

The rally in the precious-metals sector finally getting under way is "likely to be a good one," with a record high in gold above $2,000 this year "a realistic target," said James Turk, founder and chairman of GoldMoney.

For silver, although it comes with greater risk because it is not yet seen as money, the upside potential is even greater, he commented. "It is still largely seen as an industrial commodity and with global economic activity weak, people are not paying attention to what is actually happening in silver."

"Slowly but surely, silver is being recognized as an alternative to owning gold," said Turk, so around "54 ounces of silver accomplishes for you the same thing as one ounce of gold — it is money outside of the banking system."

Watching that gold-to-silver ratio is among the things traders can do to help figure out whether silver remains a good value, thereby hedging some risk in the metal's usually high volatile market.

After Thursday's rally, the gold-to-silver ratio stood at around 52 ounces of silver for one ounce of gold.

"Silver will outperform gold — meaning the gold/silver ratio will fall," added Turk.

The historical norm for the ratio is 16 ounces of silver to one ounce of gold, so silver at current levels is undervalued relative to gold, he elaborated. "Because it is better value, silver will attract more money from investors than gold in the months ahead."

Turk expects the ratio to fall to 30 next year, the same level it approached back in April 2011 when silver prices neared $50. In the longer term, silver will approach its historical 16-to-1 norm, he said

New innovations boost silver demand, but could price be taken down again?

Ongoing advances in the usage of silver could boost industrial demand. But, while pricing looks strong there are warnings of a possible short-seller price take-down again.

Lawrence Williams, Monday , 17 Sep 2012

At last week's Denver Gold Forum, Hecla's CEO, Phil Baker, took time in his presentation on his company to point out some parallels between silver today and the huge change in demand structure which took place at the close of the 19th and the start of the 20th Centuries as technological advance (the use of silver in photography) dramatically changed the structure of the silver market. At that time, silver's usage had primarily been in silverware, jewellery and in monetary usage, but photographic demand eventually rose to account for around 50% of the market.

Baker's view is that now, although photographic usage has dived dramatically with the onset of digital photography, we are now entering a new era of technological change affecting silver's industrial consumption growth which is happening before our eyes. But this time it is not any single industrial sector which is creating the demand, but a slew of new uses which have grown up over the past ten years or so, and will continue to grow at a rapid rate as some of silver's unique properties in the electronics and medical fields in particular continue to boost industrial consumption of the metal.

Meanwhile, the silver price has received a significant boost with the announcement of the new U.S. Fed policy to resume pumping money into the economy to try and kickstart employment recovery. As Ted Butler has noted in his latest newsletter, although the gold price has risen by over 9% over the past four weeks, that of silver has risen by some 23%, continuing the past pattern of silver tending to rise faster than gold on the upside. However Butler points out that the price rises in both appear to be being driven by large volumes of paper gold and silver traded on COMEX, but is puzzled by the lack of silver deposits into the major silver ETF, SLV. This, he reckons, could be a sign of tightness in the market.

However, Butler also warns that this could prelude the big short position holders in silver, and in gold, acting to try and take down the market. (Butler is one of the premier believers in the ongoing rigging of the silver markets by the big banks which tend to hold major positions in the metals) and points out that we are at around the anniversary of what he feels was a major take-down in silver last year when it fell $15 - or 35% - in three days.

Silver's price volatility, for whatever reason, is both an attraction and a detraction for potential investors. But, by and large silver moves up when gold does, but faster, and if the gold price continues to advance again after a period of consolidation, it is difficult to see that silver will not follow suit and exceed gold's advances. The gold:silver ratio, for those who follow that particular metric, has come down a little to 51, after around 54 before the latest price rises and this would be expected to fall further should both gold and silver continue to advance.

Bank analysts are also beginning to revise their predictions of year-end gold, and silver, prices upwards following the Bernanke QE3 announcement. Forecasts of $1900 gold by the year end are now becoming almost commonplace, and suggest a silver price of approaching $40 again should these gold price predictions come about.

The two things your broker doesn't know about silver

By Dr. David Eifrig in *DailyWealth*, September 05, 2012
http://www.thedailycrux.com/Post/41233/Doc-Eifrig--The-two-things-your-broker-doesn-t-know-about-silver

Almost every day, investment newsletter readers hear the same advice...

Buy gold. Buy silver. Precious metals are going higher.

What they rarely hear about is the simplest, easiest, and lowest-cost way to own silver... And the right way to think about your silver holdings. I figure maybe one silver owner out of 100 knows this stuff. Not even your broker or financial advisor understands it.

Before we cover "the right way to buy," let's first cover "the right way to think."

Over the years, I've helped thousands of people make money in silver... And I've personally owned silver for a long time. But I'm not your typical silver owner.

I don't think there's going to be a big crisis in America soon. I don't think the dollar is going to collapse. And I don't think you need to stock up on canned food and guns and go live in a bomb shelter. I own plenty of U.S. stocks and bonds, and I recommend you do the same.

But I also believe in insurance. Silver is an "insurance" asset that could soar if a major crisis in the world's paper money system occurs.

It's not a dividend-producing "investment" like a position in Coca-Cola shares. And I don't expect to get rich with silver. I would actually prefer to see silver stay the same price it is now for a long time. If a paper-money crisis sends silver to $100 or $150 an ounce, there are big problems in America. (That's why it works as "insurance.")

My favorite vehicle for owning silver allows you to maximize the "insurance" silver offers. It allows you to take physical possession of silver... without paying huge markups to spot prices... and without getting ripped off by dealers who charge huge markups on special "commemorative" coins.

I'm talking about dimes, quarters, and half-dollars that were minted before 1965. Unlike most of the coins we mint today, these coins had real silver in them.

People in the industry call these coins "junk silver." They get tagged as "junk" because they have no value to collectors. They circulated widely in pockets and purses and show a lot of wear.

But what's bad for collectors is great for us as investors.

Collectible and uncirculated silver coins often have premiums of 25%-50% or more than the spot price of silver. But because these pre-1965 coins don't have collectible value, you can buy them right now at just 1%-2% above the current spot-market price for an ounce of silver.

How do you buy it? Junk silver comes in $1,000 face-value bags of either dimes, quarters, or half-dollars. So the breakdown of a bag could be 10,000 dimes, 4,000 quarters, or 2,000 half-dollars.

Regardless of which denomination you choose, the amount of silver you are buying is the same... about 715-720 ounces.

Right now, the current retail price for a $1,000 face-value bag of dimes, quarters, or half-dollars is about $23,600, plus shipping and insurance (which should range from $60 to $120). But many dealers will split bags into smaller bags to fit your budget.

In addition to the big discount you get buying junk silver, you have three other reasons to own these coins rather than bullion, ETFs, mining stocks, or collectible coins:

First, these coins are already well-known and don't require verification. You don't need to certify the authenticity and value. Again, there's no collectible value, and everyone understands they're 90% silver.

They're also easily "divisible." Unlike a silver bar or gold coin, junk silver coins are already portioned in smaller amounts should you ever need to use them in everyday transactions.

Finally, they're liquid. There has always been a demand for these types of coins. Thanks to a dealer network and places like eBay, plenty of buyers are available should you ever want to cash in your gains.

In sum... congratulations. Just by reading this essay, you are far ahead of 99% of

silver investors out there. You know how to think about your silver holdings... and you know the cheapest way to acquire the stuff.

If you're looking for some diversification outside of conventional investments like stocks, bonds, and real estate, consider owning real, hold-in-your-hand silver.

U.S. Supreme Court refuses to hear mining associations Roadless Rule appeal

After a decade-long legal battle, exploration activities and mining development for non-locatable minerals are effectively banned on 45 million acres of U.S. national forests.

Author: Dorothy Kosich, 02 Oct 2012

http://www.mineweb.com/mineweb/view/mineweb/en/page72068?oid=159490&sn=Detail&pid=102055

The U.S. Supreme Court's refusal Monday to hear an appeal by the Colorado and Wyoming Mining Associations to strike down the 2001 Roadless Area Conservation Rule, prohibiting most roads on 45 million acres of national forests, effectively bans coal, potash and other ***non-locatable*** mineral development and exploration access on these lands.

The Colorado Mining Association had argued the rule "is a sweeping usurpation of the authority vested solely in Congress to designate lands as wilderness."

The mining associations asked the high court to overturn a decision last year by the 10th U.S. Circuit Court of Appeals, which upheld the Clinton Administration-era rule and reversed a Wyoming U.S. district court's ruling that the rule had created de facto wilderness and violated the National Environmental Policy Act.

In 2009 the 9th Circuit Court of Appeals in San Francisco also upheld the rule.

Wyoming had argued the 2001 rule effectively bans grazing, oil and gas development, and motorized vehicle use in 58.5 million acres of Forest Service lands, or an area equal in size to the states of Connecticut, two Delawares, Hawaii, New Hampshire, New Jersey, Maine, Maryland, Massachusetts, two Rhode Islands and Vermont combined.

"The Forest Service's designation of 58.5 million acres of de facto wilderness prohibits future mineral development since road construction is effectively prohibited under the rule," the associations had argued in their petition for a Writ of Certiorari before the Supreme Court. "Without roads, mineral development cannot occur."

CMA President Stuart Sanderson had argued "the Roadless rule will effectively prevent future *[**non-locatable**]* mining operations on roadless lands, leading to a decrease in mineral and coal production, job losses, and sharp decreases in taxes and revenues from the coal mining industry that are critical to local governments and public school systems."

The association asserted the "Roadless Rule is so broad that it will effectively shut down future responsible mining development. This will occur despite the fact that mining operations impact only a small portion of the roadless lands."

"By prohibiting road construction, the rule also forecloses other necessary multiple uses of these lands, which federal law has sanctioned for over 50 years," said the CMA.

Several state mining associations had filed "friend of the court" briefs supporting CMA's actions.

Tim Preso, an Earthjustice attorney, said the Roadless Area Rule offered "critical legal protection for 50 million acres of public lands that are irreplaceable, that provide clean water to hundreds of communities, provide a last refuge for all kinds of wildlife specifies and provide people all kinds of experiences, from hiking to hunting to bird-watching to off-road vehicle riding."

In a news release, Earthjustice attorney Kristen Boyles, said, "The ten-plus years of our legal campaign to defend the Roadless Rule have seen many twists and turns in the legal process, but one thing hasn't changed-the undeveloped forest lands at issue remain some of the most environmentally important public lands in our country. They produce clean water and clean air, offer a last refuge to imperiled wildlife across a warming, changing landscape, and provide world-class recreation opportunities for campers, hunters, hikers, fishermen, and bird watchers. Americans love these lands, and it has been an honor to represent those American values before the courts for the last decade."

Wilderness Society President Jamie Williams declared, "The Roadless Rule is now indisputably the law of the land. Today's announcement by the Supreme Court denying Wyoming's petition to review the Roadless Area Conservation Rule case is good news for the millions of Americans who have called for safeguarding our nation's 58 million acres of pristine roadless forest areas for current and future generations.

"We are deeply grateful for the hard work of our attorneys at Earthjustice who have represented The Wilderness Society and other conservation groups in multiple lawsuits over the Roadless Rule. We also appreciate the support of the states of California, Oregon, Washington, and New Mexico, as well as the

current Administration, for participating in the successful legal defense of the Rule.

Meanwhile, U.S. Agriculture Secretary Tom Vilsack, Forest Service Chief Tom Tidwell and Colorado Gov. John Hickenlooper introduced a state-specific rule for managing 4.2 million acres of roadless national forest in Colorado. It would provide strong protection for 1.2 million acres in the state while permitting limited road-building on the rest of the lands.

CLARIFICATION: 10/3--The Supreme Court's action apparently only impacts non-locatable minerals, such as coal, potash, oil and gas, sodium, sulfur and geothermal, as well as others subject to leasing under the Mineral Leasing Act and common variety minerals subject to sale under the Materials Act. It does not apply to "locatable minerals", which the Bureau of Land Management defines as gold, silver, nickel, copper, lead, zinc, moly, uranium, and other hardrock minerals.

'Drink Less, Work More', Billionaire Tells Non-Rich

Gina Rinehart seems to court controversy
from her family lawsuits to her battles with Australian media.

By Robert Frank | CNBC

http://finance.yahoo.com/news/drink-less-more-billionaire-tells-152654355.html

Now, the Australian mining heiress, worth $19 billion and earlier this year thought to be the world's richest woman, has sparked another controversy in her latest column in Australian Resources and Investment magazine. (Yes, I am a registered reader online.) Rinehart rails against class warfare and says the non-rich should stop attacking the rich and go to work.

"There is no monopoly on becoming a millionaire," she writes. "If you're jealous of those with more money, don't just sit there and complain. Do something to make more money yourself - spend less time drinking, or smoking and socializing and more time working."

The comments were part of a treatise on what she sees as Australia's decline due to high taxes, high wages and over-regulation. Rinehart said taxes should fall, red tape should be cut, environmental rules relaxed and the minimum wage should be lowered. (It's currently AUS $15.06 an hour or $606 a week, about the same in U.S. dollars).

Her quotes are sure to escalate the already heated debate in the United States, Britain and Europe over class warfare, taxing the wealthy and "fair shares."

Rinehart's remarks drew immediate fire from senior Australian ministers. Treasurer Wayne Swan said in a statement that Rinehart had delivered "an insult to the millions of Australian workers who go to work and slog it out to feed the kids and pay the bills."

But Rinehart warned that when governments target the rich, they really hurt the middle and lower classes.

"The terrible millionaires and billionaires can often invest in other countries. And if they do suffer, what does that really mean? Maybe their teenagers don't get the cars they wanted or a better beach house or maybe the holiday to Europe is cut short; But otherwise life goes on for these millionaires and billionaires."

Those who really suffer from anti-business and anti-investor policies are regular workers who "usually vote for the anti-business socialist parties," she writes. "If you want to help the poor and our next generation, make investment, reinvenstment and businesses welcome."

She also tells the stories of her two grandfathers and three of her wealthy friends, who all started at the bottom and worked their way to the top. One grandfather, James Nicholas, started cleaning stables and launched a transportation company. Another granddad built a sheep station with 25,000 sheep.

Her pal Michael Kailis came from a poor Greek immigrant family and became Australia's crawfish king. Friend Jack Cowin borrowed from friends to found the Hungry Jack burger chain, and is now the country's "king of fries

"The lessons are the same," she writes. "You can't get rich without working hard, taking risks, investing and reinvesting your profits."

Of course, as Rinehart knows, you can also become very rich from inheriting and expanding your father's company.

North American freshwater fishes race to extinction

Rate of loss of species exceeds that of terrestrial animals

North American freshwater fishes are going extinct at an alarming rate compared with other species, according to an article in the September issue of *BioScience*. The rate of extinctions increased noticeably after 1950, although it has leveled off in the past decade. The number of extinct species has grown by 25 percent since 1989.

The article, by Noel M. Burkhead of the US Geological Survey, examines North American freshwater fish extinctions from the end of the 19th Century to 2010, when there were 1213 species in the continent, or about 9 percent of the Earth's freshwater fish diversity. At least 57 North American species and subspecies, and 3 unique populations, have gone extinct since 1898, about 3.2 percent of the total. Freshwater species generally are known to suffer higher rates of extinction than terrestrial vertebrates.

Extinctions in fishes are mostly caused by loss of habitat and the introduction of nonindigenous species. In North America, there are more freshwater fish species in a typical drainage to the east of the Great Continental Divide than to the west, where a greater proportion of species have gone extinct or are found nowhere else.

Estimating the number of extinctions relies on scrutiny of historical records and careful estimation procedures, since the last populations of a species are often recognized as such only in hindsight—there is typically a lag of several years from the last observation of a species and its estimated year of extinction. Estimates are complicated by the fact that, on average, 6.7 new species are discovered each year, and occasionally a species thought to have gone extinct is "rediscovered." Nonetheless, Burkhead concludes that between 53 and 86 species of North American freshwater fishes are likely to have gone extinct by 2050, and that the rate of extinction is now at least 877 times the background extinction rate over geological time.

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American Institute of Biological Sciences

BioScience, published monthly, is the journal of the American Institute of Biological Sciences (AIBS; www.aibs.org). *BioScience* is a forum for integrating the life sciences that publishes commentary and peer-reviewed articles. The journal has been published since 1964. AIBS is a meta-level organization for professional scientific societies and organizations that are involved with biology. It represents nearly 160 member societies and organizations. The article by Burkhead can be accessed ahead of print at www.aibs.org/bioscience-press-releases/ until early September.

Western Economies Are Screwed, and Investors Face A 'Disturbing Paradox'

Matthew Boesler | Sep. 20, 2012

http://www.businessinsider.com/deutsche-bank-issues-a-terrible-warning-on-the-health-of-the-global-financial-system-2012-9

In a new report entitled *Gold: Adjusting For Zero*, Deutsche Bank analysts Daniel Brebner and Xiao Fu paint an incredibly dark picture of the bind the global economy is in right now.

Brebner and Xiao are pretty frank about how levered up the financial system is at the moment, and they warn that the next shock will be totally involuntary and unexpected.

Here is what the analysts have to say about how upside down the world is right now and the risks looming on the horizon:

We believe the balance of 2012 could remain challenging for investors, given the many negative indicators and warning signs. **Certainly extremes in leverage in the Western economies and questions regarding growth in China present investors with a worrying post-2012 future. However, in our view there are nearly zero real choices available to global policy makers.** The world needs growth and it is willing to go to extraordinary lengths to get it. This is creating distortions where old rules don't seem to apply and where investors face a disturbing paradox:

1. Those who are right are likely to be wrong
2. Those who lose, often win
3. Those who are imprudent can be rewarded
4. Dumb money can win

In the first instance, we believe investors are right to worry; **the imbalances in the global economy are extreme and need to be urgently addressed, proactively. This is unlikely however, making a necessary future adjustment likely to be involuntary and therefore unexpected.** Those who are right are likely to be wrong for a considerable period of time.

In the second instance, as has been witnessed over the past several years; those who risk and lose, often don't in fact lose. Loss-makers are compensated by a system that is unable to tolerate the consequences of failure. **Moral hazard continues to be encouraged.**

In the third and fourth instance we point out that those that have borrowed too much, those who have been negligent in managing their own personal finances are not likely to suffer the bitter consequences of such folly. **The financial system in fact remains oriented to encourage further leverage and risk-taking.** It is better to be a debtor than a creditor.

It seems that the 'smart' money needs to adjust for the irrational or emotional characteristics (and therefore poor predictability) of the current economic environment. This makes investment simpler in the sense that one only needs look to what is ‘easiest’ rather than what is ‘right’.

Those are pretty pointed words, and they don't inspire much confidence – but the message is crystal clear.

The Fallacy of Redistribution

Thomas Sowell, Sep 20, 2012, TOWNHALL DAILY
http://townhall.com/columnists/thomassowell/2012/09/20/the_fallacy_of_redistribution/page/full/

The recently discovered tape on which Barack Obama said back in 1998 that he believes in redistribution is not really news. He said the same thing to Joe the Plumber four years ago. But the surfacing of this tape may serve a useful purpose if it gets people to thinking about what the consequences of redistribution are.

Those who talk glibly about redistribution often act as if people are just inert objects that can be placed here and there, like pieces on a chess board, to carry out some grand design. But if human beings have their own responses to government policies, then we cannot blithely assume that government policies will have the effect intended.

The history of the 20th century is full of examples of countries that set out to redistribute wealth and ended up redistributing poverty. The communist nations were a classic example, but by no means the only example.

In theory, confiscating the wealth of the more successful people ought to make the rest of the society more prosperous. But when the Soviet Union confiscated the wealth of successful farmers, food became scarce. As many people died of starvation under Stalin in the 1930s as died in Hitler's Holocaust in the 1940s.

How can that be? It is not complicated. ***You can only confiscate the wealth that exists at a given moment. You cannot confiscate future wealth*** -- and that future wealth is less likely to be produced when people see that it is going to be confiscated. Farmers in the Soviet Union cut back on how much time and effort they invested in growing their crops, when they realized that the government was going to take a big part of the harvest. They slaughtered and ate young farm animals that they would normally keep tending and feeding while raising them to maturity.

People in industry are not inert objects either. Moreover, unlike farmers, ***industrialists are not tied to the land in a particular country***.

Russian aviation pioneer Igor Sikorsky could take his expertise to America and produce his planes and helicopters thousands of miles away from his native land. Financiers are even less tied down, especially today, when vast sums of money can be dispatched electronically to any part of the world.

If confiscatory policies can produce counterproductive repercussions in a dictatorship, they are even harder to carry out in a democracy. A dictatorship can suddenly swoop down and grab whatever it wants. But a democracy must first have public discussions and debates. Those who are targeted for confiscation can see the handwriting on the wall, and act accordingly.

Among the most valuable assets in any nation are the knowledge, skills and productive experience that economists call "human capital." When successful people with much human capital leave the country, either voluntarily or because of hostile governments or hostile mobs whipped up by demagogues exploiting envy, lasting damage can be done to the economy they leave behind.

Fidel Castro's confiscatory policies drove successful Cubans to flee to Florida, often leaving much of their physical wealth behind. But poverty-stricken refugees rose to prosperity again in Florida, while the wealth they left behind in Cuba did not prevent the people there from being poverty stricken under Castro. The lasting wealth the refugees took with them was their human capital.

We have all heard the old saying that giving a man a fish feeds him only for a day, while teaching him to fish feeds him for a lifetime. Redistributionists give him a fish and leave him dependent on the government for more fish in the future.

If the redistributionists were serious, what they would want to distribute is the ability to fish, or to be productive in other ways. Knowledge is one of the few things that can be distributed to people without reducing the amount held by others.

That would better serve the interests of the poor, but it would not serve the interests of politicians who want to exercise power, and to get the votes of people who are dependent on them.

Barack Obama can endlessly proclaim his slogan of "Forward," but what he is proposing is going backwards to policies that have failed repeatedly in countries around the world.

Yet, to many people who cannot be bothered to stop and think, redistribution sounds good.

One dead, four injured in clash near Barrick Gold's Peru mine

Protesters were demanding that Barrick provides water infrastructure to towns near the Pierina mine, which sits 13,400 feet high in the Andes, when the clash occurred late on Wednesday.

20 Sep 2012

http://www.mineweb.com/mineweb/view/mineweb/en/page504?oid=158937&sn=Detail&pid=92730

One person died and four were injured when police clashed with protesters blocking a road leading to top gold miner Barrick's Peruvian mine Pierina, company and police officials said on Thursday.

Protesters were demanding that the mining company provide water infrastructure to towns near the mine, which sits 13,400 feet (4,100 m) high in the Andes, when the clash occurred late on Wednesday.

So far 19 people have died in clashes over natural resources since President Ollanta Humala took office in July, 2011. Peru's human rights agency says there are hundreds of lingering disputes over water, mining, and oil projects in rural Peru.

Sierra Leone plans gold tax cut to curb smuggling

The move will undo part of an IMF-backed mining law drawn up in 2009, which was meant to increase government revenue but instead triggered a slide in official exports.

Author: By Simon Akam, Posted: Tuesday , 14 Aug 2012

http://www.mineweb.com/mineweb/view/mineweb/en/page504?oid=156908&sn=Detail&pid=92730

Sierra Leone plans to cut taxes on gold produced by small, individual miners nearly in half to reduce smuggling and boost exports, a year after the West African state did the same for diamonds, a top mining official told Reuters on Monday.

The move would undo part of a mining law drawn up in 2009 and backed by the International Monetary Fund. The law was meant to increase government revenue in the war-scarred country but instead backfired by triggering a slide in official exports.

"We have already suggested it, and we are working on it," Jonathan Sharkah, director of mines, said of the plan to reduce taxes. "Maybe the next two months, three months we will do it."

The proposed cut would bring export taxes on individually mined gold down to 3 percent from the current 5 percent, he said. The move would follow a cut on individually mined diamonds to 3 percent in March 2011 from the previous 6.5 percent.

Sierra Leone, struggling to rebuild from a civil war that ended a decade ago, depends heavily on minerals exports to fill state coffers, with diamonds traditionally the country's top revenue earner.

Its gold sector, which has attracted the interest of industrial miner Cluff Gold, is relatively small. Official exports totalled nearly $9 million worth of the precious metal in 2010, all of it from small individual operations.

Taxes on industrial gold exports, which have yet to begin, are expected to remain at 5 percent.

Sharkah said the efforts to reduce export taxes on small miners followed a dramatic slump in official exports - probably due to smuggling - after the tax hikes went into effect in December 2010.

According to documents provided to Reuters by Sierra Leone's Government Gold and Diamond Office (GGDO), Sierra Leone's diamond exports dropped in half to 18,609 carats in December 2010.

"We tried for the diamonds and it didn't work. We had to go back to 3 percent," Sharkah explained, adding that exporters hoarded gems during the brief period the duty was higher.

According to GGDO documents, total gold exports for 2010 were 270,265.03 grams and slumped to a total of 167,150.42 grams in 2011.

"With artisanal miners all over the bushes, we just cannot control them, they can smuggle," Jonathan Sharkah said.

Sierra Leone, which is headed to the polls for a presidential election in November, late last year began commercial exports of iron ore, which has overtaken diamonds as its top revenue earner.

Potential for a Mining Boom Splits Factions in Afghanistan

By GRAHAM BOWLEY, Published: September 8, 2012

http://www.nytimes.com/2012/09/09/world/asia/afghans-wary-as-efforts-pick-up-to-tap-mineral-riches.html?_r=2&pagewanted=1&nl=todaysheadlines&emc=edit_th_20120909

Workers are digging a road in Bamian Province to a site that is rich in iron ore, but that lacks the infrastructure to begin mining.

KALU VALLEY, Afghanistan — If there is a road to a happy ending in Afghanistan, much of the path may run underground: in the trillion-dollar reservoir of natural resources — oil, gold, iron ore, copper, lithium and other minerals — that has brought hopes of a more self-sufficient country, if only the wealth can be wrested from blood-soaked soil.

But the wealth has inspired darker dreams as well. Officials and industry experts say the potential resource boom seems increasingly imperiled by corruption, violence and intrigue, and has put the Afghan government's vulnerabilities on display.

It all comes at what is already a critically uncertain time here, with the impending departure of NATO troops in 2014 and old regional and ethnic rivalries resurfacing, raising concerns that the mineral wealth could become the fuel for civil conflict.

Powerful regional warlords and militant leaders are jockeying to widen their turf to include areas with mineral wealth, and the Taliban have begun to make murderous incursions into territory where development is planned. In the capital, Kabul, factional maneuvering is in full swing, including disputes over lucrative side contracts awarded to relatives of President Hamid Karzai.

Further, a proposed mining law vital to attracting foreign investment is up in the air, with the delay threatening several projects. The cabinet rejected it this

summer, saying it was too generous to Western commercial interests. But some Western officials fear other motives are at work, too, including an internal fight for spoils, and perhaps an effort by some neighboring countries to sway sympathetic officials to keep Indian and Chinese state mining companies out.

"If you were to pick a country that involves high risk in developing a new mining sector, Afghanistan is it," said Eleanor Nichol, campaign leader at Global Witness, a group that tries to break the link between natural resources, corruption and conflict. "But the genie is out of the bottle."

Already this summer, the China National Petroleum Corporation, in partnership with a company controlled by relatives of President Karzai, began pumping oil from the Amu Darya field in the north. An investment consortium arranged by JPMorgan Chase is mining gold. Another Chinese company is trying to develop a huge copper mine. Four copper and gold contracts are being tendered, and contracts for rare earth metals could be offered soon.

The Ministry of Mines has also requested bids for a richer oil concession in the Afghan-Tajik basin, and American officials are optimistic it could come online soon.

And in the shadow of the Black Mountain, here in the Kalu Valley in remote Bamian Province, villagers hope that Indian and Canadian mining operations can turn buried iron ore into new lives for struggling families, breaking a cycle of poverty in this high place cut off by snow for six months of the year.

When the digging begins, Abbas Ali, a 30-year-old farmer here, will have to give up the four-acre potato field his family has worked for generations. He is more than ready.

"Our life will change 180 degrees," Mr. Ali said this summer, staring up with fervent brown eyes at the bowed wooden roof beams in the white-walled madrasa where he teaches for extra income. "We support any effort to make it happen quickly."

That hope, and the prospect of more self-sufficiency as international aid ebbs, is driving Afghan officials like the minister of mines, Wahidullah Shahrani, as he tries to get more projects going. The World Bank estimates that if things go very well, mining and agriculture together could raise annual growth rates by 3 to 4 percentage points between now and 2025.

But Mr. Shahrani is concerned about striking the right balance between generating revenue for the Afghan government and drawing in international

investors, saying that getting contracts wrong would jeopardize critical development timelines.

“This is all about the credibility of the country,” he said.

There are other concerns, too. Some officials are worried about a swath of small mines — for gemstones, marble, chromite and other resources — that are out of the state’s control and might be fueling the insurgency.

A recent Defense Department analysis said criminal mining syndicates were smuggling chromite over the border, paying protection money to the Pakistani Taliban and the Haqqani insurgent network.

In the border province of Khost, the director of mines, Laiq Muhammad, said more than half the chromite there had been extracted illegally and smuggled to Pakistan, with no benefit to Afghanistan. “Not even one afghani has been added to national income from chromite mining,” he said. Senior Pentagon officials say they are trying hard to bring the mines into the legitimate economy by finding international buyers for the chromite.

In Bamian, up on the mountain above Abbas Ali’s home, 12 new wooden and brick security huts march across the hillsides of the 230-square-mile concession area, a sign of intent — maybe — that the soil will soon be broken and the mine’s promise fulfilled.

But they are also a nod to the possibly more violent times ahead.

Bamian’s chief geologist Mohammad Amin, 27, was striding through the boulders scattered on the hillside. “If the Taliban are able to make it to this part of the country, this project will be halted and nobody will be able to work,” he said.

There are signs, in fact, that is happening in this part of Bamian, which until the past year had been considered relatively secure. Now, the road to Kabul is no longer safe for foreigners, and there has been a string of attacks on government officials and security forces.

Beyond the concerns about security, there is the matter of creating the mines themselves. The prospecting project here — named Hajigak, after one of the treeless mountain ridges — has long been marked by yellow stripes. They are Soviet survey ditches, testament to efforts decades ago to tap Bamian’s iron ore that never panned out.

Before mining can actually begin, there is a need for a power plant, a smelter, and a road to bring the ore down the pristine red-rock ravines of the Kalu Valley.

There are also plans for a major railroad — a first on a large scale for Afghanistan — to take the iron ore out, perhaps west to an Iranian port or to join up with a rail route promised by the Chinese from the Mes Aynak copper mine east to Pakistan or north to Turkmenistan.

The Mes Aynak mine, in Logar Province, is another trove of potential Afghan wealth awarded to the Chinese in 2007. It is already behind schedule, and no work has begun on a railroad yet. Mr. Shahrani is adamant mining will start in two years and blames the discovery of Buddhist ruins and artifacts, as well as Soviet-era mines that had to be cleared, for the delay.

But in a country where the future always seems to be put off, the delays may also reflect an unwillingness, say officials who work closely with the mining industry, by international investors to put in hundreds of millions of dollars they could lose if Afghanistan again descends into turmoil.

"Everyone is hesitant to plan beyond 2014," said a Western official who spoke on the condition of anonymity. "They have dragged their feet. The government might change and you have built your new roads and new power plants. It might all be gone."

Doubts about the government's role in any resource boom loom large for the Afghan public, too, where there is deep skepticism that the weak state and notoriously kleptocratic ministries can build a functioning mining economy that will help ordinary people.

Some outsiders fear that the recent delay in the new mining law represented, in the messy world of Afghan politics, an attempt to discredit Mr. Shahrani and win control of the mining ministry, one of the government's most lucrative power bases.

Already, there are examples of how resource riches can spark conflict.

At the Amu Darya oil field in June, President Karzai's government accused a rival, the warlord Gen. Abdul Rashid Dostum, of putting pressure on the Chinese oil company to make illegal payoffs. General Dostum's party said he wanted the Chinese only to hire more local labor. And at Mes Aynak, where the government says nine villages were displaced, the mining project has caused tensions among locals contending for compensation for their land.

As the details of the Hajigak contract are negotiated, the people of Bamian are clear about what they want in return for opening their lands to mining: paved roads, a gymnasium, a conference hall, a technical college, and guaranteed work for locals among the 50,000 jobs some say the mine could generate. Hoping to avoid the frictions that have arisen at other sites, they have formed a 114-member commission to work on issues like compensation and jobs and provide a mechanism for airing grievances.

Some of the people of Bamian — most of whom are Hazaras, wearily familiar with years of ethnic oppression by those in power in Kabul — remain dubious that wealth will automatically come their way. But there is still hope in the valley of the Black Mountain, in Abbas Ali's village.

At a store in the dusty bazaar, Shir Ali, 38, a gangly man who drives a minibus, says that with a job as a day laborer or security guard or driver, he could buy uniforms and textbooks to send all of his 12 children to school.

Sitting at the counter behind open sacks of rice and beans, the storekeeper, Daoud, 38, cracks his bronzed face with a smile, sharing the optimism but also the trepidation about whether at last his country can really make something of itself.

"If the mine doesn't come, we will be like those people who live on treasure," he said, "but they cannot use it."

Matthew Rosenberg contributed reporting from Kabul, Afghanistan; Habib Zahori from Bamian Province, Afghanistan; and an employee of The New York Times from Khost Province, Afghanistan.

Gold mine cash costs jumped 19% in H1 2012

According to the metals consultancy, while gold production was roughly flat during the period average total cash costs rose to $727 per ounce.

Geoff Candy, 04 Sep 2012

http://www.mineweb.com/mineweb/view/mineweb/en/page33?oid=158127&sn=Detail&pid=33

While global gold mine production was at best flat in the first half of 2012, average total cash costs jumped 19% to a new high of $727 per ounce.

According to Thomson Reuters GFMS's Gold Survey 2012 Update 1, some of the reasons behind the hiatus in production are declining grades across the industry, construction and commissioning delays and slower than expected ramp-ups of output at a number of properties. Added to this, the group said, were

exogenous factors like geotechnical problems, extreme weather and labour strikes.

But, the consultancy says, "These are not the only headwinds producers have to face. The relative stagnation of the gold price, coupled with further rises in production costs, has seen producers' cash margins eroded by 16% over the past nine months, while upward revisions to capital expenditure forecasts will place additional pressure on free cash flow going forward."

And, while higher gold prices year on year have seen average producer margins rise 11% over the period, GFMS is quick to point out that "on a quarterly basis margins have in fact declined for the last three quarters."

Continued cost inflation and falling prices also meant that average cash margins have fallen sharply from above $1000/oz in Q3 2011 to just below $900/oz in the second quarter of 2012.

If one adds to this the 6% jump in depreciation and amortisation costs to $203/oz then GFMS's proprietary 'all-in cost' metric which is designed to reflect the full marginal cost of mine production rose to $1,050/oz during the period.

Looking across the various gold mining regions of the globe, Africa topped the production lists with the largest regional gain over the period - and this despite a 5% fall in production from South Africa. While, South African production fell to 93 tonnes on the back of a number of Section 54 safety stoppages and lower mill head grades, the continent as a whole saw production increase 9 tonnes to 297 tonnes.

The US produced 112 tonnes of gold over the half year, 4% less than the comparable period last year with the heaviest falls coming from the Goldstrike and Bingham Canyon mines, while Canadian production also declined, albeit only slightly, coming in at 52 tonnes for the period.

Peru and Mexico recorded the second and third strongest increases in output growth, each of them adding 5 tonnes to their production for the period. This helped the region record an overall increase despite losses in Argentina and Guatemala.

Australian gold production fell 5% to 123 tonnes on the back of poor output at a number of operations, while, in Asia, Chinese mine production grew by 13 tonnes, or 5% year on year.

LOOKING AHEAD

While growth has slowed in 2012, GFMS does not believe that the world has reached peak mine supply. Rather it expects, "a broad trend of growth to continue into 2013, albeit at a slower rate than we had expected 12 months ago, as gold miners continue to progress current development projects."

Fake Bars - The Facts

Bron Suchecki, The Perth Mint, March 26 2012
http://www.perthmintbullion.com/us/blog/blog/12-03-26/Fake_Bars_-_The_Facts.aspx

On the weekend the gold blogosphere picked up on an ABC Bullion blog post about a gold bar cored with five tungsten rods, including Zero Hedge, Reuters, Screwtape Files, Bullion Baron, and Jo Nova.

The ABC Bullion blog was based on an email from MKS/PAMP sent to their distributors about a fake bar that a UK scrap dealer had received. The dealer thought the bar was suspicious due to a weight discrepancy and as a result they cut it in half, revealing five tungsten rods inside.

Typically, Zero Hedge over play the significance of the story with this statement: *"So two documented incidents in two years: isolated? Or indication of the same phenomonenon of precious metal debasement that marked the declining phase of the Roman empire."* Other bloggers, such as Felix Salmon of Reuters, have been quick to speculate that such fakes may be common and present a *"serious tail risk for anybody in the physical-gold market."*

In the experience of The Perth Mint, such fakes are a rare occurrence. In the 20 years our Refinery Manager has been working at the Mint, he has never seen a fake bar come through our operations. If investors buy coins and bars made by reputable refiners and mints and from a reputable dealer they are highly unlikely to be sold fakes.

Reputable dealers are familiar with how the common brand name bars and coins should look and thus fakes are unlikely to be resold. Note that the dealer referred to in the ABC Bullion story suspected the bar and cut it **before** it even reached the refinery.

As to the frequency of fakes, note that the previous "incident" that Zero Hedge referred to was this post of January 2010. As I pointed out in on my personal blog at the time, the Argor Heraeus video showed a fake bar received more than ten years prior. So sorry Zero Hedge, this is not two incidents in two years. Argor Heraeus said that "counterfeit bars are extremely rare, our colleagues from the foundry cannot recall a single instance in the last years in which such a bar was

delivered to Heraeus for processing." This agrees with The Perth Mint's experience.

In the retail market turnover of physical product is relatively high. This is because retail investors do tend to exhibit herding behaviour, which means when there is selling it usually overwhelms any retail buying demand at that point in time. The end result is that in a net selling situation dealers do not sit on gold due to the high holding costs and uncertainty as to when buying demand will return, so they liquidate that net selling excess back to refiners, where it is melted.

Even in the professional market, which deals in 400oz bars, there is a fair bit of turnover. While central bank holdings are quite stable, large bars held by private investors are traded and ownership changes often. As a result, there is a good chance a bar will eventually be melted for use by a jeweller, mint or refiner and as such there is a high probability of any fakes being caught out.

In the case of The Perth Mint, we melt every non Perth Mint bar and coin we buy back. We also melt a fair number of our own coins and bars if they are too old or damaged to enable resale. The point is that with such turnover of physical, the lack of fakes appearing in our and Heraeus' operations indicates to us that fakes are few and far between.

With regard to identification of fakes, the most reliable non destructive testing method is ultrasonic and would easily show any insertions. XRF and other tests generally do not penetrate very far into the surface of a bar, so are only good for testing plated bars. This link provides an insight into the sort of testing performed at refineries and for those interested in the technical aspects here is a quote from KK&S Instruments:

"The 1090 Flaw Detector allows you to look into the Bar for voids/defects as well as UT velocity which is determined the products elastic modulus i.e Tungsten Velocity is 5183-5460m/sec and Gold is 3,240m/sec. For example if you calibrate for Au then the testing Tungsten bar of the same thickness, the UT thickness would read approximately half the actual because of the speeding-up of the sound through the Tungsten."

GoldMoney also has a good video on the ultrasonic testing they perform on their bars. Interestingly, they only found ten bars out of 1,377 with *"inconclusive scans were identified but assays of these bars confirmed they contained the gold content stamped on the bar."* [link] These bars are 400oz professional market bars and is yet more proof that fakes are not common.

Investors buying recognised brands from trustworthy dealers should not have any cause for concern. For those looking for more information on the various

brands and bars and coins available, and what they should look like and their specifications, this website http://www.goldbarsworldwide.com/ is a good reference site to bookmark.

Russian asteroid crater revealed to be filled with over $1 quadrillion of diamonds

Sure, it's just a hole. But it's the richest hole in the world

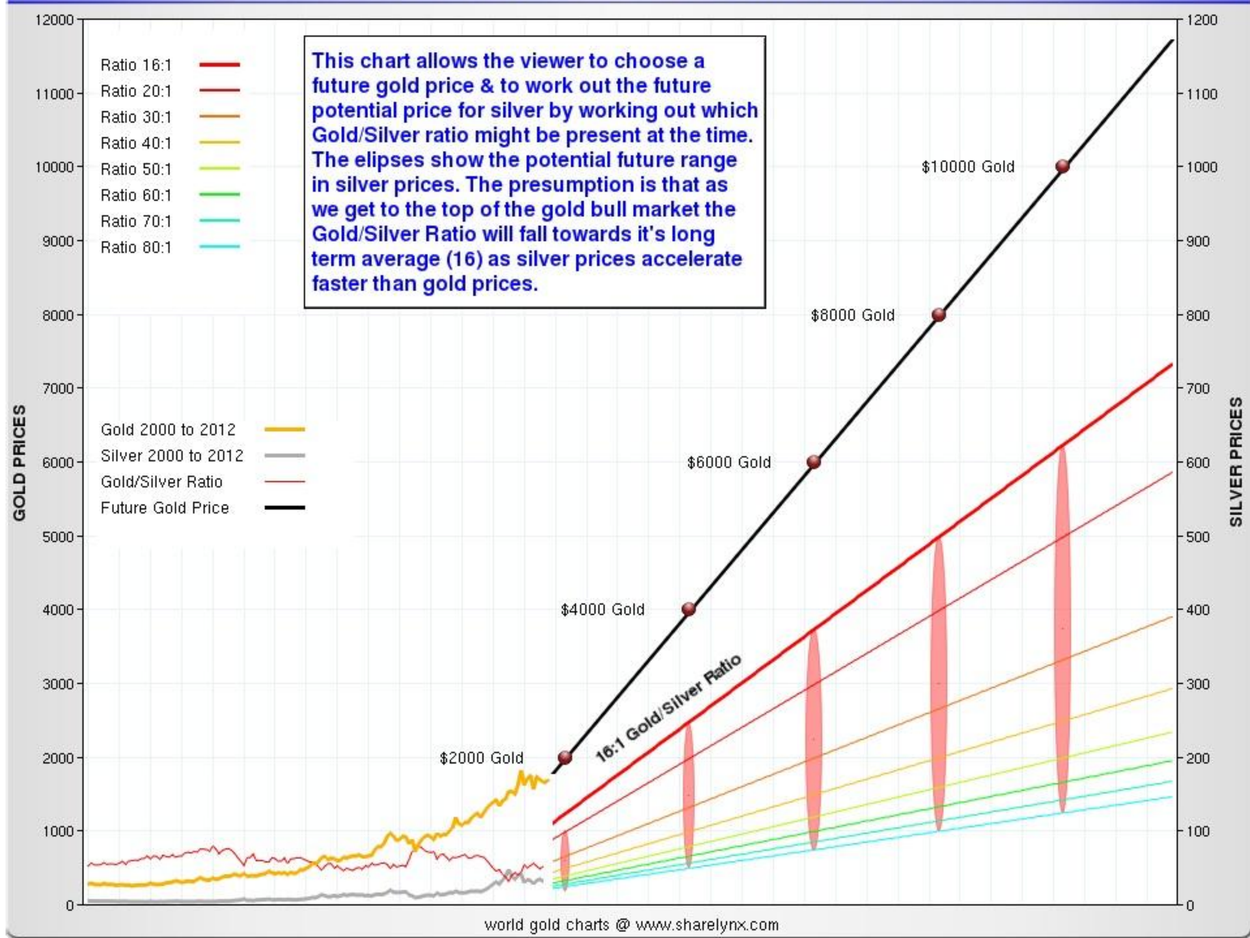
Fox Van Allen, September 19, 2012

http://www.tecca.com/news/2012/09/18/popigai-astroblem-diamond-mine-discovery/

Call it the Soviet Union's most valuable cold war secret. This past weekend, Russia declassified the existence of what could very well be the richest diamond field in existence, located in the depths of a 62-mile diameter asteroid crater known as Popigai Astroblem in Siberia.

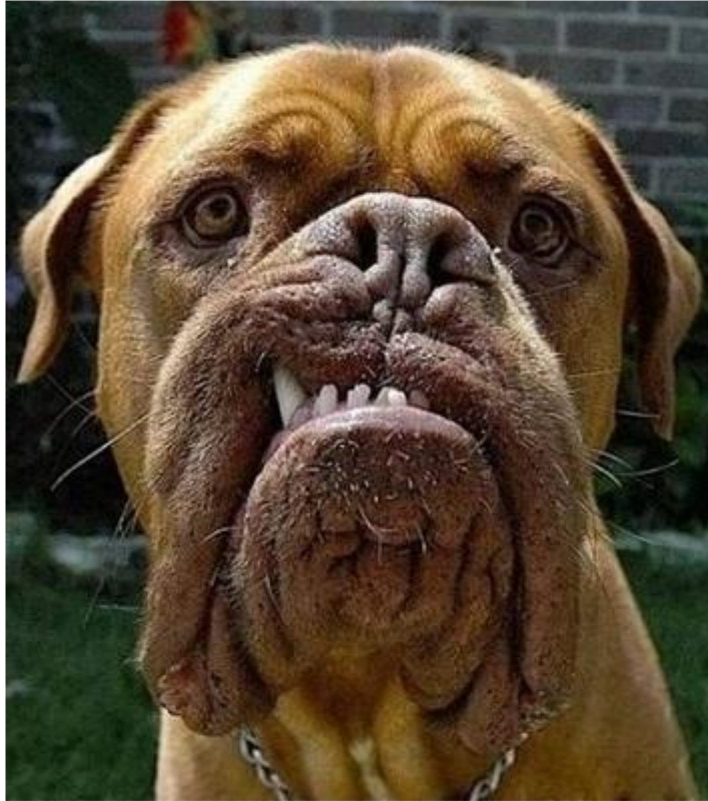
The diamonds found in the Popigai Astroblem are known as "impact diamonds." They're created when a meteor strikes a graphite deposit, as happened there an estimated 35 million years ago. Impact diamonds are significantly harder than normal diamonds, and are best suited for industrial or scientific use.

Given that diamonds can sell for $2,000 per karat with unusually large diamonds going for as much as $20 million, a discovery of "trillions of karats" could value this hole in the *quadrillions* of dollars. Of course, a diamond discovery of this magnitude is almost sure to have a serious downward impact in the per-karat price should full-scale mining operations ever begin.


Gold/Silver Ratio - Future Potential Ratios
This chart allows the viewer to choose a future gold price & to work out the future potential price for silver by working out which Gold/Silver ratio might be present at the time. The elipses show the potential future range in silver prices. The presumption is that as we get to the top of the gold bull market the Gold/Silver Ratio will fall towards it's long term average (16) as silver prices accelerate faster than gold prices.
Ratio 16:1
Ratio 20:1
Ratio 30:1
Ratio 40:1
Ratio 50:1
Ratio 60:1
Ratio 70:1
Ratio 80:1
Gold 2000 to 2012
Silver 2000 to 2012
Gold/Silver Ratio
Future Gold Price
$2000 Gold
$4000 Gold
$6000 Gold
$8000 Gold
$10000 Gold
16:1 Gold/Silver Ratio
GOLD PRICES
SILVER PRICES
world gold charts @ www.sharelynx.com

CLASSIFIED ADDS

Whether you own a dog or not, you must appreciate the efforts of this owner to sell her dog.



Dog For Sale. Free to good home. Excellent guard dog. Owner cannot afford to feed Jethro anymore, as there are no more drug pushers, thieves, murderers, or molesters left in the neighborhood for him to eat. Most of them knew Jethro only by his Chinese street name, "*Ho Lee Schitt*."