



THE MONEYCHANGER

VOL. 29, NO. 7 JUNE, 2011

INFORMATION DEADLINE, JUNE 22, 2011 a.d.

A Moneychanger Interview:

AN ALTERNATIVE TO HEALTH INSURANCE?

James Lansberry of Samaritan

Everybody knows that the American health care system is broken: costs ballooning, technology inscrutable, infatuated with drugs, ruled by government, delivering population fatter and sicker than ever. Beginning in the 1960s when people either paid for their own medical care out of pocket or carried only catastrophic health insurance, the third party payer, whether insurance or government, has metastasized to rule health care and medical practice.

But what would we do without insurance? Why, why, why, we sputter, what if we had a wreck or cancer or a heart attack!? We'd be bankrupted, eating out of dumpsters, living in culverts!

Maybe not. Samaritan Ministries is a Christian fellowship whose members share the costs of one another's health care needs. Radical, I'll admit, like St. Paul telling us to "bear one another's burdens" or Jesus telling us that the world is able to identify Christians by their love for one another, but it seems to work. You can learn more by calling Samaritan at 888-268-4377 or visiting their website, www.SamaritanMinistries.org.

James Lansberry is a Vice-President with Samaritan Ministries and generously made time for this interview on 16 June 2011, for which I am deeply grateful.

— F. Sanders

MONEYCHANGER Insurance and medical care

are like the weather: everyone complains about it, but nobody does anything. On the other hand, Samaritan Ministries is. Whose idea was it?

LANSBERRY The first healthcare sharing ministry, the Christian Brotherhood newsletter, began in the 1980s. Ours was founded in September 1994 by Ted Pittinger, a member of Christian Brotherhood who saw room enough in the Christian world for at least two of these ministries. We've grown from a handful of families to over 17,000 today.

MONEYCHANGER Exactly what does Samaritan Ministries do?

LANSBERRY Samaritan Ministries is a means for Christians to help one another with healthcare bills without using insurance. Our network of 17,000 families shares over \$4,000,000 in medical bills every month, without insurance. We do this through a monthly newsletter that resembles passing the hat in Church, but all of our members have already agreed to send a pre-determined monthly share directly to another family, different each month.

MONEYCHANGER But one month there might not be any bills and the next month lots. What is a member obligating himself for?

LANSBERRY Shares differ with family size and age, from \$320 for a family of three or more to \$135 for a single person. You might imagine

see **HEALTH** page 2

IS IT REAL OR MEMOREX?

A dear friend of mine now departed used to discuss events and ask, 'Is it real or Memorex?' He was quoting the old commercials for Memorex audio recording tape, the gist being it recorded so faithfully that when you heard it you couldn't distinguish the real from the recording.

His that question pretty well sums up our quandary with the United States Government. They have lied so much, and faked so much, that who knows what you can believe? Do you believe the 9/11 skeptics who say it was impossible those building could implode and all the government defensive plans could go awry at one time, or the government who says it was Al Qaeda or other shadowy terrorists?

In an April 2011 article, "Dearth of Facts, Death of Certainty" I discussed this

see **MEMOREX** page 2

ALSO ON THE INSIDE ▶

Current Market Projections	6
Dear Readers	8
Updating Our Outlook	5
Unforgettables	13
Weak Dollar, Strong Dollar	14

MEMOREX from page 1

problem, and mentioned as a case in point Bernard O'Bama's phantasmagoric birth certificate. Literally the day after that was published, Bernard held a press conference in which he presented the long questioned birth certificate. Well, I reckon that answers all the skeptics, right?

Nope. In less than 24 hours a friend of mine skilled in such matters examined the birth certificate posted on the White House website and pointed out without much effort eight or ten flaws that cast doubt on its authenticity. *Is it real, or Memorex?*

OSAMA BEN LADEN

Then Bernard O'Bama announced that a US Navy Seal team had found Osama Ben Laden, killed him, and buried his body at sea?

Where, right next to Santa Claus? If you killed the most wanted terrorist in the world, would you dump his body at sea before 24 hours passed, quickly burying the proof?

Now it turns out that the famous picture of the White House situation room with Bernard & his flunkies, including Hillary Clinton with her hand suitably covering her big mouth, watching the action while the Seals attack the Pakistani Compound -- well, that was *staged*. Taken after the supposed events happened. They were watching Sesame Street or something else, but not the action in Pakistan. And "staged" of course, is a nice word for "faked."

Is it real, or Memorex?

Bernard O'Bama did not invent these tactics. His predecessor King George II staged the evidence to justify

see **MEMOREX** on page 16

HEALTH from page 1

that there'll be a month without any bills, but as we've grown to 17,000 families, that hasn't happened. Our monthly share and our monthly needs tend to average out about the same. We occasionally have spike months where needs exceed the shares, or needs don't quite meet shares. Then we either pro-rate the needs, or have people send more during those months. If that happens on regular basis, members vote whether to raise the monthly share.

MONEYCHANGER Suppose in one month where you have \$4.5 million in needs, versus \$4 million in shares. What happens to the extra half million dollars?

LANSBERRY We share an equal percentage of each need. On the numbers you're using, approximately 90% of each need will get shared and then we'd ask members to send extra gifts *voluntarily* to cover the rest. Those tax-deductible gifts we send to members who, even after we have negotiated discounts on their bills, still had needs. We're able to keep a large fund for those pro-rated needs, right now over \$200,000 ready for the next pro-rating.

MONEYCHANGER This really works?

LANSBERRY It does. I came on the Board of Directors in 1998 and on staff in 1999, but I've belonged to this ministry since 1996, over 15 years, with my family of seven children and our eighth on the way. Every day I am still excited about coming to work because I get to see how God is meeting his people's needs through his Church.

MONEYCHANGER Why would your members not just buy insurance? Set aside for the moment the fact that

Samaritan Ministries costs only a fraction, less than half, maybe a third, of what even Blue Cross or Blue Shield would cost.

LANSBERRY Never mind the cost, one reason Christians should choose Samaritan Ministries is that your health care dollars with Samaritan Ministries are consistently pro-life. Most insurance companies pay for abortions in some circumstances, and sometimes even for medically unjustifiable abortions as well. Insurance companies help abort unborn children and we object to that. That's why I joined Samaritan Ministries originally, because I didn't want my money to pay for abortions.

Another reason Christians should join Samaritan Ministries: it fulfills fulfill Christ's commandment to love one another. Do a quick word study in the New Testament for "one another." You find you ought to be bearing one another's burden and encouraging one another. The Church's ministry, outside of the clergy, is this "one anothering" that the Gospels and Paul and Peter mention over and over again. Samaritan Ministries offers a way to take care of one another's needs.

That's what thrills me every month. I'm not sending a check to Samaritan Ministries but rather *directly* to another Christian family with a medical need. I put a card or a note with it, I pray for them, and my family can pray for them through the month. This is all part of our ministry to one another. No insurance company does that.

On the receiving end, when you have a medical need other people across the country are praying for you. As Christians we believe that prayer fulfills part of our service to one another and that God actually listens to our prayers and answers

them. When you're sick, prayer is an important part of your healthcare.

MONEYCHANGER Wait, now -- I thought Christians were only concerned about people overseas, not people next door or people in their own Church or country?

LANSBERRY Sometimes the Church concerns itself overly with people overseas and forgets about the people next door. That's part of Satan's great lie. C. S. Lewis' *Screwtape Letters* are supposed to be letters from a junior tempter to his demonic uncle. Lewis shows that *Screwtape* aims to *confuse* issues for his targeted Christian. Get him excited about pacifism or patriotism, but point out the flaws in his neighbor next door. Get him excited about community, but not individual people. Christians have too much left behind the idea that we are called to serve the people right next door and one another. Samaritan Ministries enables me to take part in the lives of other Christians right here, financially, spiritually, and emotionally, bearing their burdens with them.

MONEYCHANGER [Laughter] I was only teasing you, but I've always criticized what I call "telescopic philanthropy," loving all mankind but no man. We're always ready to help the people overseas, or in another state, but are blind to the people next to us, whom we ought to care for *first*.

What does Samaritan Ministries cover? When I talk to people about it they begin to panic. "Oh my goodness, I couldn't do that! Suppose my child had an accident? I couldn't pay!" As a matter of fact, back in 1991, I had two children who burned themselves and the bill to get them out of the hospital was \$40,000. Truth is, it wasn't only insurance but also the

see **HEALTH** page 3

HEALTH from page 2

generosity of many people that paid it.

LANSBERRY Oh certainly, it can be extremely expensive. Our members share in needs of more than \$300 *on a per need basis*, generally any medical need, whether your child's accident or cancer or heart attack. The core of our ministry is *balancing* bearing our own load (those smaller needs of \$300 or less) and bearing one another's burdens. Almost any medical need you can imagine is shared, except sexually transmitted diseases or abortion.

MONEYCHANGER What about limits? Trying to understand your operation, I still think in insurance terms, but you're wholly different. I lack the necessary pigeonholes.

LANSBERRY Most insurance companies have caps and deductibles, and deal on an annual and sometimes a lifetime basis. So you might buy an insurance policy with a million dollar *annual* cap and a five million dollar *lifetime* cap. Our members have a top end *on a per incident basis* of \$250,000, but 45% of our members also participate in an optional ministry called *Save a Share* for needs over \$250,000, though it's rarely used. Very few needs actually exceed that, and we have no lifetime or annual caps. Theoretically, someone might have seven or eight \$250,000 needs in one year and all would still be shared, even though that exceeds a million dollars. Our members are sharing over four million dollars in medical bills every month, so we see needs exceeding \$300,000 to \$400,000 on a fairly regular basis, but 99.5 percent fall below that number.

MONEYCHANGER How do I compare that to an insurance company's "deductible"? In the first place, the claim has to be for more than \$300?

LANSBERRY Right, on a per person, per incident, basis. It's not like a "deductible" that adds up a \$50 doctor's visit here and \$100 doctor's visit there until it totals \$300 for the year. We aim to balance *personal* responsibility with our *corporate* responsibility to care for one another. I can budget for the \$50 visit to doctor or dentist or optometrist, but very few people's savings cover needs of \$30,000. When one person gets hit with that kind of trial, we turn to one another.

MONEYCHANGER I know this is very unlikely, but suppose I had seven children and all those seven children got sick in the same month with different illnesses, and each had a bill that amounted to \$290. Would I be responsible for that \$2,030 myself because each incident amounted to less than \$300?

LANSBERRY That's correct. *However*, we publish "Special Prayer Needs," which are a free will offering taken for members' needs not otherwise shareable. For example, a bat got loose in one of our families' home and every child had to be treated for rabies, about \$275 each. That all landed at once so we shared that as a Special Prayer Need. Our members give toward those Special Prayer Needs charitably over and above their monthly share, donating thousands of dollars every single month

donate thousands.

MONEYCHANGER On the other hand, suppose I spent \$300 at the doctor every month or \$3,600 a year. What would it cost to buy an insurance policy with a \$300 yearly deductible? A thousand or \$1,200 a month, wouldn't it?

LANSBERRY Oh, certainly. Just the other day a doctor showed me some numbers for Tennessee. An insurance policy with a \$10,000 deductible costs \$11,000 less than an insurance policy with a zero dollar deductible. Whether you use any healthcare services or not, you still pay the insurance company an extra \$11,000 for the privilege of covering that first dollar of expense.

One of Samaritan's goals is engaging the patient in the cost picture. Our members actually *see* their bills, they're personally responsible for them, and we share in them together. They make their own decision and engaging the consumer always drives costs down. A patient can actually make an informed decision, whereas an insurance company or a doctor is never really able to make an informed decision for the patient.

MONEYCHANGER Because people don't ask whether the procedure is necessary, but whether it's covered.

LANSBERRY That's correct, but with our model the members first ask whether it's necessary, because they're not making their decision based on "Someone else is paying for this." When you're receiving checks and gifts from other families and not a faceless insurance company, it changes your outlook. There's a different involvement, responsibility, and gratitude, as opposed to the medical insurance industry and its prepaid healthcare. People are willing to pay thousands of dollars a month to avoid worrying about healthcare costs. However, that detachment artificially increases demand and so drives prices up. We need to remove that incentive by moving away from an employer provided system, but that's another topic

altogether.

Other forces are also driving the quality of medical care down. The pharmaceuticalization of medicine -- a drug for everything -- is a big problem, but that's driven by insurance companies paying for drugs but not paying for nutrition, nutritional supplements, prevention, or much cheaper alternative therapies. People take the easy way out, pop a pill for the problem, and never bother changing the lifestyle that *causes* the problem. People aren't engaged in health decisions made *for* them, they just do whatever the doctor says, take the drug he prescribes, and the doctor does what the insurance covers. Of course, he's looking over his shoulder, too, to cover himself against malpractice, and malpractice insurance is driving things awry, too. Insurance perpetuates all these bad practices.

When I asked you about an alternative to insurance and why any Christian would want an alternative, you didn't mention any Anabaptist objections to insurance. You surely are familiar with those?

LANSBERRY Yes, and even agree somewhat, but I don't object to insurance altogether. For example, fire insurance on my home differs greatly from health insurance. On my street it is unlikely that more than one house burns down at any given time. It's a huge risk, but with a very small likelihood. I pay a little bit of money to cover a very large risk.

Now imagine that your car insurance covered your tires, oil changes, and gas. That's health insurance today. It's a prepaid healthcare expense, as opposed to insurance 30 or 40 years ago, when deductibles were high and insurance only covered hospitalization and major medical.

MONEYCHANGER The Anabaptists (Amish) object to insurance first because it's a contract and second because it transfers dependence and trust from God to a corporation. Unbelief and distrust of God takes over. I don't altogether share that outlook, but they have a point.

LANSBERRY That's not Samaritan's principle, but Christians have slipped away from our ability to trust God *and his Church*. Whether it's a sin to contract around risk is another issue, but in the end we have to ask ourselves whether we trust God or the means -- in this case, insurance.

MONEYCHANGER Exactly. And God promises that whatever burden he sends, he will also make you able to bear. In the case of healthcare, people have transferred trust not only to insurance companies, but also to the government. The Obamacare debates revealed that many people believe that unless the government takes care of them, they will perish. How does Samaritan fit into the Obamacare program?

LANSBERRY Through the Providence of God and bipartisan efforts we secured an exemption from the individual mandate. Part of the Patient Protection Act is an individual

HEALTH from page 3

insurance mandate: in 2014, all Americans will be forced to buy health insurance. By arguing that the president had promised you could keep whatever coverage you had and were satisfied with, and because ours is a "faith-based" organization protected as religious liberty, we able to secure for our members an exemption. They will be allowed to continue as a part of healthcare sharing ministries without penalty, and I thank God for that. It was a miracle.

MONEYCHANGER You are not a church or a ministry under a church? You're independent and self-standing?

LANSBERRY That's correct. We are a 501(c)3 organization, operating as a ministry taking care of our members under IRS guidelines for charities.

MONEYCHANGER But any local church could do much the same thing that you're doing now?

LANSBERRY Yes and that would be wonderful. We hope that the church will grow so we become superfluous, except for coordinating really huge bills across denominational lines. We would love to see the Church of Jesus Christ actually caring for one another locally and regionally as we do now, but sadly, most American Christians use the health insurance model. That makes it very difficult for the Church to meet its full mission, so right now we fill that empty niche. However, as the church grows in understanding and as more and more Christians desire truly to bear one another's burden, we will recede.

MONEYCHANGER What are the drawbacks? You already addressed what happens when there are more needs than shares. At the individual level, what happens when I go to the doctor, which I try not to do, and first words out of the receptionist's mouth are, "Can I see your insurance card?" What do you do then, because you don't have insurance?

LANSBERRY We tell our members to inform their providers that they are a self-pay patient and to make billing arrangements.

MONEYCHANGER *Wait, wait, wait, stop right there.* When you tell a doctor's office or hospital that you're a self-pay patient, they charge you the very highest rate, not the insurance company rate 30% to 50% lower for the selfsame procedure. In fact, my children have experienced this. Their children have a \$6,000 hospital bill, but the hospital knocks off 50% or more if they make one payment in cash. If I tell them I'm self-pay, they automatically charge me double.

LANSBERRY Self-pay patients are billed sometimes three to five times what an insurance company pays for the same services, but after the fact we negotiate discounts on these bills. We don't get them down to level of Blue Cross/Blue Shield that insures a hundred million people, but we do secure 30% to 40% discounts, sometimes more.

MONEYCHANGER Even with an insurance company, you don't always get every bill paid completely. The first three words most likely to come out of an insurance company's mouth

are, "That's not covered."

LANSBERRY When congress was debating the healthcare reform bill, one frequent complaint was that insurance companies are unreliable. It's ironic that the final bill *forces* people to buy this unreliable service.

MONEYCHANGER How does a claim work? Let's say that I've got a \$3,000 medical bill.

LANSBERRY You call us up first and we send you a short form. That you fill out, including how we can be praying for you, and return it with the bill. We deduct the first \$300 off the bill and then ask members to send \$2,700 to you.

In the next month twelve or thirteen members will send their share directly to you. We send you a list of all those we asked to send their share to you, check them off as they come in, and then return that list at month end so we can hold anyone accountable who hasn't paid.

Now you have \$2,700. In the meantime, with these checks you're also receiving notes and cards and prayers from saints across the country. Meanwhile also we're talking to your providers saying, "Hey this \$2,300 seems a little high, will you take \$1,900, and we dicker. If they take the \$1,900, the first three hundred dollars comes off of what you normally would've paid. So out of that \$2,700 you pay \$1,900 to the hospital and then we'll ask you to send that other \$800 to another family the next month.

MONEYCHANGER But do I become an insurance clerk? Normally you go to the doctor's office and his insurance clerk does all this paperwork behind the scenes.

LANSBERRY We don't hide the fact that members have to perform some administrative labor: receive the bills at your home, collect them and send them to our office, receive the checks from other members, and write the checks to pay the medical providers.

MONEYCHANGER So depending on the claim's size I will receive some number of checks in the mail for \$210 or \$320?

LANSBERRY That's correct. A large number of checks, if you have a large need, but also notes and cards. When my wife had her appendix removed four years ago, the bill was \$23,000, so we received checks from 100 different people.

MONEYCHANGER \$23,000? [Laughter] I'm sorry, \$23,000 to have her appendix taken out?

LANSBERRY Yes, it's amazing how prices have risen. But we also got a stack of notes and cards four inches tall from 21 different states, people taking time not only to send us a gift, but also to write us a note, send us a card, and encourage us. While my wife was recovering every night we were opening mail at the dinner table, looking up the person's location on the map, reading the note together, and sharing in God's joy. We had to process 100 checks and deposit them and pay the hospital bill, but the joy that brought far exceeded the negligible labor. Some people might think that's too much and they're willing to pay three or four times our monthly share for insurance. For my part, I want to belong to a community that cares about me and enables me to take care of those bills directly.

MONEYCHANGER Three years ago in August my wife had heart surgery and on my free daily Internet market commentary I asked people to pray for her. The number of responses astonished me and I credit some of her healing to those prayers. That experience lifts everything out of the realm of the impersonal and inhuman and indescribably lifts up your. Imagine what it does for the sick person.

How does one qualify to join Samaritan Ministries?

LANSBERRY You must be a Christian who attends church three out of four Sundays and sign a basic ecumenical statement of faith: that you believe in the Trinity, that you're a sinner and can only be saved by Jesus Christ. It's very short, but we believe that any Christian denomination could sign it, and we aim to keep it as broad as heaven's gates.

As we don't turn people away for health reasons, so we try not to turn people for financial reasons. Under our sponsorship program members give to subsidize monthly shares for other members too poor to pay even a \$320 share, people in temporary or permanent financial distress. Still, we ask those people to present a budget so that we can verify their need and protect our other members' generosity.

MONEYCHANGER What about any special conditions, or a pre-existing medical condition?

LANSBERRY If your medical condition exists before membership that will not disqualify you, but we would exclude sharing needs from that condition, in particular cancer if not in remission at least seven years. But we would still welcome you as a member and share any other needs as well as those cancer bills, but those only as a Special Prayer Need.

see **HEALTH** page 15

UPDATING OUR OUTLOOK: CHARTS FROM PAST & PRESENT

We are updating the *Moneychanger* website, and along with it all our books and publications. In 2001 I wrote and published *The Survival Kit for the Next Great Depression*, and then revised it a third time in May 2004. My son and editor Justin pulled out the charts to update and I was astonished and aghast.

Comparing 2004 and 2011 charts immediately reveals how much closer markets have come to fulfilling my forecasts. That itself gives me a gasp of caution, because it shouts that this precious metals bull market has ripened greatly, and perhaps has no more than three years left.

That time, of course, we cannot know in advance, and it might stretch out to ten years. However, the critical last hurdle of successful investing is "Sell." If you don't sell, you never realize a profit. And there is another trap: infatuation.

People fall in love with winning investments, so much that they forget about investing's most important rule: *always align your investments with the primary trend.* Pardon my repeating myself until your ears are bleeding from hearing it, but miss this and you miss everything: *always align your investments with the primary trend.*

PRIMARY TREND

Travel in your mind back to 2000. Stocks were roaring and raging, but in August 1999 the Dow topped against gold, warning you that the primary uptrend in stocks was topping. Time elapsed in the bull market, 18 years, also flashed yellow lights. Price, while not as unequivocally topping, was twelve times its beginning.

Add to that the near universal bullish sentiment touted in headlines, articles, and all broadcast media. In 1999 appeared the book, *Dow Jones 36,000: the New Strategy for Profiting from the Coming Rise in the Stock Market*. The title alone screamed that the bull market must be near its end. (I keep a copy on the shelf near me to mortify my pride continually.) Then, too, all the "investment geniuses" were quitting their day jobs to make a fortune day-trading stocks.

The 18 year stock bull market had infected the public with a massive mania and conceptual blindness. They projected their experience, which knew nothing at all but a rising stock market, into the future, forever, world without end, getting rich easy, fat IRA, Amen.

But in a bear market, money returns to its *rightful* owner. That does *not* include those too shortsighted, inexperienced, or ignorant to grasp the primary trend's pivotal significance, or the significance of its reversal.

All of you reading this and I, too, stand in mortal peril of the same mania and conceptual blindness. We have done well

by accurately identifying the primary uptrend in silver and gold and climbing on board timely. Therefore, naturally, we, too, assume we are investing geniuses and risk confusing a "bull market" with investing acumen."

To prevent that error, to cultivate humility, to accustom your mind to the crucial decision to sell, I want to walk through these updated charts with you.

Pay close attention: *I am not saying that the silver & gold bull market has ended. I am not YET saying it is time to sell, only preparing you to sell when the time comes. The bull market looks more mature than I had noticed, and could end in three years.*

WHAT DO WE BUY NEXT?

Of course you will ask, What on earth will we buy when we sell our silver & gold? As yet I can't say, but let me spin out a few possible backdrops for that decision.

1. *The dollar is destroyed.* The worst happens & the Fed slips into hyperinflation destroying the paper dollar, followed by some "reform" that reinstates silver & gold into the monetary system. In that case, your silver and gold will be "money," cash, and you will simply spend them into circulation or buy other assets with them.

2. *The dollar is not destroyed,* but some "reform" ensues that tames the inflation. Given the government spending and fiat currency monster, I can't imagine how that would unfold, but it's a possibility. Maybe a one-world currency "linked" to gold or some other bogus solution, enough to

quiet inflation terrors at least.

3. *Buy productive assets that generate a stream of revenue.* However this historic paroxysm of fiat money ends, it should be followed by renewed prosperity – assuming, of course, that any monetary "reform" actually succeeds in restoring monetary stability. Chaos can't last long – people can't stand it. Historically, inflations that end in blow-offs are followed by periods of rebuilding and prosperity. Consider the US experience with the Continental currency and the later re-introduction of silver and gold by the 1789 constitution and 1792 Coinage Act.

PRODUCTIVE ASSETS

What are "productive assets"? Businesses that produce a stream of revenue: a farm, a restaurant, land, real estate, a factory, or shares in a productive asset, *yes*, stocks. You'll have to assess alertly the future prospects for these enterprises. It would be the wrong time, for example, to invest in a buggy whip or typewriter factory. The asset needs a lively, growing future before it. We'll just have to see what looks promising when the time comes.

Now to those charts:



US DOLLAR INDEX

In 2004 when the US dollar index was falling toward 84.50 I advised that whenever the US dollar Index fell below 84.50, you should get out of all US dollar denominated assets.

By the end of 2004 the Dollar Index had reached 80.39. In 2008, it hit 70.70. Today it stands about 75, on its way to 40 or so.

Observe the chart, "US DOLLAR INDEX (DX) (Monthly)." Notice the most informative feature: from its inception in 1971 when Nixon broke the dollar's link to gold, the dollar index traded in a range from 120 to 80, *except* briefly 1984 – 1986 with a spike to 164.72. To me it's clear the Fed & US Treasury have managed the dollar in that 120 – 80 range. Remember that when the dollar index rises above 100, US manufacturers are hard pressed to compete.

see **UPDATING OUTLOOK** on page 6

UPDATING OUTLOOK from page 5

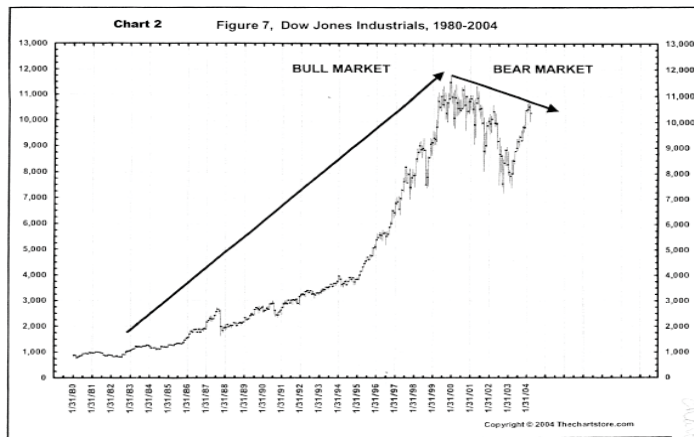
The historic break came in 2007 when the dollar index broke *down* out of that range, thru 80 to 70.70. I infer – perhaps in error – that the Bush administration decided to solve the impossible balance of payments deficit by cheapening the US dollar, letting it fall to, say, 40, and that the present Treasury and Federal Reserve management are continuing that policy.

As much as any other chart you'll ever see, this one illustrates that central banks manage their exchange rates. Statistically, a 120 – 80 range maintained for 34 years cannot be an accident.

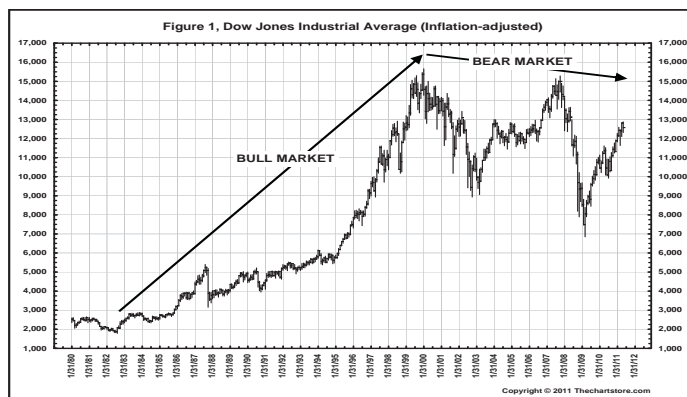
Recommendation remains: get out of US dollar denominated assets and stay out. Avoid anything that promises to pay dollars tomorrow, because tomorrow dollars will be worth less than today. This includes life insurance, annuities, bonds, certificates of deposits, traveller's checks, money orders, savings accounts, green paper money, *etc.*

DOW JONES INDUSTRIAL AVERAGE

The 2004 edition featured a Dow Jones Industrial Average chart, Figure 7, Dow Jones Industrials, 1980 – 2004. To identify the primary trend, the featured a big arrow up from 1982 to 2000 for the bull market, and an arrow falling for the later bear market.



But wait! The updated chart will show that from 2 January 14,160 peak in 2007 and confuse everything. 1998 through 24 May 2004. It makes the claim that a bear market began I chose this to illustrate the



in 2000 appear wrong.

Unless you correct it for inflation. In that case you plainly see that the 2007 peak went no higher than the 2000 peak, and that stocks remain in a bear market.

SILVER THEN AND NOW

These charts, Figure 10-A and Figure 10-B, show silver's performance.

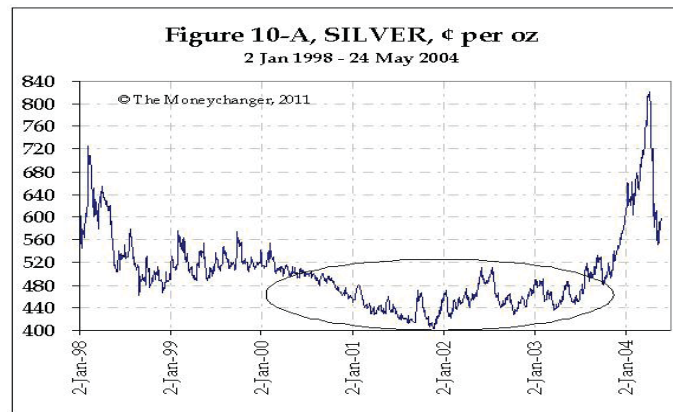


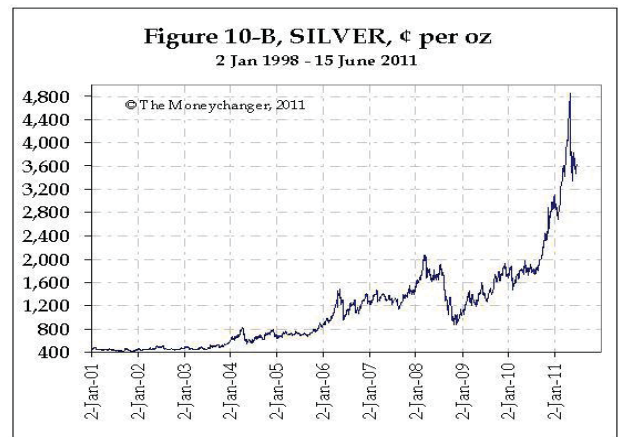
Figure 10-A depicts silver wilder than the first leg. After the Big 3 leg

before leaping to 825¢ in early 2004.

Now look at Figure 10-B. When I added data through 2011 to this chart, *Lo & Behold!* That rounding bottom disappeared altogether! To encompass silver's later price activity up to 5000¢, I had to expand the chart's scale from "400¢ to 840¢" to "400¢ - 5000¢, and that reduced the graph so much that your couldn't even see the 1998 - 2004 variations.

Back in 2004, a silver move from 425¢ to 825¢ was big, nearly doubling the price. Nowadays, you can hardly pick out that move

on a long term chart. The 2004 peak marked the top of silver's first leg up of the *entire bull market's* first leg up that topped in 2008. Now silver is making its third big leg up, and prices will rise much faster and



comes a correction, Leg 4, and then the wildest of all, Big Leg 5 up.

SILVER BULL AND BEAR MARKETS

Originally the chart P. 75 B, "Figure 2, Silver, 1963 – 2011," was intended to point out silver's bull/bear/bull market alternation since 1963, and so prove that silver's primary trend had indeed turned up. However, because silver has lately almost touched \$50, that chart now might be read saying that silver's bull market is nearly over. After all, hasn't it repeated and fulfilled the last bull market's climb to 5000¢, the 1980 high?

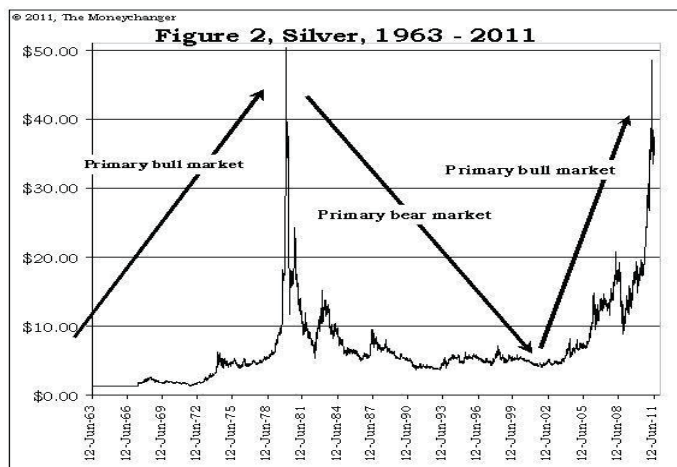
That reading would be wrong.

Adjust the prices for inflation. Silver in 2011

UPDATING OUTLOOK on page 7

UPDATING OUTLOOK from page 6

off top.

The Gold/Silver Ratio.

at 5000¢, equals silver in 1980 at 1655¢. To equal 1980's 5000¢, silver would need to fetch 15,007¢ (\$150.07) per ounce. Silver has a long way to climb yet before it equals the inflation-adjusted 1980 peak.

But Time & Price also argue that the bull market has not ended.

Time. Last bull market lasted about 17 years, 1963 - 1980, or 13 years, 1967-1980. This one has run only 9-1/2 years so far (November 2001 - June 2011). Doesn't lay the matter to rest, but raises a strong presumption against a completed bull market.

Price. Last bull market rose from \$1.2929 to \$50 or 38-2/3 times. From November 2001 low at \$4.01, this bull market has risen only to \$48.75, or only 12-1/6 times. The updated chart, "Figure 2, Silver 1963-2011 Log Scale," measures silver by a log scale rather than an arithmetic scale.

Since no rule exists for how high a bull market must rise -- doubling, trebling, quintupling, ten-folding, 50-folding, take your

but history says a repeat is *likely*. With Gold at \$1,530, silver would have to rise to \$95.63 to reach 16:1, nearly triple where it is today. Pick a higher ultimate gold target and divide by 16 to forecast a silver top. Gold reaches \$3,000? Silver hits \$187.50. Gold at \$6,000? Silver reaches \$375. I'm not prophesying, just forecasting.

Conclusion? This silver bull market is playing itself out at a higher level than the previous one. That is, the first began from \$1.2929, this one from \$4.01. This becomes much more obvious when we use a LOGARITHMIC scale rather than an arithmetic scale on the chart. That clearly shows that this silver bull market has not nearly matched its 1960 - 1980 ancestor.

An arithmetic scale shows equal distance between units. If silver rises from \$1 to \$10, and then from \$10 to \$100, the chart scale distance from \$1 to \$100 will be 100 units, with 90 units from \$10 to

logarithmic scale chart shows those two rises with the selfsame distance.

The log scale chart shows that this silver bull market began at a much higher level than the 1960 - 1980 bull market. Also, the unripeness of this bull market clearly appears.

The first market traced out with

1. a peak in 1968 (leg 1 up),
2. a correction from 1968 - 1971 (leg 2 down),
3. another peak in 1974 (leg 3 up),
4. a corrective wave 1974 - 1978 (leg 4 down) and
5. a final blow-off in 1980 (leg 5 up).

Since 2001 the present bull market lacks that full unfolding. Looking closely you can discern minor tops in 2004, 2006, and 2008, followed by the great correction in 2008. Thus the 2008 top is analogous to the 1968 top, so we are now at an analogous position to the rise that began in 1971. Maybe we've reached only late 1972.

Whoa! Don't make the gross & naive mistake to infer, "That market's correction lasted 3 years, so this one will last 3 years," or "That bull market lasted 20 years so this must last 20 years." We can't draw time inferences like that because every market unfolds at its own speed.

Let's say the silver bull market began in 1963, the year trading in silver futures was re-opened, pointing to that event as evidence interest in silver was brewing, a result of pressures already raising prices and demand. From then to the first peak in 1968 passed five years. This present bull market began in November 2001, and hit the top of its first leg up in March 2008, six years four months later.

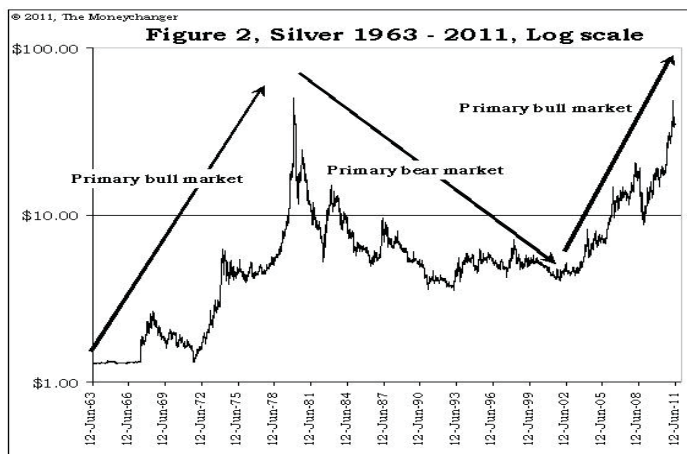
But in 1968 the following corrective wave lasted from June 1968 to November 1971, 3 years, four months. The corrective wave from March 2008 ended in November 2008, 8 months only. Thus the first wave in the 1963-1980 bull market was shorter than this bull market's first wave, but the second corrective wave in this market was much shorter than the earlier market. Is lazy silver now speeding up?

All said, extending the original chart with an arithmetic scale leads to the wrong conclusion, namely, that silver's bull market has ended. Carefully examining the progress of the two markets and the log scale chart make clear that silver has yet a good way to run.

VALUE OF US\$1.00 IN GOLD

For the 2004 edition I prepared a chart which, with later data added, is shown as "Figure 4, Value of US\$1.00 in gold ounces, 4 Jan 1932 - 15 June 2011." We usually show the price of gold in dollars per ounce, but remember that's a fraction with gold as the numerator and the dollar as the denominator. This chart shows what happens when we make Gold the denominator and the US dollar the numerator: ounces per dollar.

UPDATING OUTLOOK on page 11



pick -- this shortfall doesn't *guarantee* the bull market will run further. However, construed with gold (up only 6-1/4 times so far versus 24-1/4 last bull market) that always runs together with silver, silver's performance so far appears short of the ultimate wild blow-

\$100.

A logarithmic chart shows the same distance by percentages. A rise from \$1 to \$10 is a tenfold rise, as is a rise from \$10 to \$100, so a

CURRENT MARKET PROJECTIONS

WAITING IS A MOVE TOO!

Sometimes waiting is a move, too. Looks like you're standing still, but standing still happens to be the right thing to do. Markets in the last month have moved sideways without any resolution. We simply have to wait until time comes to make a move. Otherwise, we make the wrong move.

DOW IN GOLD DOLLARS

MicroSoft torpedoed me and moved my trend line on the chart, but you should be able to make out that the Dow in Gold dollars has broken down – not followed through yet, but broken down. This fall will take stocks a long way toward their eventual target at 1 to two ounces of gold.

I wrote elsewhere in this issue that since 1999 stocks have lost 80% of their value against gold, and they will lose another 80% before the gold bull market ends. You may have difficulty picturing that, but that's what the charts indicate. Against silver, stocks have lost 90% and will lose another 90%.

Take advantage of this rise in stocks to sell them and put the proceeds into silver or gold.

DOW JONES INDUSTRIAL AVERAGE

Stocks remain in the maw of the Jaws of Death, that megaphone or broadening top I have outlined on the chart. It's a tricky formation, because stocks might rally to the last high without invalidating the formation. Patience is needed. Eventually, however, the jaws will snap shut and stocks will plunge again.

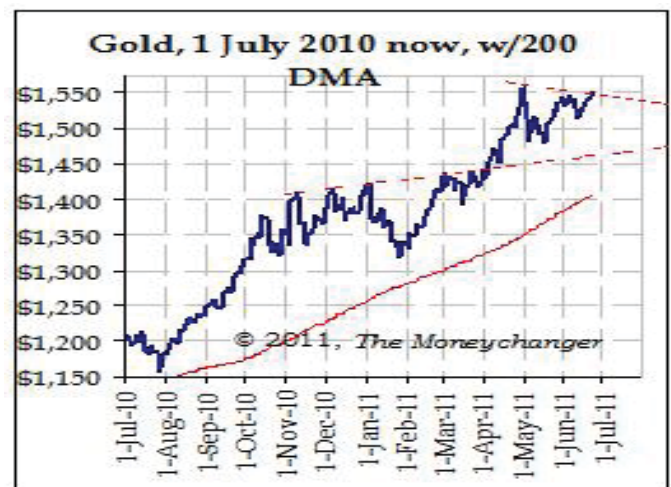
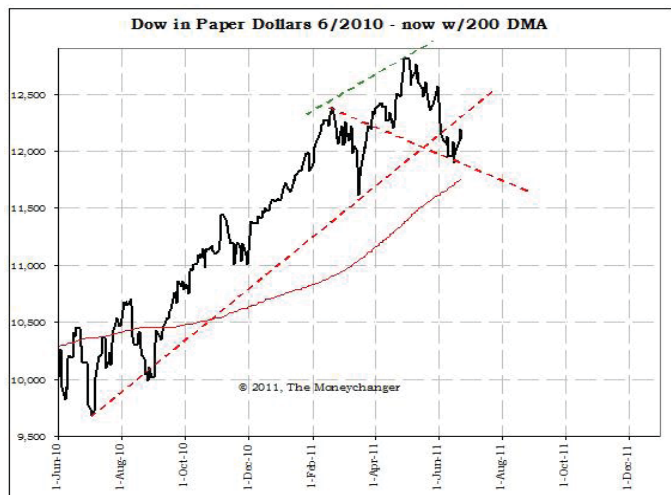
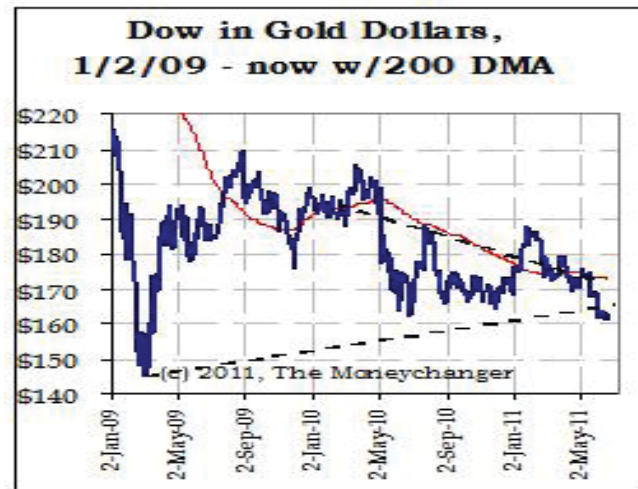
GOLD

Gold has been trying to rally, and has nearly reached its last high close at \$1,563. In the last few weeks, however, it has been moving awfully slowly – steadily, but slowly. It has just reached the downtrend line from the May high, and here will either back off and fail, or penetrate and touch the old high.

At that point we have to ask whether we are watching only a double top or the beginning of a new rally. My vote is for a double top this trip, because gold's correction from the May high has been so shallow thus far. Something close to the last low -- \$1,460 – or the 200 day moving average (about \$1,400) seems an appropriate target.

Strongest argument against that is that gold is about to pass the time limit of earlier corrections. Well, the season for lows extends through July.

No in-between here. Either I will be very right, or very wrong. You'll know I am wrong if gold closes



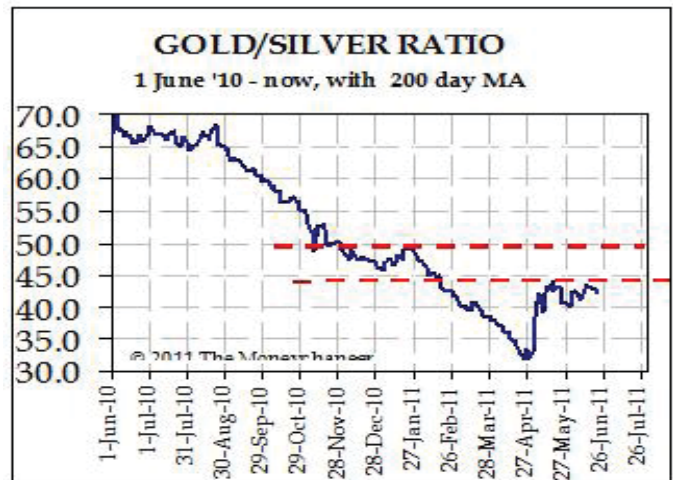
over \$1,565 two days running. Otherwise, wait for lower prices, and then buy all you can stand. The following rally will be terrific.

Interestingly, all the silver & gold dealers I talk to are reporting very slow

business. Least expensive gold buys remain the Austrian 100 coronas and Mexican 50 pesos.

SILVER

Silver formed a flat-topped triangle, then fell



out of it. Twice silver has been defeated at 3850 cents. This is either a flat topped triangle which will send silver tumbling toward its 200 DMA (now about 3100c) or a horizontal trading range bounded by 3400 cents on the bottom and 3850 cents on the top.

Once again, I have to conclude that silver's correction hasn't ended and silver must fall further, to the 200 DMA at least if not further. You can be sure I am wrong if silver closes above 3850 cents two days running.

Note carefully that this bottom ought to come before the end of July, so don't get distracted and miss this opportunity.

The physical silver market gets crazier and crazier. Silver American Eagles two weeks ago cost \$4.50 an ounce over spot at wholesale. Today they have dropped to \$3.15 over wholesale. Right, they lost \$1.35 premium overnight. I reckon this is driven by the public's ignorance and maybe dealer ignorance, too, since US 90% silver coin right now costs 61 cents to 66 cents *under* spot at wholesale.

It's obvious how this will end. As the market rises, all premiums will disappear, and at the market peak every ounce of silver will fetch the same price as every other ounce.

Makes no sense to me, but people still fall into that trap.

GOLD SILVER RATIO

I am still expecting a higher peak in the gold/silver ratio sometime before July ends. So far it's high hasn't gotten much over 44:1, but I don't think that marks the peak.

If you swapped silver

for gold at any rate under 37, I would reverse the swap (trade gold for silver) at 48. If you swapped at higher levels, hold for 51.5. If my outlook changes, I'll let y'all know.

-- F. Sanders

BULLION PRICE UPDATE

AFEMKT Wednesday		22-Jun-11		DIG\$
Gold:	1,554.30	DJIA	12,109.67	(80.34) \$161.10
Silver:	36.72	S&P	1,287.00	(8.00)
Ratio:	42.328	DJIA/GOLD:	7.79	oz.
Plat	1,752	FINE	WHOLE-	WHOLE- PREMIUM
Palladm	768.5	METAL	SALE	SALE OVER
DJIA/Aq	329.78	CONTENT	BUY	SELL CONTENT
AUSTRIA 100 cor.	0.9802	1,509.00	1,521.00	-0.2%
20 corona	0.1958	300.55	305.85	0.5%
4 ducat	0.4438	682.90	720.85	4.5%
1 ducat	0.1106	170.20	177.05	3.0%
BRITAIN sov'rn	0.2354	364.05	384.05	5.0%
CANADA Mpl Leaf	1	1570.25	1594.25	2.6%
1/10 ML	0.1	158.54	178.75	15.0%
FRANCE 20 francs	0.1867	290.20	295.20	1.7%
SWITZ 20 francs	0.1867	290.20	295.20	1.7%
MEXICO 50 peso	1.2057	1861.75	1876.75	0.1%
20 peso	0.4823	740.25	752.65	0.4%
10 peso	0.2411	370.05	377.75	0.8%
5 peso	0.1206	185.10	190.45	1.6%
2.5 peso	0.0603	92.80	96.55	3.0%
2 peso	0.0482	74.15	77.15	3.0%
S.AFRICA K'rand	1	1558.25	1572.25	1.2%
1/2 Krugerrand	0.5	769.40	800.45	3.0%
1/4 Krugerrand	0.25	384.70	400.25	3.0%
1/10 Krugerrand	0.1	153.90	163.20	5.0%
Two Rand	0.2354	362.20	369.90	1.1%
USA \$20 gold pieces, pre-1935:				
St. Gaudens MS62	0.9676	1,600	1,660	10.4%
Liberty MS62	0.9675	1,600	1,660	10.4%
St. Gaudens MS61	0.9675	1,565	1,620	7.7%
Liberty MS61	0.9675	1,590	1,640	9.1%
rawSt. G. MS60	0.9676	1,565	1,620	7.7%
rawLib. MS60	0.9675	1,560	1,615	7.4%
St. G XF	0.9675	1,540	1,595	6.1%
Liberty XF	0.9675	1,534	1,590	5.7%
USA Buffalo	1	1593.25	1604.25	3.2%
USA American Eagle, post-1985:				
Amer. Eagle	1	1579.25	1609.25	3.5%
1/2 Amer. Eagle	0.5	792.70	816.00	5.0%
1/4 Amer. Eagle	0.25	396.35	411.90	6.0%
1/10 Amer. Eagle	0.1	166.30	172.55	11.0%
GOLD BULLION	1	1559.75	1570.75	1.1%

	FINE	WHOLE-	WHOLE- PREMIUM
	METAL SALE	SALE	OVER
	CONTENT BUY	SELL	CONTENT
PLATINUM Englarh	1	1,757	1,782 1.7%
Noble	1	1,752	N/A
Koala	1	1,752	N/A
Maple Leaf	1	1776.5	1811.5 3.4%
Amer. Eagle	1	1751.5	1851.5 5.7%

SILVER, US COIN:			
90% coin, \$1000ba	715	25,433	25,783 -1.8%
40% 1/2s, \$1000ba	295	10,390	10,605 -2.1%
Dollars, \$1000 ba	765	31000	34000 21.0%
Silver Am. Eg.	1	37.97	39.87 8.6%
SILVER BARS & COINS, .999 FINE:			
Engelhard/plasti	100	3,702.00	3,707.00 1.0%
Miscellaneous	100	3,692.00	3,717.00 1.2%
Eng. or JM	10	367.70	373.70 1.8%
Misc. rounds	1	36.72	37.97 3.4%
Can. Maple Leaf	1	38.22	39.47 7.5%

PLEASE READ THIS FIRST!			
1. All prices are wholesale. Add 3.5%-2.5% commission plus shipping when applicable.			
2. Not all the gold coins listed are always available, e.g., Austrians, fractional Krugerrands, Mexicans.			
3. Fractional gold Maple Leaves are available & priced as American Eagle fractionals.			
4. Small quantities subject to surcharge.			
5. US\$20s MS-61 or better are PCGS or NGC (our choice) certified ("slabbed"); MS-60 & below are not slabbed.			

Moneychanger Gold & Silver

For those outside Tennessee we make a very competitive market in gold & silver investments

For quotations call 1 888 218 9226

Dear Readers,

On 25 May I went to bed about 10 till eleven. I had a late meeting and Susan is always snoring by 10:00.

I must have fallen to sleep at once. A flash woke me. I heard the computer backups beeping in the study, so I knew we had lost power. Susan hates that beeping although I can barely hear it for the perpetual ringing in my ears. I got up and walked into the study to turn it off. My watch said 11:05.

While I was waiting for the MiniMac to shut down so that I could turn off the backup, I noticed the rain and wind had bared their teeth, lashing the house and skylight with sharp rain. I leaned over to mash the button the backup and *WHUMP!* A giant's fist pounded the side of the house. What? A limb? A whole tree? Did I really hear that?

Never mind that, the wind and rain rose fiercer still, nearing that freight train pitch that announces a tornado. "Susan! Get up!" If there's time, we can run down to the basement. If not, we can try huddling in the upstairs bathroom.

Susan woke up, but the storm eased. (I don't think there was a causal connection.) We stood in the lightning flashes, staring out the window at the lashing trees, wondering whether to wait for it to pass or run for the basement. Standing at our bedroom's doorway, the French door across the room was open, leading out onto the deck. Even 30 feet from the screen the rain was hitting my face.

We went back to bed. I lay there holding Susan and the thought crossed my mind: I have never heard a storm so fierce. I looked at my watch: 11:10.

It rained, I prayed. The storm was headed for the Top of the World Farm, bearing down on Johnny and Liberty, Lindy, Justin and Ellen and all their children.

I thought about those 130 people the tornado had just killed in Joplin the day before, even sucking some out of hospital windows. I remembered Chad (died a.d. 672), missionary to the kingdom of Mercia in England. Whenever it stormed, he would fall to his knees and pray for God to turn away his wrath from sinful men, so closely did he identify God with his great works in creation.

I prayed more. Susan prayed aloud. The thought crossed my mind, "This is fear." I didn't remember every being afraid of a storm like this.

We lay a long time under the flashing lightning, roaring wind, and rattling rain. The rattling grew louder: *hail*.

A long time. How long? I looked at my watch: 11:20.

The storm had passed.

Next morning we still had no electricity. Susan left early, I slept in. Couldn't shave so I splashed my face with cold water. A little water stays in our pressurized system even when a power outage shuts down the pump,

but not enough pressure for a shower, only for a drink and a few flushes.

I wanted to see what had hit the house. On that west side our house is nearly three stories high, basement to second story. Along the length and stretching out into the front yard lay a 40+ foot long but not too thick red oak. I glanced along the trunk's base. It must have been rotten right there because no rootball was upturned, only a stump broken off clean at the ground.

The tree had fallen *alongside* the house, skidding along the roof and gutter. It pounded the house with that first blow, but missed even the screens of the windows. Other than chewing up 15 feet of gutter and a few tails of metal roofing, it did us no damage.

That was Wednesday and we didn't recover power until Friday. As we drove around we saw downed trees everywhere. There wasn't a tornado, but must have been terrific winds. I went to our chiropractor's and in the woods near his house was a track 40 or 50 feet wide of blown down trees maybe a quarter mile long. My neighbor, Ronnie Springer, has never cut any trees off his place since his father bought it. It looks like a park. I went Saturday to try to help him cut up downed trees, some nearly four feet through. He was cutting logs out of logs trunks 50 and 60 feet long.

Clearly Chad, and not FEMA, had the only answer for storm safety.

A RAINY DAY

I'm trying to finish a newsletter, and Susan calls from the Church. They have Laura Ritch up today from Hartselle, Alabama for cotillion. Cotillion is training in manners, general & table, for adolescents. They learn to introduce each other, dance, make table conversation, and eat a formal meal. All this is needful lest your grandchildren lapse into total barbarism and run naked through the woods eating raw squirrels and snails, and more needful still if they live in the country. Seems they

were short one salad plate and 16 butter dishes, and I must deliver them to the Church.

I can hardly describe the day. June, but pleasantly cool. No breeze, humid, but not muggy, a fine mist drizzling off and on. But the smell! What is that tang on the air, something magical from the deep woods, trees and earth and plants and delectable flowers all mixed up? I can't spot the birds, but they're perched somewhere in the tops of the poplars and hickories singing like it's their last chance in the world.

Church is about 12 minutes away. I drive down the long hill into Factory Creek valley, cross the bridge, and then take the dirt road that runs along Factory Creek. Past the first house, just past the place where the road hugs a bluff, I catch a flock of turkeys in the road. Well, turkey hens, two or three, and a raft of turkey poults, so many flapping so many wings I couldn't count them, but a dozen at least. I stopped to let them run off into the bushes, wondering how wild turkeys could be so hardy and self-sufficient and domestic turkeys so stupid they'll drown looking up at the rain.

The rain had washed clean all the dust and heat and the world sparkled like new. Even old, run down trailers looked inviting, and the 100 year old house set back on the hill behind a stone wall looked positively manorial.

At church all the women were bustling around and the kids were arriving, boys a mite stiff and uncertain in unwonted ties and new jackets, girls all smiles, taffeta, and tickled to be dressed up. All were handsome and beautiful & I suspect quite well pleased with themselves, and good for them. Training in manners will give them great self-confidence, they'll know how to do the right thing always (whether they pick up the correct fork or not), and it will aid them all their lives. If they learn the only heart of good manners – the Golden Rule, thinking of other people first – it will be time well spent.

I left them to their discoveries and drove home. Susan, in a hurry, this morning, left me to feed the animals.

Bridgette the small husky-probably-pit-bull mix is troublesome. Susan got a shock collar ("invisible fence") to keep her around the house, because if she be not restrained she runs off a quarter mile thru the woods where some folks live who have several small dogs to play with. Occasionally somebody accidentally unplugs the broadcaster, and away she goes. She'd been gone several days – I admit, I wasn't hurrying to fetch her – when the fellow called and asked me to get her because she'd killed two kittens. Not maliciously, you understand, just can't judge how hard to bite or throw them while playing.

She was tied up on the porch, and Zorro the Great Pyrenees was doing what he does best, pretending to be dead in the driveway. When I went inside I thought I would feed Pet-Me the cat first. Pet-Me was hanging around the front door, just outside Bridgette's reach, yowling as always. All cats are needy, but Pet-Me caricatures the rest of his species. If

he's around, you cannot walk for him tying himself up in your ankles, and he yowls the whole time.

And Pet-Me has attracted a partner, whom I call "Scat!" and "orange cat." Scat will not come near me, but eats out of Pet-Me's bowl on the cooking porch, which seems not to offend Pet-Me. Since Pet-Me can hear dry cat food rattling in a plastic glass from eight miles away, it was no trick to get the cat food out of the pantry and coax him around to the cooking porch at the back of the house. I rattled the cat food, and before I could call "Kit" once I heard him running through the leaves, leap six feet into the gate across the steps, hit the gate and climb straight up five feet, and leap onto the other stairs to the porch. Sneaking up the other way shot Scat, his fear overpowered by greed and hunger. I didn't have time to locate a concrete block to drop on him, so I let him pass.

I am still trying to work all this out. Rainy days are supposed to be sad, depressing, downcasting. This one is as glorious as a sunny day, only more mysterious.

I won't report to y'all on our garden. Let's just say it's tough to grow lettuce-y stuff in the South. Our springs are plagued by killing frosts, then the weather turns so hot that romaine and lettuce bolt. Arugula bolts before you can pick it once. That stuff must have originated within the Arctic Circle.

The success story is Susan's Amelia Garden. Last summer I had Jimmy the

stone mason build a large round flower bed next to our driveway, "large" meaning 30 feet across, and 18" high at its lowest point. Susan's mama, Amelia, was a wondrous flower gardener, spending hours at it every day. When she passed away last summer, Susan went to Memphis and dug up bunches of striped hostas and bracken ferns and I don't know what else and brought them back and planted them in her "Amelia Garden," in memory of her mother. The hostas and ferns and monkey grass have taken off together with little red and white perennials. Against my advice Susan also planted three rhododendrons, which will grow big enough to take over the whole garden, but for now threaten not. In Memphis Susan also found a stout old D-handle shovel, and she keeps that in the Amelia Garden, leaning against the poplar tree. I think of her mama every time I see it.

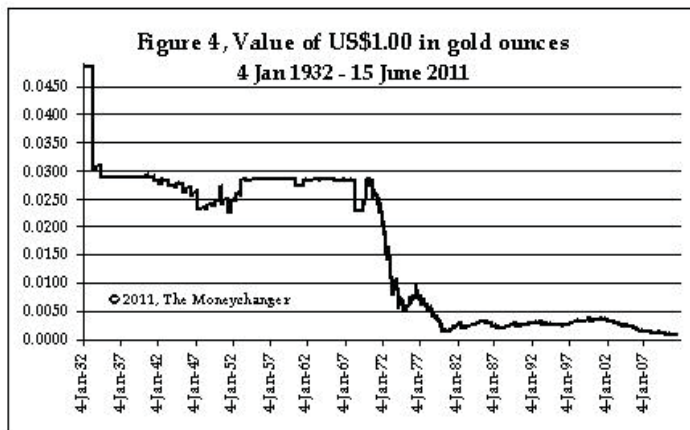
-- Franklin

UPDATING OUTLOOK from page 7

August 1971.

That decline continued until the \$850 gold high in 1980 took the US dollar down to 0.001176 oz. Following 20 years of minor improvement the dollar declined again and today the US dollar fetches 0.000654 ounce (\$1,530/oz). That equals 1.35% of its 1932 gold value.

That's all fine and dandy, great, but from 1980 until 2011 there appears only a barely jiggling line on the chart? Why?



The first great drop marks Roosevelt's 1934 dollar devaluation from 0.048375 (\$20.67/oz) to 0.028571 oz (\$35/oz). It also shows the dollar's troubles beginning in the 1960s when the London Gold Pool began to fail, followed by the dollar's steep decline after Nixon cut the dollar's link with gold in

US \$1.00 in gold ounces, 1 Jan 1978 - 15 June 2011". This additional chart clearly shows

(1) the US Dollar's 1980 gold value was about twice today's (1.8 x exactly);

(2) the enormous fall from 2001's roughly 0.0035 oz to today's 0.000654 oz (2/100th of a gram)

(3) the ultimate target, maybe zero.

GOLD'S EXPECTED PERFORMANCE

Because the half way retracement point in any market marks the milestone where an advance either fails or succeeds, I included the chart, "Figure 11, Gold 2 Jan 1975 - 15 June 2011."

In 2004 gold was merely approaching the \$425 half way point from its \$850 high in 1980. Because \$425 had four or more times turned back advances after the 1980 peak, any break *through* that level would confirm a gold bull market.

Well, goodness! When I extended the chart to 2011, my underlying point didn't seem to make much difference. Not only had gold shot through *two* times \$425 at \$850, but also thru *three* times \$425 at \$1,275, and is now working on *four* times \$425 at \$1,700.

I reckon that proves the point I made in 2004, *huh?* Gold is in a bull market.

By the way, today's inflation-adjusted value of 1980's \$850 is \$2,551.30, so in inflation adjusted terms gold needs to stretch a long way yet to reach 1980's equivalent.

DOW IN GOLD DOLLARS

In 1996 my dear friend Richard Ford suggested that I chart the Dow Jones Industrial Average's value in gold. I chose to denominate the chart in statutory "dollars of gold" (A weight of gold equal to 0.048375 oz) because that gave me one unchanging measure back to the Dow's beginning in 1896. However, the chart is exactly the same

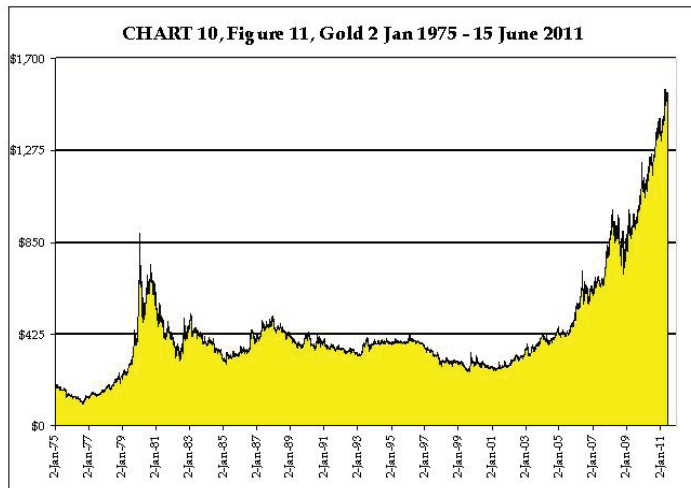


Because the fall from 0.0450 oz to .000654 is so great that its scale cannot capture the jiggles of the last 30 years. To see that, the scale must be reduced

So I am adding a second chart, "Fig. 4-b, Value of

UPDATING OUTLOOK from page 11

But the



as charting the Dow in “ounces of gold”, only the scale differs.

On 25 August 1999 the Dow in Gold dollars peaked at G\$925.42 (44.767 oz). Following this chart and Richard's encouragement enabled me to spot, if only tentatively, the top in stocks' bull market. Stocks quickly broke badly against gold, and by 19 October 1999 had sunk to G\$657.75 (31.819 ounces). But while stocks were sinking against gold, they continued to rise in dollar terms, and recovered even against gold into January 2000, when they peaked on 14 January 2000.

Oh, stocks went sideways for another 13 months, even marginally higher than the 14 January 2000 peak in terms of gold, but February 2001 marked their recovery's high tide.

Because I had studied the Dow's past performance against gold and this peak was the third peak since 1896, I was confident that the 18 year primary uptrend in stocks against gold – and therefore against dollars -- had ended and a new bull market in gold had begun.

The Dow in Gold Dollars has served me as a pivotal, utterly reliable indicator. Thank you, Richard Ford!



would be an erroneous conclusion, and here's why.

In 1896 the Dow in Gold Dollars bottomed at about one ounce (\$20.67), then in 1934 at about two ounces, and in 1980 at about one ounce. For this coming bottom that presents a target of G\$20.67 – G\$41.34 (one to two ounces).

As of 15 June 2011, at G\$161.28 stocks have lost 82.6% of their gold value since August 1999. They will lose roughly another 80% from here if they reach previous historic lows.

Since 1999, stocks have lost 80% against gold. They will lose another 80% more against gold before this stock bear market & gold bull market end.

Our 2001 recommendation to swap stocks for gold remains in force. (Or you can stay in them and lose another 80%.)

DOW IN SILVER OUNCES

Here's

a 2004 chart showed the DiG\$ still around G\$550 (26.606 oz), down only 40.5% from the peak. A few days ago when I updated the chart, the DiG\$ has fallen so far that it appeared the primary uptrend has nearly ended.

That

a chart I should have showcased more prominently in *The Next Great Depression Survival Manual*: “Figure XX, Dow in Silver, 1998 – now, ounces.”

Here's a story quickly told. From a Dow costing 2,566 ounces in June 2001 the Dow has fallen to 263.68 ounces on 29 April 2011, a loss of 89.7%.

Look at the chart. It has fallen a long, long way. Has it completed that fall?

Nope. If the gold/silver ratio fulfils my expectation and forecast, that ratio will drop to 16:1.

Now combine that with the Dow in Gold Dollars target of one to two ounces of gold equal to the entire Dow Jones Industrial average. At 16:1, one to two ounces of gold equals 16 to 32 ounces of silver.

If the Dow in Silver Ounces drops to 32 ounces, it will lose another 88%. If it drops to 16 ounces, it will lose another 94%.

Since 2001 the Dow has lost roughly 90%



against silver. Before the silver bull market ends, stocks will lose another 90% against silver.

The run hasn't ended yet.

Notice again, however, that the market is fast maturing.

WHERE ARE WE NOW?

Silver and gold are now entering the accelerated phase of their bull market. Things will move faster and get rougher and more volatile from here.

But markets have moved a long way since 2001 and 2004, so we have to remain alert for signals to exit silver & gold. Chief signals are:

1. **16:1.** One ounce of gold buys only 16 ounces of silver.

2. **Dow at two oz.** Two ounces of gold or less buys the entire Dow Jones Industrial Average.

3. **Dow at 32 oz.** Thirty-two ounces of silver or less buys the entire Dow Jones Industrial Average.

4. **Monetary reform.** Some monetary reform genuinely promises to end inflation

see **UPDATING OUTLOOK** on page 16

UNFORGETTABLES

WHEN THE STATE BREAKS A MAN

Thomas J. Ball, who committed suicide by self-immolation on the steps of New Hampshire's Cheshire County Courthouse on June 15, was a man who had been broken by the State. A lengthy suicide note/manifesto he sent to the Keene Sentinel, which was published the day after his death, described how his family had been destroyed, and his life ruined, through the intervention of a pitiless and infinitely cruel bureaucracy worthy of Stalin's Soviet Union: The Granite State's affiliate of the federal "domestic violence" Cheka.

Ball and his family were casualties in what he calls a federal "war on men." He wasn't exaggerating – and he has a lot of company. <http://lewrockwell.com/grigg/grigg-w219.html>.

Unless you number among the unfortunate men who have fallen afoul of state child protective bureaucracies and divorce courts, you don't know what tyranny abuses these men. In the teeth against laws forbidding imprisonment for debt, so called "dead beat dads" are jailed. Add to that men on probation who are revoked and sent back to jail for failing to pay fines & fees. But all this doesn't reach the inhumanity of CPS bureaucrats and divorce judges. The rule of law is dead in the United States.

KITCO CHARGED WITH MASSIVE TAX FRAUD SCHEME

On 10 June 2011 Revenue Quebec pulled a search and seizure on, among others, Kitco's Montreal location, ostensibly for tax violations in handling gold scrap sales and purchases.

Kitco made a name for itself by setting up a website, www.kitco.com, in the early Internet days. Among other services, it offered gold and silver pool accounts, i.e., you buy silver or gold and the company stores it.

Thanks to Revenue Quebec's raids, Kitco customers holding pool accounts may have trouble getting their silver, gold, or money. I'm not casting doubts on Kitco's integrity or solvency, merely pointing out another reason why you should never invest in storage schemes. Even if Kitco was operating with perfect solvency, who could foresee raids by revenue authorities that might shut down the entire enterprise, and take down with them customers' claims to stored goods?

When you buy silver or gold, buy physical and take delivery, in your own hands, and store where you have 24 hour access. You won't save a penny if somebody sells you gold at spot but you never get the gold or your money back.

I recommend only one single storage program in the entire world: www.GoldMoney.com, because (1) I know the founder James Turk and his integrity, but more (2) he has set up a transparent system with full third party auditing. And I wouldn't buy that until I had my own personally-held stock of silver and gold.

GOLD & SILVER TRADING MADE ILLEGAL ON 15 JULY?

No, it will not be. Part of the Dodd-Frank Act included regulation of leveraged or margined Over The Counter (OTC) gold or silver contracts effective 15 July 2011.

I've received several dozen frantic emails asking about this. Here's what the law says,

Section 742(a) of the Dodd-Frank act "prohibits any person [which includes companies] from entering into, or offering to enter into, a transaction in any commodity with a person that is not an eligible contract participant or an eligible commercial entity, on a leveraged or margined basis."

Note "eligible" and "leveraged or margined."

One law firm interprets, Section 742(a) of the Dodd-Frank[1]act which "prohibits any person [which again includes companies] from entering into, or offering to enter into, a transaction in any commodity with a person that is not an eligible contract participant or an eligible commercial entity, on a leveraged or margined basis." The actual rule language exempts a transaction if it "results in actual delivery within 28 days or such other longer period as the Commission may determine by rule or regulation based upon the typical commercial practice in cash or spot markets for the commodity involved,"

What is an "accredited investor" who is an "eligible participant or entity"? A natural person with a net worth of \$1 million, etc., etc.

This creates a problem for hedge funds, not physical gold and silver dealers, since funds have heavily traded OTC contracts for leverage. If some participants in their funds don't qualify as "eligible," then they can't trade OTC contracts. That in turn might limit hedge fund participation in silver and gold, and temporarily dry up that source of liquidity and demand. Only that way will adversely affect silver & gold, and then only temporarily.

Physical silver & gold dealers, as far as I can tell, are not affected by this change in the law.

THE PAY OFF IN GREECE

The Greek government's financial debacle is playing out as these messes have played out so many times in the past. Somehow a government gets in debt way over its head and eventual ability to pay, a crisis erupts, and the government is forced to sell off state owned assets at pennies on the dollars. The financiers make money all along the way, but the fire sale of state-owned assets is the final pay off.

A couple of days ago it was reported that the Greek Government will sell off state assets – billions of dollars worth – including airports, highways, state-owned companies, banks, real estate and gaming licenses. About the only thing they won't sell is the dirt Greece sits on.

Turns out – surprise, surprise -- that Greece has landed in this trouble since joining the EU. In 2000 they needed to reduce their deficit to 3% of GDP from nearly 5%. Who did they turn to for help?

Goldman Sachs. The financial engineers at Goldman Sachs helped Greece qualify by selling off future revenues from national lotteries and even airport landing fees. After more creativity, currency swaps, etc., that fattened Goldman, Greece qualified to join the EU. That wasn't the last of Goldman's shenanigans in Greece, but the rest merely repeats their rapaciousness.

Now Greece has been brought to the point where all that debt can't be paid, like US homeowners lured into impossible mortgages for homes impossibly priced. Wherefore, Greece must sell off the family silver and undergo "austerity," another term for buzzards and vultures stripping off what's left of her flesh. And one can guess that good old Goldman Sachs will be feeding with the other vultures, *but will bear no part of the blame.*

Weak Dollar, Strong Dollar: Heads We Win, Tails You Lose

*Managing the dollar and gold prices from 1985
through the gold price suppression
beginning in the mid-1990s*

Catherine Fitts: Let's turn to the "Weak Dollar, Strong Dollar Policy" and start with the Weak Dollar Policy in 1985.

Franklin Sanders: In 1979 Paul Volcker was brought in as Federal Reserve chairman with one brief: *squeeze the inflation out of the system*. He did, by jacking interest rates to 24%. Unintended consequence was everybody switched from all other currencies into dollars to capture that high interest rate.

Look at Chart 1, US DOLLAR INDEX." In 1971 the dollar index began at about 120 points. For thirty-four years the dollar index never drops lower than 80, and most of that time never rises above 120. In other words, the dollar index most of that time was contained — *managed, I should say* — in a range between 120 and 80. But by 1985 Volcker's high interest rate, low inflation policy had raised it to 165. US manufacturers were screaming bloody murder, because with the dollar that high and the yen that low, they couldn't export.

So the Finance Ministers of France, West Germany, Japan, the US, and Great Britain, met at the Plaza Hotel in New York and cut a deal—The dollar will depreciate against all other currencies. No secret, they announced it very loudly. From 1985 to 1987, the dollar declined 51% against the Yen.

The dollar index chart spikes to 165 in 1985 at 165 and then rolls suddenly down off of that mountain all the way to 1987. It recovers to 108, but generally trends lower in a weak dollar policy (= "US Dollar Index below 100") during most of the rest of the Reagan and Bush regimes.

Then Clinton took power, and about 1995 the Treasury under his administration, Secretary Robert Rubin (a long time "fixer" for the Establishment) and his Deputy and later Secretary Larry Summers, undertook a new strong dollar policy, but they wanted also to keep interest rates low. If they kept interest rates low forever, they could engineer prosperity forever.

The weak dollar policy had taken the dollar index to 80, so they began to manipulate it upwards. However, to manipulate the dollar index upwards while keeping interest rates low, they had to suppress the gold price. The tip-off that a currency is destined to drop is the behavior of its long term interest rates, and gold is very sensitive to long-term interest rates. To suppress long-term interest rates, you must suppress gold, too, because if interest rates drop while gold is rising, then the "realizers" out in the marketplace will spot that discrepancy and dump dollars to buy gold.

But wait! If you suppress gold, you must suppress silver, too, because the market knows that silver moves with gold. If gold flatlines or drops while silver is rising, the market will recognize that somebody is jimmying interest rates.

So to suppress interest rates, you have to suppress gold, and to suppress gold, you have to suppress silver. If you want a strong dollar, you must suppress interest rates or you'll draw all the money in the world into the dollar and drive it

sky high. It appears that's what they did. Those responsible for U.S. government monetary policy, the Treasury and the Fed, manipulated the dollar from 80 in 1995 to 121 in 2001. Whenever that dollar index goes over 100, U.S. exporters are thrown into a terrible competitive disadvantage and lose business, but those buying overseas with stronger dollars reap a windfall.

Catherine: Imagine my girlfriend and I want to go shopping in Paris. It would be very convenient for me if the dollar skyrocketed and the franc fell, because then I could buy that French dress for 25% less.

North American investors went on a global shopping spree, buying massive positions in natural resources and enterprise assets. With interest rates low and gold low, the dollar skyrockets, and they buy up the world on the cheap. Efforts were also made also to tank other economies. So the currency that you're buying with is priced high and the currency you're buying into suddenly gets hit, and you've created a gigantic fire sale. Literally you are watching insiders shift asset ownership globally and "rebalance" the global economy — tipping the scales in their favor.

Franklin: This was also the period of the great "privatization" when countries sold off state-owned industries. After all the noise and propaganda, there was nothing free market about it. Rather, it was simply a mechanism to justify selling assets to insiders at pennies on the dollar, dollars worth a lot more thanks to the strong dollar policy.

Catherine: Exactly. It was engineered. Imagine the ultimate discount they captured. Huge fortunes were created.

Franklin: Right, and in the meantime, another problem arose, the US balance of trade in good and services. That has sunk to lows never before seen in history.

BUSH ADMINISTRATION: CURE TRADE DEFICIT BY DEPRECIATING THE DOLLAR

By 2001-2002, trade deficit

reached historic levels. Transferring U.S. industry overseas and the so-called opening of China caused most of that.

I suspect the Bush II Administration and the Fed made a decision to depreciate the dollar to cure the trade deficit. The depreciation hasn't seriously slowed the deficit's growth, but they have devalued the dollar from 121, down not just to 80 and the 34-year range's bottom, but beyond the bottom of the band to 70. Today it stands a little above 74. Since 2007, it has remained *below* the historic 34-year trading band. The dollar will drop to about 40 before it stops.

They never make that trip in one step because if they announced it the public would know what is happening — the rest of us could make some money on the movement, too, and they don't want that to happen.

What you've seen is a completely artificial — *manipulated* — movement in dollar's value that took it from 82 in 1978 to 164 in 1985, back down to 85 in 1987, then up to 121 in 2001, and now down to 74. All of those movements have brought enormous profits to someone, and enormous losses to the rest of us.

Try to imagine the malice and criminality behind this. Government officers, who are charged with administering justice, make it the resolved policy of their administration to steal from every single person who owns dollars. That's what the Weak Dollar Policy means, and the Strong Dollar Policy means the same thing in a different direction.

Catherine: Right. When you dig into history, you see that someone keeps fiddling with the financial system's rules. If we're citizens using those financial tools and currencies, and we don't perceive the game, then we will be harvested. You have to perceive the rules and the game, and understand that this game been going on for centuries.

Franklin: "Harvesting" on the farm is when we take lambs, or pigs, or cattle to the processor. That's slaughter day, and that's what they're doing to us.

Catherine: The Strong Dollar Policy rested on, required, suppressing the gold price — I call it "turning off the smoke alarm" — and then you can bubble the housing market and the stock market, for example, the telecom and the dotcom stocks. And that gives you a huge bubble out of which you can suck other people's capital.

Basically you are tricking the whole economy into liquefying your equity (think "home equity loan") so that you can drain it out and use it for a global shopping spree.

Only when it bursts does everyone realize, "We have no equity left. We've been wiped out." They never even see it coming. In our economy the financial tools do not serve to optimize that economy, they serve only to "harvest" us and millions of others around the planet.

I talked to a man who worked with an intelligence agency during the 1980s Iran-contra fraud. He and his colleagues could never get over how wealthy this country was and that you could harvest and steal, and everybody would simply go back to work and make more money, so you could just keep on harvesting and harvesting. We have no idea how wealthy the country and the people are because we can't fathom how much is being drained out, or how wealthy they could be if the drain stopped. Ω

Recorded June 9, 2011

MEMOREX from page 2

attacking Iraq, if not 9/11 as well. This has been going on since Lincoln provoked the "attack" on Fort Sumter and Roosevelt the attack on Pearl Harbor.

All sorts of inconsistencies emerge about the supposed killing of Osama Ben Laden, not the least that he probably died before 9/11. At least, that's what Pakistani politician Benazir Bhutto said on the David Frost show, two weeks before she was – *whoops!* – assassinated. First Obama says the CIA knew Ben Laden was in the Compound, then they said he wasn't.

Real, or Memorex?

Not mentioned by any government voices now is that the CIA created & trained Ben Laden as a weapon against the Russians in Afghanistan. Better forget that inconvenient fact.

Remember Orwell's 1984? The "Two Minute Hate" where everyone was shown films of the arch-traitor Goldstein and had to hate him? Remember Adolf Hitler? Remember Osama Ben Laden? All these creations of evil incarnate are only so much propaganda. However evil these folks really might be, they are hammered into propaganda focal points to manipulate people to do whatever government wants them to do.

MOST INCONVENIENT OF ALL

But most inconvenient of all is the fact nobody voices: *the president of the United States ordered the murder of a man who had never been convicted of any crime. And the murder had to be committed by invading a foreign country.*

It's plain the propaganda creating the Evil Osama Ben Laden aims at this result, destroying the rule of law. Go check the facts. Not even the 9/11 Commission could tie Ben Laden to the attacks, but first Bush & then O'Bama needed a Scapegoat of Evil, so Ben Laden was elected. Worse yet, some report – including Benazir Bhutto on TV two weeks before she was assassinated – that Ben Laden died *before* 9/11/2001.

I pass over as a matter too painful for honest minds to contemplate the plain inference that O'Bama staged the Ben Laden show because he badly needed a public relations victory. That only aggravates the fault.

REAL OR MEMOREX?

Most historians conclude that the Nazis staged the Reichstag fire in order to seize power. They condemn it. Yet our own government stages incidents of all sorts, then wages wars founded on them.

Is it real or Memorex? Durned if I can tell.

-- F. Sanders

UPDATING OUTLOOK
from page 12

and restore monetary stability, with or without silver & gold. "Genuinely" means "workably" and not politically." Often a hyperinflation is temporarily interrupted by re-issuing a "new peso" or "new dollar" but without any change in monetary policy, so that's not a "genuine" reform, just window dressing to keep the game floating a little longer.

5. Publication of any book with a title resembling, *Gold at \$36,000 – Why It's Different This Time.*

Don't go to sleep.

-- F. Sanders

Special thanks for charts goes to Ron Griess at www.theChartStore.com. Ron offers a *staggering* selection of charts as well as a useful and timely weekly chart blog. Please visit his website and take a look. You will probably want to subscribe.



P.O. Box 178
WESTPOINT, TN. 38486

Address Correction Requested

FIRST CLASS MAIL