

Gold Basics

By Philip Barton
(Author of 'Dawn of Gold – The Real Story of Money')

Introduction

“There is no safe store of value without gold.”
Alan Greenspan (1966)

This short and simple booklet has been written specifically for those who know little to nothing about gold and silver, but who want to learn – without being beaten around the head with figures, statistics and graphs.

The booklet is an informative and practical guide to an important subject. Gold and silver are a mystery to most people. They should not be. There is a reason that you are hearing a lot about gold in the news – there is an urgent need that you come to an understanding of what that reason is.

This is not a book to put on the coffee table to read when you have a free moment; it is a book to read right now.

An elementary knowledge of gold and silver is all that you need. With it you will be protected, without it you could be left destitute. You do not need to be an economist to understand gold and silver; besides, the truth is that the vast majority of economists are clueless when it comes to the monetary metals. It is a simple subject that has come to seem mysterious. That is not because it is complicated, far from it. Things that seem mysterious are simply things that are not understood. This book will help to provide enough understanding for you to grasp the importance of its overall message.

My own knowledge is born of over forty years of practical experience with gold and silver. My intention with writing this booklet was to give of my own knowledge in such a way that others could beneficially add to theirs. I truly hope that we are both successful.

For 3,500 years gold and silver have been the basis of money throughout the world. The periods of paper money are just tiny blips in money’s vast history. Paper money always fails; gold and silver have never failed.

Chapters

Chapter One	Why You Should Buy Gold and Silver
Chapter Two	Who is Buying Gold and Silver?
Chapter Three	Gold or Silver
Chapter Four	Where to Buy Gold and Silver
Chapter Five	What Weights to Buy
Chapter Six	Coins or Bullion
Chapter Seven	When to Buy
Chapter Eight	What Proportion of Gold to Silver
Chapter Nine	Security
Chapter Ten	Volatility
Chapter Eleven	When to Sell

Chapter One
Why you should buy gold and silver

"If you don't own gold, you know neither history nor economics."
Ray Dalio

Gold and Silver are Money

The first thing that needs to be understood about gold and silver is that they are real money, with many thousands of years of history as such. It could well be that you have heard or have come to believe that this is no longer true. If so, that is false, though there are many with a vested interest that would like you to believe it.

Central Banks

A central bank is the bank of banks. They hold a large part of their assets in gold. So should you. Central banks held some much publicized sales of gold in the past; what is not so well publicized is that:

- a/ they were selling to other central banks and,
- b/ they have been very keen buyers over the last five years.

To the greatest extent possible they have been swapping their paper money reserves for gold. In fact the largest buyers of gold in the world at this time are central banks. Do you think that they may know something that you have not known? Paper money has a dismal history. History is littered with examples of paper monies that have failed. You can be sure that central bankers know what is going on with our current paper monies.

So far the latest experiments in government issued paper monies have not collapsed. They will, the only unknown is when. Every single paper money in history, starting in 1024 AD in China, always and everywhere, has collapsed and gone to zero value.

Some people collect these old paper monies. If you view one of these collections know that when they were circulating, the vast majority of people were convinced that they were real money; to the degree that they had their life's savings in them.

Those people lost everything and many were reduced to foraging in bins for food. Gold and silver will transition wealth from here to wherever ‘there’ is. If this is a dubious proposition to you then it makes sense to regard gold and silver as insurance.

Insurance

You probably believe that the chances of your house burning down are pretty remote, but rather than take the chance you still take out insurance – just in case. Gold and silver should be regarded as insurance on your wealth, except that it is even better than insurance.

If your house does not burn down you cannot get your insurance money back. If the paper money system does not collapse, you can walk into a mint or gold shop and cash in your gold and silver insurance.

Even those who don’t like gold acknowledge that it is money, they just don’t like the fact. No one would walk past a gram of gold that was lying on the ground. If you doubt that gold and silver are money, then swap some paper money for them anyway and regard it as insurance.

The simple message of this book is to take any surplus paper money that you have and turn it into gold and silver. It is wise to contemplate going one step further and actually selling some of your assets and putting the proceeds into gold and silver also.

When government paper money collapses, real money returns. Real money is gold and silver. That is what the central banks understand and what it is in their interests that you do not understand.

Am I Buying at the Top?

The most common question I encounter is: “how high can the price of gold go?” The question exposes a misunderstanding of the process in motion. Gold is as a store of stable value over time. How could its value change? The answer is that it cannot.

Imagine sitting on the beach as the tide drops and exposes a rock. As the tide recedes ever further the rock becomes more and more exposed. We do not say: “look how high that rock is going up”. We more sensibly say: “look how low the water is dropping”.

Thus it is with the rock of gold. It is not the value of gold that is going up, it is the value of the paper money that is dropping.

So the real question is not 'how high could the price of gold go?' It is "how low could the value of paper money fall?" The answer is, according to an entirely consistent one thousand year history of paper money, all the way to zero.

When you see a graph showing the rise in the price of gold. Turn it upside down and back-to-front. Then you will see through the back of the paper what is really being measured... the collapsing value of paper money. Gold is not an investment as it will never make anybody money; how could it, it is already money? What gold will do is transition wealth from the here and now, to wherever it is that we end up when this current system of paper money totally breaks down.

There is no top to gold, just a bottom to paper money.

This is what the bankers and politicians are panicking about. They know that their system of paper money is collapsing and they have no idea how to stop the process.

The situation is that the world's paper debt has become so large that it can no longer even be serviced (interest paid), never mind paid off. There is no way of stopping the collapse of the existing paper monies of the world. The problem is not just the Euro Zone, China, the US and the UK. Because of the interlinked nature of globalisation, all paper monies are collapsing together.

Chapter Two Who is Buying Gold and Silver?

"Those who cannot remember the past are condemned to repeat it"
George Santayana – Life of Reason

Everyone who already understands the truth of the prior chapter is buying gold and silver. That includes central banks and also sovereign wealth funds, large investment funds, wealthy individuals and ordinary people and families right across the world. In 2000 it took less than US\$260 to buy an ounce of gold; in 2015 it takes over US\$1,000 to buy an ounce of gold. That is how quickly the value of paper money is falling. The process is about to speed up.

In February 2011, I addressed a private gathering of some of Europe's bankers. The topic was gold. My speech lasted one hour and the subsequent questions lasted three hours. In a private conversation afterward one of them confided that he personally owned 25 kilos of gold bullion.

Do you think that Europe's bankers may know something that you may not have been aware of?

I personally know many extremely wealthy and successful people who have similar amounts stashed away. I also know some who have far more than this. At the other end of the spectrum are life's battlers. They have very little spare paper, but such as they do have has been reliably and regularly turned into gold and/or silver over the last ten years.

Oh yes, the value of paper monies will zigzag, nothing goes down in a straight line. The fact is though that as time goes on it will take more and more paper money to obtain gold or silver.

Don't Wait

Would it have been better to buy gold when it could be purchased for hundreds of dollars? Of course it would. Would it have been better to have bought silver when it was under four dollars? Of course to that also. The point is though, that it is better now than never.

How long will you wait before you buy gold and silver, or, to put it another way, how much more paper money would you like to part with for

each ounce before you buy? Will you wait until gold is \$2,000 an ounce, or \$3,000 an ounce, or \$5,000 an ounce or more? When will you buy? There will come a time when you will look back wistfully on the time that you could have bought gold for under \$3,000 an ounce.

There will also come a time when no amount of your paper money will buy gold or silver – paper money will no longer be accepted.

Don't wait that long.

Chapter Three Gold or Silver

“You have a choice between the natural stability of Gold, and the honesty and intelligence of the members of the government. Vote for Gold.”

George Bernard Shaw

The value of gold is stable; the value of silver is not. Silver, as valued in gold, will vary from time to time, but both are reliable stores of value. While silver's value is not as stable as gold's, it is close enough that this book treats them as equals.

Silver is For the Tight Budget Household

The primary advantage of Gold is that the same value of silver would weigh considerably more and take up a lot more space. A very high value of gold can be carried in ones pocket. This also makes it easier to hide.

The advantage of silver is that it can be bought by almost anybody. Compared to gold, silver is cheap... about seventy five times cheaper as of the time of writing. Children with their saved pocket money can buy an ounce of silver.

Silver is a wonderful way of saving for those on a tight budget. By no means does everyone have the ability to go out and start purchasing gold. Many people do not have enough spare paper money to obtain an ounce of gold, or even a half ounce, let alone a kilo. However, most people do have enough to go out right now and buy an ounce of silver. This is silver's advantage; it is within the budget of the majority of people at this very moment.

While I recommend a proportion of both, it is far better to buy just silver, than to give up because you cannot afford to buy gold. If your budget does not run to gold, then silver is the metal for you.

Silver to Gold Ratio

The age-old ratio of silver to gold is about 16 to 1. It is currently far higher than this at about 75 to 1. Common wisdom is that silver will return to its

traditional ratio. I do not find the logic convincing, but neither do I doubt the potential for that to happen

History shows clearly that silver is just as good as gold as a means of preserving your wealth.

Silver Volume

The main disadvantage of silver is its weight and volume. At first this will not be a problem, but if you start to accumulate large amounts, then it will become a problem that you will have to address.

Regular buying of silver will soon see you owning kilos of it. You will need to think about and plan for where you will put that so that it is secure and out of sight.

Chapter Four

Where to Buy Gold and Silver

“The Great Khan causes the bark of trees, made into something like paper, to pass for money all over his country.”

Marco Polo

“John, where do you buy your gold coins?”

Paul Volcker (Chairman of the Federal Reserve Bank of the US) speaking to John Exter, another central banker. The quote is from ‘Gold Wars’ by Ferdinand Lips who was a personal friend of John Exter.

One of the commonest of the many mysteries surrounding gold is summed up in the question: “but where do I buy it?” Even the head of the Federal Reserve Bank of the US in 1980 didn’t know!

There are shops selling gold and silver in every capital city, but because most people are not looking for gold and silver they fail to notice them. They are usually small shops down little back streets... where the rent is cheap.

Shop Around

Often coin and stamp shops are a source of gold and silver. Google “gold bullion for sale” or “gold coin for sale” and the name of your closest city. You will come up with a list of places to check out. Go and talk to the dealers... and find someone who will talk to you. Explain to them that you are brand new to buying gold and silver and ask for their advice. Weigh it up, but don’t necessarily take it. It may be good, it may not be. You are just gathering more information at this stage.

Because your town may have a mint where they actually create coins and bullion that does not mean that they have the best price for their product. I spent eighteen months living around the corner from the Vienna Mint; I walked an extra mile or so to buy the same coins in the city because the prices were cheaper there. Why? Probably because the mint is owned and run by the government and the city store is run by private enterprise.

The point is that it doesn’t matter why some places are cheaper than others, it just matters that they are. Shop around and you will be pleased that you did.

Be wary of buying over the Internet. You need to be able to check the quality and validity of the product. The Internet is useful mostly from the point of view of checking out prices. Many dealers have a website with their prices on display. Prices vary from dealer to dealer – and from day-to-day. You can also just ring around and ask.

Don't look at the spot price in the financial section of the newspaper or on the Internet and expect to buy for this price. You will always pay a premium. The premium covers such things as transportation, storage, security, dealer profit etc. How much of a premium depends upon whom you buy from. Unless you are buying gold by the tonne you will never be able to buy at spot price.

Confidence

Constantly talking to dealers and looking at their stock will start to give you some confidence. After a while you will be able to recognize gold and silver simply by their feel and you will also come to be able to recognize the various coins at a glance. At that point you are ready to start buying. Until you are experienced, buy only from a reputable dealer.

Don't wait forever to start this process otherwise you are likely to be using more paper money to make the same purchase. Your paper money is going down in value at an alarming speed, yet still it is a speed that is not really noticeable on a daily basis. Stop looking at the price of bread and start looking at the price of gold and silver to measure the speed of the fall in the value of your paper money.

Do it now. Get started.

Chapter Five What Weights Should I Buy?

“Gold is durable, not like wheat; Gold is divisible, not like diamonds; Gold is convenient, not like lead; Gold is constant, not like property.”
Aristotle

Small is Best

There are a few good reasons for sticking with the smaller weights. Firstly you may wish to exchange them at some future time. It will be easier to purchase goods if, instead of one ten-ounce bar, you have ten once-ounce bars. There is very little paper money to be saved by buying larger weights. You always have more options with smaller weights, both in transactions and storage. One-ounce coins and bullion are the most popular weights and the most recognizable form in the marketplace. At some future point, it will help if their validity is obvious.

Secondly, this allows you to steadily purchase gold and silver over the long haul, rather than waiting until you have saved a large amount of paper. This will lower your entry price as both metals will continue to cost ever greater amounts of paper money over time.

Thirdly, the smaller the weight, the less likely it is to be counterfeit. This is not a problem at this point, but simple prediction lets us know that it is likely to become so in the future. This does not mean that one-ounce bars are not worth counterfeiting; it simply means that anyone going down that path will find it more cost effective to counterfeit larger weights. Just one year after writing this, counterfeiting is now a problem with the smaller coins also.

Effective counterfeiting of gold would likely involve tungsten (wolfram), which has a very similar weight to volume ratio. A bar is made from Tungsten and is then coated with genuine gold. It is difficult to tell the difference without special equipment, or slicing open the bar. With a reputable brand and dealer this is not going to be a problem to you – but keep your receipt just in case.

The only negative of buying in the smaller weights is the small amount of extra commission payable. The positives of small weights far outweigh that negative.

Buy Regularly

You will usually hear about gold being sold in ounces. At the time of writing an ounce is going to cost about US\$1000- to buy. That is prohibitive for most people. Don't be misled by this, there is gold for sale in far smaller weights than ounces. Gold is sold down to the level of grams. As there are 31.1 grams in an ounce that makes it considerably more practical to purchase. Just a one-gram purchase every week gives you savings of two ounces in just over a year. Shop around carefully for your purchase of grams; I have seen them with some fairly hefty premiums.

I met a guy at a gold conference about three years ago whose little daughter had been saving her pocket money and birthday and Christmas money for almost ten years and had amassed just over three ounces of gold in her piggy bank. All of it was purchased in one, two or five-gram amounts. That is one smart little girl who is going to be a very rich lady one day.

It doesn't matter how small your purchase. Start swapping your paper for gold and/or silver. Start accumulating real wealth.

Chapter Six Coins or bullion

“The study of money, above all other fields in economics, is one in which complexity is used to disguise truth or to evade truth, not to reveal it.”

John Kenneth Galbraith

Bullion is the best buy in terms of the most gold or silver for the least paper. The manufacture of a coin has greater costs associated with it than the manufacture of a bullion bar. The premium on coins reflect this increased cost of manufacture and coins are consequently generally more expensive per ounce than bullion.

Bear in mind also though that how much paper you will hand over for the gold depends upon how much demand there is for that particular gold. Coins and bullion with a stamp of the country where it is being purchased will usually be more credible to the buyer. Americans prefer to buy US coins to Australian coins. This means that the Australian coins will sell at a slight discount. The reverse situation is likely to be true in Australia.

The point is that by buying the less popular brands you can make small savings. Do not make the mistake of buying gold or silver with a totally obscure brand though; that may cause doubts to arise later.

Airport Security

There is an advantage to coins, which is that you can carry them in a purse mixed up with junk government coins and walk straight past a security screening at an airport etc. I have done this on many occasions in many countries. The same is not true of bullion. I was pulled up in Europe last year because of two one-ounce bullion bars in my wallet. They came up on the scanner.

When requested, I showed them to the security guard and she asked me what they were. I told her it was gold and she lost interest and waved me through. That is not always the case. Some countries allow gold to be freely carried across the borders, some don't. Be sure that in the future most

countries will not allow it. Know what the legal situation is before you travel carrying gold and/or silver.

If you are planning on carrying your gold, then buy coins. If you are planning on burying your gold/silver in the backyard then buy bullion. I suggest a mixture, but as long as you understand the merits of both then that is a personal decision based on your own predicted circumstances.

Gold coins usually, but not always, have a copper content to add to their durability. A one-ounce Krugerrand will have exactly 1 ounce of gold in it, but will weigh slightly more (1.0909 troy ounces) because of the copper content. A Canadian Maple on the other hand is pure gold and therefore weighs one troy oz. Both coins are equally valuable.

Gold Coins Only

I own some American Buffalo silver coins because they are beautiful, other than that I only buy silver bullion. The manufacturing costs of silver coins, on top of a one-ounce weight that is only worth \$22- or thereabouts, makes the price of silver coins relatively expensive compared to the silver value of the coin itself.

I have been occasionally taken to task for calling gold and silver coins 'coins'. Their government-designated name is 'rounds' because they are not intended to circulate as money; in other words they are not legal tender. To that, I say only gold and silver are money, therefore any gold or silver coin is just that, a coin. A 'round' is a meaningless term. Real coins can only be made from gold and silver.

Government issued base metal money are neither coins nor rounds, they are just junk legal tender. I am informed that gold and silver dealers are forced by law to call their gold and silver coins 'rounds'. I am not.

Jewelry

If coins and bullion are made illegal to privately own, there probably will be an exception made for jewelry. A large weight of gold and silver can be hung around the neck in the form of jewelry for very little cost over and above the metal content. Go to India for this; it is the only place I know of where jewelry is made from 24-carat gold. For thousands of years Indian women have taken gold jewelry as a major part of their dowry (stridhan). This is intended to be

their safety net in the event of the marriage failing or the husband dying. In other words its primary function is not decorative, but monetary.

Numismatic Coins

These command a far higher price than their gold or silver content because they are collectibles. They are in limited supply because no more are being produced. These represent the least amount of monetary metal for the most amount of paper money. If you are buying gold or silver as an investment, then these coins can appreciate very well, but only in terms of paper. If you are accumulating gold because of its monetary quality then collectibles are not your best buy.

When buying numismatic coins you not only have to have a knowledge of gold, but a knowledge of the rarity and condition of the coins. This is a specialized area and, as I have never bought a numismatic coin in my life, I am not able to help here.

Buy Brand Gold and Silver

Buy the brands. The gold or silver from the big name minters is no more expensive than from the obscure minters in obscure countries. When you come to spend your gold or silver, then the person that you are giving the gold or silver to in payment will want to be able to identify it easily, quickly and surely. If the bullion has a known stamp on it (Perth Mint, Austrian Mint etcetera) then it is easy to exchange. With coins, Krugerrands, Canadian Maples, American Eagles or Philharmonics are far more recognizable internationally than Chinese coins. Thus they will be easier to exchange.

What is, and is not, a well-known coin may change, not only with the passage of time, but also depending upon where you live. It is also true that coins made in the country that you live in are usually better known than international coins. Even though Australian coins are not well known overseas, they are probably the best coins to hoard within Australia.

Junk Silver Coins

A great option for silver buyers exists in the US where bags of 'junk silver' are sold. These are old coins from the days of real money. Each coin has a

mixture of junk metal and silver. The price of the bags is based on the silver content only, plus commission.

Chapter Seven

When to Buy

“If history teaches anything, it is that government cannot be trusted to manage money. When currency is not redeemable in gold, its value depends entirely on the judgment and the conscience of the politicians.”
The Nightmare German Inflation by Scientific Market Analysis (1970)

Core Position

There are two stages to buying gold and silver. The first is when you are accumulating your core position. A core position is that which you determine to be the minimum amount of gold and silver that you wish to own. A core position is incredibly important. It is the amount of gold and silver that you have determined will ensure that when paper monies collapse, you and your family will not be left destitute.

When building your core position you should buy as soon as you have some spare paper money. Forget the price in paper money terms, just build your core position a little bit at a time, but as fast as possible. Sometimes you will buy a little high, sometimes a little low... just establish your core position. The downward trajectory of paper money is set in stone. Like any graph they will not go down in a straight line, but they will go down... down until they reach a value of zero.

Never forget the fundamental truth about gold and silver, which is that it is not gold and silver that is going up, it is the value of the paper money that is going down.

Buy the Dips

The second stage is when you have established your core position, but still wish to purchase more. Then you can be more selective and try to time the market. Buy on the dips. That is not as easy as it sounds. Personally as soon as I reach a core position I revise upwards my idea of what my core position should be. Thus for the last sixteen years I have continued to add to my position a little bit at a time. You will be pleasantly surprised how quickly your hoard will increase.

I suggest accumulating and to never stop accumulating. But then I do not view gold and silver as an investment, I view them as money and as such I

measure my wealth in how many ounces I own. To me the idea of selling gold or silver is a bit silly... how can you sell money?

One day I will buy something with some of it, but that is still some way off. When paper money collapses, then so will the value of a lot of assets, including real estate. At some point they will be for sale only for gold or silver. For a short while they will be at a price that will make your savings very worthwhile.

Chapter Eight

Proportion of Gold to Silver

“With the exception only of the period of the gold standard, practically all governments in history have used their exclusive power to issue money to defraud and plunder the people.”

Friedrich von Hayek - 1974 Winner of the Nobel Memorial Prize in Economic Sciences

Taxes

Apart from predictions as to which will be the most useful, there is another factor that should be looked at with regard to purchases of gold and silver. Some governments put a tax on purchases of both, or one or the other. Be very aware of the tax implications in your own area.

Tax can apply to some gold coins, but not others, to some silver, or all silver sales. You need to be thoroughly informed of this before deciding what to purchase or what proportions to purchase. Your local dealer can fill you in on this. If the tax is minimal you would be wise to ignore it and consider it just part of the premium that you are going to pay for any gold or silver purchase.

I do know people who only buy silver because gold is heavily taxed in their area.

Silver is For Day-to-Day Purchases

When the monetary metals circulate then silver is the most commonly used coin. It is used for daily transactions. It is really hard to get change if you are buying bread and milk with a gold coin. Gold is a store of stable value over time and is only used in the marketplace for big money purchases. Until governments entered the final stage of monetary debasement, silver coins circulated commonly in most countries of the world. Silver coins didn't stop circulating in the US and Australia until the 1960's.

Convenience

Because it has a far greater value to weight ratio, gold is much more convenient both to store and to carry. \$20,000 worth of gold is quite easy to carry

inconspicuously. \$20,000 worth of silver will pull your pants down and anchor you to where you stand.

Chapter Nine

Security

To know and not to act is not yet to know.
Wang Yang-ming

Be Discreet

No one should know that you are now accumulating gold and/or silver. If they are really good friends who are likely to act positively on the information then that is okay, but do not speak about gold and silver, or show this book to those who can never be converted. Some people just cannot predict and plan. When the inevitable problem with paper money does occur, they will resent the fact that you could.

Never tell anyone if you keep gold and/or silver at home. You are asking for trouble. Best if no one even knows that you own it. Right now your conversation about your gold or silver ownership may evoke slight interest... more probably yawns. When gold and silver are on the front pages of the newspaper (that's coming), then that conversation is likely to be remembered, and you will be regretting your incaution.

Even with your best friends, downplay the amount that you own. There is zero benefit to being a bigmouth, but there is a heck of a lot of potential downside.

Where to Store Your Gold and Silver

Always, always hold the physical metal yourself. Never, ever take a piece of paper as proof of ownership and leave your metals with a third party. Midnight gardening is a popular pastime with gold and silver owners.

If you do bury gold and silver in a midnight gardening exercise then bury two lots. One should be a very small amount of gold and silver; your main hoard should be in a different location. That way if you are robbed you have something to hand over which is not going to wipe you out.

Metal Detectors

Liberal spreading iron filings around your garden will avoid the problem of thieves with metal detectors. The problems of metal detectors can also be

avoided by placing your gold in an area where there is already a lot of visible metal to set off the detector.

Use your intelligence when hiding your gold. Yes, thieves are at the lower end of the I.Q. spectrum, otherwise they wouldn't be thieves, but that does not mean that they do not talk amongst themselves and are unaware of the common hiding places. There would be nothing more frustrating and soul-destroying than to have done everything right and then to be robbed of your gold and silver.

Where Not to Hide it

- 1 Anywhere in your bedroom. This is the first place that thieves look as they are after jewelry.
- 2 Anywhere in the bathroom. This is where thieves look for drugs.
- 3 Anywhere in the kitchen as the pots and pans are too obvious. Never of course leave it in the fridge or freezer... everyone has heard about that one.

A friend told me the wonderful story of the man who bought a really sturdy safe. He attached it to the floor inside the wardrobe with a couple of bolts. One day he came home and the house had been robbed. The whole safe had been ripped out of the floor with a crowbar and was gone. The point of the story is that there was nothing in the safe except some house bricks. His gold was elsewhere. A semi-obvious target is a good way of capturing the limited imagination of a thief.

Robberies Do Happen

Security is the most important aspect of your hoard. A friend from France just emailed me to say that he had suffered a home invasion by three men armed with guns and Tasers. Not only was he robbed, he was traumatized by the experience. Fortunately his children were away that weekend.

Never forget that the best security is that no one knows that you own gold and silver and that it is well hidden in the event of random theft. The problems of theft will only become worse.

Confiscation

While government confiscation of the monetary metals may not happen again (it happened under Hitler, Roosevelt, Mao, Lenin and Mussolini), in my opinion it remains a strong possibility, at least. Personally I act at all times as though it will definitely happen.

If, and it is only if, gold is confiscated, it is far less likely that silver will also be confiscated. For starters, silver is the money of the man in the street. Robbing the rich is considered okay, as there are too few of them to worry about (not enough votes); rob the working people (even more than they already are) and you may have a riot on your hands... they have lots of votes.

Chapter Ten

Volatility

When we have gold we are in fear, when we have none we are in danger.
English Proverb

This could well have been included in one of the other chapters. By giving it its own chapter I am trying to impress upon you how important it is to understand the traditional volatility of paper money.

Although paper monies are collapsing, there is no telling over what time frame this will happen. During whatever time period we are talking about the paper monies will zigzag down. Just as they will fall spectacularly in value at times, so they will go through brief recoveries at other times.

Hold Onto Your Gold and Silver no Matter What

Do not be scared into exchanging your gold or silver for paper, no matter what happens to the 'price' of them.

Know this and know this well. Once you are a gold and silver accumulator, you will come to measure your wealth in grams or ounces; not in dollars, yen, pounds, pesos or other Monopoly designations, but in real money. How much wealth is ten-ounces of gold? The answer is ten-ounces of gold. The value of ten-ounces of gold is ten-ounces of gold. There is no other measure. Gold is the one and only measure of wealth. Asking 'what is the price of gold?' is like asking 'how long is a metre?'

Price Fluctuations

In the 1970's gold went from \$35 an ounce to \$850 an ounce. In other words the value of paper money was collapsing. But did it go in a nice straight line down? Of course not. It did what any graph does, it zigzagged down. At one point, just shy of \$200, the perception of the value of paper money suddenly strengthened and gold plunged to \$100 an ounce. It stayed there for two years before it started its climb up to \$850. Paper money is very volatile which can make gold look very volatile to the uninformed. Don't be a gambler with your gold and silver. This is a time for caution in the extreme. The only measure of

wealth that you should use is 'how many grams or ounces of gold or silver do I own?'

In 1980, under the incoming head of the Federal Reserve Bank in the US, Paul Volker, the US dollar recovered. In truth the day of reckoning was deferred. We are now close to the point where it can be deferred no longer. There is no possibility of paper money surviving the current monetary crisis.

Buy gold and silver; hide your gold and silver; measure your wealth in gold and silver. Never exchange your gold and silver for paper money. In the 1980's there existed options to avoid the collapse of paper money. There are no such options remaining today.

Chapter Eleven When to Sell

The desire for gold is the most universal and deeply rooted commercial instinct of the human race
Gerald M. Loeb

The ideal situation with an investment is to buy low and sell high. That is not the situation with gold and silver. The reason is that gold and silver are not an investment, they are money. When you are accruing gold and silver you are not investing, you are saving.

The concept of 'selling' gold and silver requires the presence of another money. The only other money around is paper money. Never swap your gold or silver for paper pseudo-money.

Your gold and silver are money. One day you will use them to make purchases of valuable assets. So when do you sell your gold and silver?

Never