



The Privateer

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THE PRIVATEER:

The Private Market Letter
For The Individual Capitalist.

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THE FINAL REPORT

A MESSAGE FROM THE CAPTAIN

Normally, your Captain doesn't have a lot of trouble with an issue of *The Privateer*. There is not much in the way of revision and seldom if ever anything in the way of re-writing necessary. After doing it in this newsletter for almost thirty years, a certain amount of facility in putting one's thoughts into words can hardly be avoided. We seem to get it pretty nearly right, at least to our satisfaction, the great majority of the time.

This issue is different. That's inevitable, since it is the last issue of *The Privateer* we will write. Something called "writer's block" - which we thought we had conquered years ago - has come back to bite us in sitting down to write this issue. We've already had to start over twice, not being satisfied with our original effort, and that is unprecedented. The essence of the matter is that it is hard to know just what to say.

Looking back over the "major" events of the past two weeks hardly seems adequate to the task. On the markets, the only "startling event" has been the big dive in the "prices" of the precious metals. Spot future Gold closed at \$US 1564.90 on April 11. Two trading days later on April 15 it closed at \$US 1361.20 after having been as low as \$US 1321 earlier in the day. We cannot think of ANY type of "market action" which so eloquently illustrates the level of fear of the future presently held by the global financial powers that be than this. On second thought, we CAN think of one market event which would scare them even more. That is the HUGE surge in GLOBAL demand for physical Gold and Silver which was detonated by this big dive in the markets where paper "claims" to the precious metals change hands.

We'll have more to say on the surge in demand for the precious metals later on in this issue.

Apart from that, the G-20 nations met and so did the IMF and the World Bank. The G-20 handed out the same pious platitudes that they have been decanting ever since they took over from the G-7 as the premier international "policy making" body. The IMF handed out the same pap that they have been dispensing ever since they stopped actually trying to "do something" to fix a financial crisis in the wake of the Asian Crisis of the late 1990s. All of

this was dutifully reported and exhaustively "analysed" by the mainstream financial press. None of it made an iota of REAL difference to the state of the world.

Meanwhile - with the partial exception of the brief period of the fall of the Soviet Union and its puppet states in 1989-1991 - two things have not changed over the whole history of *The Privateer*. One is the principles of both politics and economics which really matter. The other is the determination of all those who ignore these principles to squash any attempt to discuss them. *The Privateer* has been discussing them ever since we began. In what follows, we will discuss them again.

The Baseline Is You:

We use the word “you” here in the “royal” sense. The “you” includes the person who is reading these words. It also includes the person who is writing them. And it includes everyone who has never and will never read an issue of *The Privateer*. In sum, it includes everyone, but each standing as an individual upon their own two feet and facing the world out of their own two eyes. The most fascinating thing about converting our thoughts into words every two weeks is the simple fact that the most important thing in the world is ideas. Most people who take ideas seriously have at one time or another looked back over the course of history and chosen eras in which they would have liked to have lived. The more seriously they take ideas, the more selective they are about those eras. But in all cases, the chosen eras are the ones in which the exchange of ideas AND the debate over conflicting ideas was at its most vibrant.

The sad state of our current era is that it is one in which the exchange, discussion and debate of the ideas which MATTER is at a low ebb. The hallmark of any age of vibrancy and prosperity is the seriousness with which ideas are taken. The pesky problem with taking ideas seriously is that there is no way to do it except to think for oneself. Those who actually originate ideas are a tiny fraction of any population. Those who originate ideas with intellectual honesty and strive to present them with the utmost clarity are a tiny fraction of that tiny fraction. But everyone has the capacity to examine ideas and to accept or reject them. The extent to which that process takes place is what matters.

As you can imagine, we have been inundated with emails since we published our “closing down” letter along with the previous issue of *The Privateer*. We would be hard pressed to find a sour note struck anywhere in any of them. The aspect of all this which has gratified us the most is the one quality that was mentioned above all others by you, our subscribers. That was the clarity with which we present our arguments and analyses. We do not claim to have originated any new ideas over our publishing history. We do claim to have presented the ideas we have accepted and the PRINCIPLES behind them as honestly and clearly as we possibly can. There is no other honest way to communicate. There is no other honest way to persuade other people that the ideas being presented are worthy of their serious attention.

For years, one of the “catch phrases” we have used on our website is: “*We have ways of making you think!*” Strictly speaking, that is not true. The one thing which CANNOT be forced is the working of the mind of another person. But we are sure you have noticed that the greatest inducement to thought in others is the clearest exposition of what one would like them to think about. Many Americans, especially young Americans, were treated to an example of that last year in the courageous campaign of Dr Ron Paul.

Higher Learning?:

The US and the rest of the “developed” world are (at great and ever-increasing cost to those who receive them) churning out more holders of university graduate and post-graduate degrees than ever before in history. Yet the quality of teaching - and learning - has sunk to abysmal depths. In January 2013, the *Huffington Post* put up a test for eighth graders (age 13-14) on their website. Innocuous, you might say. The difference was that this test was administered - not in 2013 - but in 1912. Most post-graduate students today could not pass it. The test didn’t ask for opinions or interpretation - it asked for knowledge - of a very high order. Yes, high school students 100 years ago were “entitled” to their opinions. But they could not expect their opinions to be taken seriously unless they could show that they had the requisite knowledge to form them in the first place.

No such demonstration is required today, especially from those who are touted as the “opinion makers”.

If you want to know why the United States was a comparatively FREE country in 1912 and why it is not today, the difference in what very young people were expected to KNOW then and now goes a very long way in explaining the difference. A century ago, a far larger percentage of the population was equipped to identify NONSENSE when they saw or heard it than is the case today. This is not a case of “dumbing people down”, it is a case of cutting off free and honest debate about anything which truly matters.

The Baseline Of Economics - And Politics:

We wrote this stuff about twenty years ago. We put it up on our website when it was first uploaded to the Internet in 1995. We don't think it is necessary to change a word of it, so we won't. Here it is:

“One Man Or Woman In Nature:

The best way to reach an understanding of the principles of economics, or politics, or anything else which involves the interaction of people, is to start by taking all the other people out of the picture.

All clear thinking about these problems begins with the idea of one man or woman in nature. Or, to put it another way, imagine yourself in the shoes of Robinson Crusoe.

Starting from such a situation makes it far easier to see the fundamental and irrefutable principles of economics. Here they are:

*TANSTAAFL: There ain't no such thing as a free lunch!
No one can consume more than he or she has produced.
You don't get any if there ain't none.
Don't eat the seed corn.
After food, shelter, and clothing, the most important economic good is TIME!
All productive work begins between the ears.*

With more than one person (it makes no difference if it's six or six billion) in the picture, here are the fundamental and irrefutable principles of politics:

*Everyone has the right to life and liberty.
You have a right to pursue happiness - there's no guarantee that you'll catch it.
The payment for successful effort is ownership.
Both parties must benefit or no voluntary exchange will take place.
There is no such thing as the 'right' to anything produced by another person's effort.*

That's all there is to it. Just as the highest mathematics are built on the fact that $2 + 2 = 4$, economics, politics, and finance, are built on these principles.”

We hold that all of the principles stated above are irrefutable. The beauty of starting any study of economics with one man or woman in nature is that the principles stated are obviously true in that context. Please note that “rights” are not mentioned in the economic context because “rights” only pertain in a political context - a context which involves more than one person. If there are such things as political “rights”, there must also be such things as political “wrongs”. A glance on what is going on around you, wherever you live, is quite sufficient to demonstrate that there are many such “wrongs”. All of them are perpetrated by governments. And all of them involve the use of force - actual or latent. As Ayn Rand put it a long time ago: *“The precondition of a civilised society is the barring of physical force from social relationships.”*

In a civilised society, there is no such thing as the “redistribution of incomes”. Nor is there any such thing as “entitlements”, the very concept being an insolent negation of politics. In a civilised society, the concept of government debt is a contradiction in terms because a government has no way to service or repay that debt other than to use force to extract the means from its citizens. A civilised society is one in which the atrocities which have been perpetrated on the financial “markets” could never have taken place because the government would not have the means, or the “power”, to bring them about. If your Captain lived in a civilised society, he would have had to take up another line of work. So would a lot of other people.

All these things are seen today as being radical if not revolutionary, not to mention being “politically impossible”. In reality, they are simple statements of fact. They are obvious truths.

A World Which Never Grows Up:

These are two of the most famous quotes which have come out of the mouth of any politician in recent years. Both of them were said by Jean Claude Juncker - the prime minister of Luxembourg:

“When it becomes serious, you have to lie.”

“We all know what to do, we just don't know how to get re-elected after we have done it.”

Mr Juncker knows whereof he speaks. He is the longest serving head of government of any European Union state and the longest serving democratically elected current head of any government in the world. On top of his duties in Luxembourg, he was president of the Eurogroup from the creation of the semi-permanent position in 2005 until earlier this year. He is a very experienced politician. We don't know if Mr Juncker actually knows what to do or not. We only know that he hasn't done it, because he keeps getting re-elected.

Economic interventionism requires a welfare state in order to “justify” itself. Any government sells the notion that it should “run” the economy by redistributing what is left after it has met its own (inexorably rising) costs back to the public. Before the industrial revolution, this was done under endless variations of what the Romans called “bread and circuses”. The modern “welfare state” goes much further than this. To quote part of FDR's state of the union message from 1941, it holds out the promise of ***“freedom from want”*** and ***“freedom from fear”***. In return, the people are merely expected to give up FREEDOM.

There is another American statesman, this one worthy of the name, who made the definitive comment on this subject long before Mr Roosevelt got up in Congress in 1941. In 1775, in preparation for a proposition which he put before the Pennsylvania assembly, Benjamin Franklin said this: ***“They who can give up essential liberty to obtain a little temporary safety, deserve neither liberty nor safety.”***

Wherever you look in the world, those who HAVE given up essential liberty to obtain a little temporary safety have neither. The only way to make provision for the latter state is to regain the former state. But any moves towards this goal, according to so experienced a voice as Jean Claude Juncker's, are politically impossible. Those who genuinely advocate it would either never be in a position to run for office or would be devastatingly defeated if they did get into such a position. Ron Paul's run last year is proof of that.

A Plague Of Vested Interests:

In property law, the term “*vesting*” means to give an immediately secured right of present or future enjoyment to a given asset or item of wealth. In inheritance law, a holder of property “vests” this property in his freely chosen heirs when he lodges a duly signed and witnessed will. His heirs therefore have a vested interest in his property and will receive it after his death according to the terms of the will.

The concept of a vested interest is vital in a free society because it protects property beyond the lifetime of the person who holds it by assuring that it will be “distributed” according to his wishes. The tragedy of modern politics is that this concept has been turned on its head. Today, all of those who are recipients of wealth or claims to wealth taken by force (or created by fraud) by the government are said to have a “vested interest” in the power of that same government to continue to “distribute” it. A government with such power cannot and does not protect property or those who hold it. It has been well said by many people that without property rights, no other political rights are possible.

Governments have an obvious interest in the maintenance and increase of their power. Their subjects do not, even though most of them think they do because they have become confused in the process of swapping their freedom for what they think is their “safety”. More and more of these subjects are slowly and painfully awakening to the fact that old Ben (Franklin) was right. They have proved themselves undeserving of freedom or safety and have ended up with neither. A “vested interest” in the power of government to redistribute property guarantees an end result where there is no property left to distribute. That's pretty obvious when you think about it, but most people don't bother.

Financial Analysis In One Lesson:

Here is something else which we wrote about 20 years ago and has been up at our website since 1995:

“We hold that the fundamental reason behind the present chaos in global relations, in trade, in financial interactions, and in markets themselves is an ‘absence’. What is absent, or missing, is the freedom to choose and act, the security of private property, and the use of sound money. That is the fundamental premise on which The Privateer bases all its analysis.”

In fact, every historical example of a society or civilisation descending into chaos has been due to an absence of precisely the factors we write about above. In the countless billions of words - in every language - which have been spoken and written about these problems, precious few have homed in on these fundamentals. A century ago, Ludwig von Mises proved conclusively that business cycles and “booms and busts” are an inevitable result of government interference with markets and money. At the same time, the advocates for the establishment of the Federal Reserve were talking about the need for an “elastic” currency to meet the “needs” of business. An “elastic” currency was precisely what von Mises pointed to as the fundamental CAUSE of the business cycle. Yet it was that same “cycle” that the Fed was supposed to banish.

It is a trivial observation to point out that von Mises was right and the Fed is wrong. The evidence is too overwhelming to need sifting through. Back in 2012, in our Early September Issue (Number 711), we quoted Doug Casey on precisely this subject: *“There has been way too much concentration on the financial markets over the last 50 years. ...22 percent of the US economy is in financial services. ...In a sound economy, the financial sector would be tiny.”*

The fact is that the financial sector is slowly swallowing the entire economy. As the US Dollar and the rest of the world’s currencies become more “elastic”, the financial markets become an ever more dangerous “substitute” for the economy - the production of real WEALTH. A century ago, the financial markets were seen as being the playthings of the rich. The rest of the population did not indulge. That was not because they couldn’t afford to. It was because they did not see such antics as being necessary. They relied on personal freedom, property rights and sound money. That was all they needed to “get ahead”.

Today, the financial markets are STILL seen as the playground of the rich. But now, the rest of the population sees themselves as having no choice but to “indulge”. In a situation where the government has first claim on their liberty, their freedom and their money, they have no confidence of “getting ahead” in the dwindling portion of the economy which is still devoted to the production of real WEALTH. Meanwhile, the “business cycle” as fuelled by the Fed and its fellow central banks has pulled the standard of living that Americans once took for granted right out from under them.

Revulsion over the state of the financial system and the financial markets is growing all over the world. So is anger over the impossibility of keeping up with the cost of living by means of simple saving. The problem is that most people today cannot imagine a situation in which *“the financial sector would be tiny”* any more than they can imagine a world in which the government did not have first claim over their property and they walked around with actual Gold coins in their pockets as money. That was the state of the world in which the Fed was born. It will not return until the Fed and its fellow central banks are given a decent burial.

Meanwhile, the financial markets and the financial sector have taken over the task of what is called “wealth creation”. What was once prosperity has become what is called “economic growth” - with the “growth” being measured exclusively by the amount of money being pumped into the system. And the more “money” that IS being pumped into the system, the more impoverished those who confuse it with wealth become.

The acme of ALL financial analysis is to assess the quality of the money that stands as the foundation of any conceivable financial system. The antithesis of financial analysis is to clamour for ever greater quantities of “money for nothing” as the only means to stave off economic implosion. There is no need to “analyse” REAL money. Supply THAT, and the financial markets can take care of themselves.

To Rule Or Be Ruled?:

This has always been the fundamental problem because it has always been held up as the fundamental choice. The vast majority of people today and at every stage of history have taken it for given and granted that “somebody” has to RULE. Behind all the justifications for all the forms of government in the world today is the implicit (or sometimes explicit) assumption that people must be told what to do with their lives.

When we speak of a dictatorship or a totalitarian state, we speak of a specific group of people who RULE. When we speak of a ballot box and supposedly contending political parties, we speak of the party in POWER. A totalitarian government rules by means of permissions by setting up a situation where any action which is not specifically permitted by those in power is PROHIBITED. The subjects in such a state can only do precisely what they are told to do and must do it when they are told to do it. Anything else is against the law. In the so-called “free” nations, those who prevail at the ballot box used to be called elected representatives in the days when the constitution - the laws which GOVERNMENTS must obey - still held sway. In more recent times, the label has changed to the “lawmakers”. Once that changeover was cemented in place, the laws which governments must obey were steadily eroded. Today, they have all but ceased to exist everywhere. The rule of law has reverted back to the rule of men.

The term “democracy” is nowadays everywhere revered as the preferred synonym for the term “freedom”. The problem is that democracy - literally translated - means majority RULE. The implication is that the rule is limited. The dictionary definition of “rule” in a political context is: **“To exercise control, dominion, or direction over.”** That is the opposite of freedom, which is defined as the ABSENCE of coercion.

The USA was established as a republic. As stated by Isobel Paterson in her book - *The God Of The Machine* - “A republic signifies an organisation dealing with affairs which concern the public, **thus implying that there are also private affairs, a sphere of social and personal life with which government is not and should not be concerned.**” When Benjamin Franklin was asked about the type of government that had been decided on at the Constitutional convention, he replied: “A republic - **if you can keep it.**”

The US has not kept it, of course, and neither has any other nation. The false choice remains - do you want to rule or do you want to be ruled. The only way out is to throw out the political concept of RULE altogether. There is a time in our lives when we do need someone “to exercise control, dominion or direction” over us. That time should end when we assume the mantle of being ADULT human beings. An adult human being rejects the role of both ruler and ruled.

The Most Powerful Impediment To Change:

If you think back to your childhood, can you remember not wanting to do something that your parents said that you had to do? Can you remember asking WHY you had to do it? Can you remember your parents striving to answer your question but you stubbornly refusing to accept their explanations because you didn't WANT them to be true even though you knew that they WERE true? Did it ever come to the point where your parents threw up their hands and fell back on the old standby - **“Because I say so!”**?

Have you noticed a similarity between those old domestic dramas and the way our “leaders” govern us today? There are many people who don't WANT the fact that one must produce before one can consume to be true. They don't WANT the fact that every new “Dollar” the central bank produces out of thin air erodes the purchasing power of every “Dollar” they have spent their lives earning to be true. They don't WANT the fact that they are not “entitled” to anything that the government might “redistribute” to them to be true. In short, they don't WANT the fact that they have never progressed from their childhood rebellions to be true. It's much safer to live in a world where you are told what to do. After all, doesn't everybody?

Children may not like it, but they expect to be “governed”. An adult is capable of governing him or herself without the aid of any outside agency. As much as many of us might wish it were true, there is no halfway house. That is why any nation actually does end up with the government its people WANT - and deserve.

THE PRIVATEER - A RETROSPECTIVE

When *The Privateer* began publishing with Issue Number One on October 14, 1984, Ronald Reagan was just over two weeks away from enjoying one of the biggest landslide victories in US political history. During his first term, the Reagan Administration had very successfully cut US taxes but had not been able to get the Congress to cut spending. The result was that over the fiscal year which ended on September 30, 1984, the Treasury's funded debt had increased by \$US 252 Billion. That was a record for a single-year debt increase. It was 50 percent larger than the debt increase of fiscal 1983, which had itself been a record in nominal terms. Ominously, the prime rate in the US in October 1984 was 12.5 percent - which implied a Fed Funds rate of 3.0 percent lower or 9.5 percent.

In March 1985, Americans were "Cyprused". A US dealer in Treasury debt went bankrupt. Some US Savings and Loan (S&L) entities which had invested in the dealer lost some money. A few people in Ohio got wind of this and hit their S&Ls to withdraw their deposits - IN CASH. The demand totalled a paltry \$US 90 million. Ohio politicians panicked and froze the deposits of every institution in the state - a total of \$US 5,300 million. That event became international news, to the extent that the bull run of the US Dollar which had been going on ever since 1982 abruptly reversed itself. Meanwhile, in the middle of all this, the US Treasury officially announced that the US had become a global net DEBTOR nation - for the first time since before WWI. Meanwhile, the Latin American nations which had been bailed out by the IMF at the start of the 1980s were refusing to service, let alone repay, their debts. An auspicious beginning for our publishing history, don't you think?

The 1980s Boom - And Bust:

The US Dollar topped out in early 1985. As it did so, US and world stock markets took off. Interest rates were lowered to cater for the deficit spending of both the government and "consumers". Even Gold began to rise, after having set new lows below even the ones set in mid 1982 over the first three months of 1985. The Dow had reached 1275 in November 1983. It didn't decisively break above that level until February 1985. But by July 1987, it had doubled that level to reach 2550. Three months later came the biggest nominal points fall in US history. On October 19, 1987, the Dow plummeted 508 points or 22.6 percent.

What was the crash trigger? In essence, it was the US Treasury's decision - in the wake of a \$US 500 Billion increase of their debt limit - to go out and sell \$US 70 Billion worth of new debt paper over the first full WEEK of October. That was too much for the Japanese and the Europeans to absorb so US interest rates spiked higher. The result? The Dow lost 158 points or 6.0 percent over the week of October 5-9. It then lost another 236 points or 9.5 percent over the week of October 12-16. And then came October 19.

The stock market crash of 1987 was one of the three biggest sudden financial disasters to hit the US in the entire three decades of *The Privateer*. The others were, of course, the Dow and the MUCH bigger Nasdaq crash of January/March 2000 and the global credit freeze of September 2008 - March 2009. In a very important way, however, the 1987 crash was the biggest of the three - because the reaction to it by the global financial powers that be made ALL the subsequent financial calamities inevitable.

The global financial calamities hit Japan first and hardest because the Japanese central bank outstripped all its "peers" in printing up new supplies of its own currency - the Yen - to mop up the global tidal wave of US Dollar holders who wanted to exchange them for Yen. To keep the exchange rate of the Yen down, the Bank of Japan HUGELY inflated the Yen. That promptly spilled over into Japanese financial markets. The Nikkei had risen to an all time high of 26,646 on October 14, 1987, less than a week before the crash. By the end of 1987, it was down to 21,564, the smallest fall in percentage terms of any major stock market.

The Nikkei regained its 1987 high by April 1988. By the end of 1989, it soared to 38,876. In December 1989, the Dow had just regained its pre 1987 crash high. The Nikkei had exceeded it by 46 percent. By May 1990, the Nikkei was below 30,000. By March 1992, it was below 20,000. By September 2001, it was below 10,000. Meanwhile, the Japanese authorities are STILL doing what they began in late 1987.

The Tragedy Of The 1990s:

The greatest single tragedy which befell the world over our three decades of publishing was not 9/11. Nor was it any of the countless other acts of terrorism which took place all over the world during that period. Nor was it any of the wars which raged in the Middle East, in Europe and elsewhere. The greatest tragedy was the loss of an opportunity which was handed to the West in general and the US in particular by the break up of the East Bloc followed by the disintegration of the Soviet Union itself between 1989 and 1991.

March 1989: For the first time since 1917, an election was held in the USSR in which members of the Communist party were NOT the only candidates on the ballot. While this was going on, there were small demonstrations in both Moscow and Leningrad (now called St Petersburg) which called for official government recognition of the revolution of FEBRUARY 1917. This was the revolution which overthrew the Czar of Russia and led to the first ever Russian government by public consent. The Communist party overthrew that government in a coup in October 1917.

May 1989: A demonstration against the all powerful Chinese communist party became a brewing revolution at Tiananmen Square in the heart of Beijing. This escalation took place while Chinese Premier Deng was in Moscow at a summit meeting with Mikhail Gorbachev. He returned home early and ordered the “revolt” put down by main force. The whole world saw what followed. While this was going on, the Communist party in Poland succumbed to demands that it call an election which included the protest party “Solidarity” on the ballot. The votes were counted and the Communist party all but ceased to exist. While THAT was going on, Soviet representatives meeting their NATO counterparts agreed to withdraw 1.5 million of their troops back behind the old “Russian” borders. And finally, “workers” across the Soviet Union came out on strike to demand that a NEW Soviet CONSTITUTION be put in place no later than November 1990.

September 1989: The first non-communist government in any East Bloc nation since WW II ended was duly sworn into office in Poland. The government of the USSR faced the same choice as they had faced in Hungary in 1956 and in Czechoslovakia in 1968. Then, they sent in the tanks. This time, they DIDN'T!

November 1989: On June 12, 1987, Ronald Reagan uttered the finest phrase of his political career. Speaking at the Brandenburg Gate in Berlin in a speech honouring the 750th anniversary of the founding of the city, he said this: *“There is one sign the Soviets can make that would be unmistakable, that would advance dramatically the cause of freedom and peace. General Secretary Gorbachev, if you seek peace, if you seek prosperity for the Soviet Union and eastern Europe, if you seek liberalisation, come here to this gate. Mr. Gorbachev, open this gate. **Mr. Gorbachev, tear down this wall!**”* In November 1989, the Berlin Wall WAS torn down. It was not the work of Mr Gorbachev. It was the work, the joyous work, of German citizens on BOTH sides of it. This was the symbolic end of Communism in Europe. It was also the death knell of the Soviet Union. That was accomplished two years later in late 1991.

The Tragedy?:

George H.W. Bush (now known as “Bush the elder”) was the President of the United States from January 1989 until January 1993. Over those four years, he made only one visit to the USSR. This visit came at the end of July 1991, a few months before the USSR ceased to exist. On August 1, 1991, Mr Bush gave a speech in the Ukraine Parliament. This speech has since become known as the *“Chicken Kiev”* speech.

Here are two quotes from that speech as reported in the Mid August 1991 issue of *The Privateer* (Number 177). *“Freedom is not the same as independence. Americans will not support those who seek independence in order to replace a far off Tyranny with a local despotism.”* With these words, Mr Bush came as close to spitting on the exalted history of the birth of his own nation as it is possible for an American to do. The great tragedy is that the political and financial establishment of the United States has been doing precisely that ever since. What was an epochal opportunity to return to a world of peace and of sane political and economic principles was obscenely squandered in the name of the American people. Americans wondered where their promised “peace dividend” had gone. It was swallowed in the maw of EMPIRE.

After The Tragedy:

"If we have to use force, it is because we are America; we are the indispensable nation. We stand tall and we see further than other countries." Secretary of State Madeleine Albright - February 1998.

"They hate us for our freedom." President George W. Bush - September 20, 2001.

"So long as I'm Commander-in-Chief, we will sustain the largest military the world has ever known." - President Barack Obama - speech at the Democratic Convention in September 2012.

That is what became of the "peace dividend" over the two decades since it was promised to the American people after the breakup of the USSR and its satellite states. At the turn of this century, the US Treasury was sitting on a funded debt of \$US 5.75 TRILLION and predicting that it would be ALL paid off over the next 10 to 12 years. Today, that same funded debt is almost \$US 17 TRILLION.

Boris Yeltsin became Russia's first president on June 12, 1991. After the failure of the August 1991 coup against Gorbachev (who was still the first secretary of the communist party), Yeltsin banned all communist party activities on Russian soil in November 1991. Within a year of his election victory, Yeltsin had cut out EIGHTY complete departments of the government and had decreased government spending by more than 30 percent. Compare THAT to what masquerades as "austerity programs" today. The Russian people suffered a gruesome economic depression, one made inevitable by 70 years plus of gross malinvestment perpetrated by the communist regime. Yeltsin knew that there was no alternative and acted accordingly. The rest of the world, and the US government in particular, did not. The legacy of that decision is today's global financial, economic and increasing political chaos. It could have been different - but it isn't.

The Great Turnaround:

Over fiscal 2000, the official funded debt of the US Treasury increased by \$US 18 Billion. Over fiscal 2008, the funded debt of the US Treasury increased by \$US 1,017 Billion. The intervening eight years had seen the bursting of three investment bubbles. The 1990s stock market bubble burst in January/March 2000. The US real estate bubble burst in mid 2006. And the second US stock market bubble burst in late 2007. Then, the entire global credit system froze up in late 2008.

The funded debt of the US Treasury has increased by more than \$US 1 TRILLION in every fiscal year since 2008. Over the first half of fiscal 2013, the debt increased by \$US 738 Billion. This is not what it costs to "grow" an economy these days. In terms of the creation of real wealth, the US economy is not growing, it is shrinking. This is what it costs to preserve the tattered remnants of the financial system. The most visible remnant of that system is the stock market, where both the Dow and the S&P 500 have exceeded their 2007 highs. That hasn't taken much - only four and a half years of zero percent central bank mandated interest rates and an open-ended commitment to buy Treasury debt with Federal Reserve Notes created for the purpose. This latter "measure" has also managed to keep the yield on Treasury debt paper at or near historic lows. In the process, the biggest overhang of malinvestments in history has been created.

A bit more than twenty years ago, the opportunity to return the US and its allies and antagonists to a PEACETIME economy was there for the taking. If it HAD been taken, then the global "experiment" with purely fiat money would have closed a bit more than twenty years after it had begun with Mr Nixon's removal of the last link between the US Dollar and Gold in August 1971. The chance was there. In March 1995, a balanced budget amendment to the US Constitution was passed by the House and came within ONE vote of passing in the Senate. That is as close as such an amendment has ever come to getting out of the US Congress and being passed on to the US States and the American people.

A peacetime economy with a balanced budget has nothing to tempt a political or financial establishment. An establishment needs political POWER to preserve itself and will stop at very little to retain it. The past two decades are a sombre illustration of how far they are prepared to go in the preservation of that power.

GOLD - THIS AND EVERY WEEK

Here is a third quote from our website. It is the conclusion of our page stating: *“The Case For Gold”*. It was first uploaded to the internet in 1995. Its message will remain true unless and until Gold returns to the global financial system as a CIRCULATING form of medium of exchange or money.

“Money is NOT wealth, it is a medium by which wealth can be exchanged between consenting adults. If an adult does not consent, then money cannot produce an exchange. Nothing can produce an exchange if the potential parties to it do not consent. But an expropriation can be produced, by a government with sufficient power. To obtain that power, money must be controlled by government. Today, it is.”

“And because the money you use is totally controlled by your government, dear reader, so are you. That is the case for Gold as money.”

And here is someone else making the case for Gold - long before your Captain was born:

“It is impossible to grasp the meaning of the idea of sound money if one does not realize that it was devised as an instrument for the protection of civil liberties against despotic inroads on the part of governments. Ideologically it belongs in the same class with political constitutions and bills of rights.”
(Ludwig von Mises - *The Theory Of Money And Credit* - 1912)

We certainly do not scorn the (indirect) gain in the purchasing power of Gold which has taken place over the past twelve years. Nor do we scorn the loss of that same purchasing power which has taken place since August/September 2011. But Gold’s “price” in terms of what masquerades as “money” today is and must be a secondary consequence. The fundamental importance of Gold - AS MONEY - is eloquently summed up by von Mises in the quote above. A FREE nation cannot be achieved or PRESERVED without a SOUND MONEY. Gold - above all other possible media of exchange including Silver - has historically proven itself to be that sound money. Any analysis of any aspect of our current global financial system which ignores this fact is fundamentally flawed. That is particularly true when dealing with MARKETS. Money is the bedrock of all financial markets. As such, it is also the bedrock of all economies.

It is impossible to overstate the importance of sound money. Gold is the soundest money ever discovered.

The “Controversy” Over Government Manipulation Of Gold:

To state that the more despotic a government becomes or aspires to become - the greater grows their antipathy to Gold as money - is a trivial observation. To argue over whether government is constantly on the lookout for more ways to interfere with Gold ever regaining its role as money is a trivial pursuit. To maintain that governments don’t try to influence the “price” of Gold in terms of the fiat currencies on which their continued domination depends is just plain silly.

In 2000, *The Privateer* analysed the HUGE upward bounce made by the Nasdaq in the immediate aftermath of its initial crash of March of that year. We used that particular event to make a wider point:

“Manipulation? Could Be: *Why would such an action surprise anyone? Why is this particular instance of government intervention taken by so many as ‘proof’ of the absence of ‘free markets’ in the US? The world knows that the Fed has the sole discretion to raise or lower US interest rates by any amount at any time of their choosing. Governments have been intervening in currency markets for more than half a century. Government intervention in the economy, and in the markets, is an accepted tenet of both economic theory and practice and has been for most of the past century.”*

Only two things have changed today. First, the Fed no longer “raises” US interest rates. Second, the level of intervention in the economy and the markets has hugely increased. How could anyone argue that Gold is “exempt” from all this? After all, there can be no doubt that Gold is government enemy NUMBER ONE.

The Function Of Gold:

Anything bought or sold on a financial “market” is supposed to be an investment. Financial investments are supposed to have two attributes. First, regardless of their price at any given time, they provide a “yield” in the form of a dividend and/or an interest payment. Second, being traded on a market and therefore being subject to price fluctuations, they provide the opportunity for capital gains - or losses. All dividends, interest payments and capital gains are denominated in the currency of the nation in which a given market is located. The aim is to enjoy BOTH an income stream and the possibility that the market value of the investment will go up. Both of these are ultimately paid in terms of “money” - in all cases a fiat currency.

In the “advanced” nations - those most steeped in modern economic and monetary “theory” - the precious metals and Gold in particular are NOT seen as investments. We have long since become very tired of the mantra of Western investment analysts: **“Gold is NOT an investment because it pays neither dividends nor interest”**. This is perfectly true. No form of money pays dividends or interest - it IS dividends and interest - and every other form of payment which exists in all markets. Money is used to buy - and sell - investments. It does not constitute the investment itself.

A gram, troy ounce or tonne of Gold is merely a mass of inert metal. When used as MONEY, it is not a promise to pay, it is a medium of exchange and therefore a form of final payment. It cannot be created by law (fiat) so its quantity cannot be increased by law (fiat). It is not a promissory NOTE (like a Federal Reserve NOTE), it is a means of transferring property between participants on a market. It is FINAL PAYMENT. Its utility as a medium of exchange does not depend on the future confiscation of wealth. It is the medium by which the ownership of wealth is voluntarily transferred between the owners of that wealth.

Gold is NOT an investment and should not be looked upon as an investment. It is the best means ever discovered to underpin a market economy - and by doing that - a free and therefore civilised society.

The “Market” For Gold:

The reason there is a “market” for Gold today is because Gold has been legally barred from its historic role as money. Since Gold in the form of money is no longer the “common denominator” in all prices, it has a price in terms of the currencies which have usurped this role. There are two markets for Gold. In one, money is used to price paper claims to Gold. In the other, money is used to price physical Gold itself.

The headline “price” of Gold is determined in the paper markets - most notably in the futures markets of the US and other “developed” nations. Physical Gold plays next to no role in these markets. Almost all “contracts” are bought, sold and SETTLED in terms of paper. The holder of a futures contract can “request” settlement in the physical metal on the expiry of that contract, but he or she cannot demand it. All contracts can be and almost always are settled in paper terms. All *Privateer* subscribers will be well aware of the price gyrations which have recently hit the futures markets for the precious metals. For an excellent overview of the current situation, we recommend ***Waiting For The Dam To Break*** which was recently uploaded to the website of *Goldmoney.com*:

<http://www.goldmoney.com/gold-research/aldasair-macleod/physical-gold-vs-paper-gold-waiting-for-the-dam-to-break.html>

The most notable feature of the recent dive in the “price” of Gold on the global futures markets is that the lower the “paper price” went, the higher the demand grew for the PHYSICAL METAL. Even more notable is the fact that this physical demand was NOT confined to those parts of the world where Gold is seen as insurance against central bank monetary creation. The demand was global. The cleaning out of physical inventories took place everywhere. And the “premium” on physical metal - the markup of the “spot” (physical) price over the futures (paper) price - blew out all over the world to an unprecedented degree. This is the most dangerous event to have hit the overseers of the financial system since the credit freeze of 2008. And there is no “cure” for this one because physical Gold cannot be created out of thin air.

ON A MORE PERSONAL NOTE

So, here we are on the last page of the last issue of *The Privateer*. My wife Cathy and I have had mixed feelings about getting to this point. On the one hand, it couldn't come fast enough. On the other, there were times when we didn't want it to come at all. But there are many ways to skin a cat and the particular one we have chosen over the last three decades has outlived its usefulness. It was and is time for a change.

It is easy to get downhearted about the bullheaded stupidity of those who rule our world. It is just as easy to get morose when confronted with the fact that most of those around us seem to have bought the line that any genuine change for the better is politically (or financially, take your pick) impossible. Our particular antidote has always been laughter - which really is the best medicine. We have had countless "rolling on the floor" exercises over the years when contemplating the sheer idiocy of it all. No matter what the state of the world may be, each of us gets to pick those aspects of it which we deem genuinely IMPORTANT. The rest are not worthy of our serious consideration - but they ARE worthy of our derision.

Never forget, the "achilles heel" of anyone who's driving aim in life is to CONTROL the lives of other people is his or her aching need to be taken "seriously". No tyrant on any level can handle derision, it deflates them utterly by reducing their stature to its proper level in a way which they cannot escape. Imagine if they held an election and everybody laughed - and then went on about their IMPORTANT business.

In essence, the people who matter in the world are fully confident that they have earned the status of adult human beings and get exasperated with those who insist on treating them as children. There are times when this tiresome tendency can grate very sharply. But most of the time, it really is screamingly funny and really should be treated as such. As Soviet dissenter Vladimir Bukovsky pointed out in his wonderful autobiography - *To Build A Castle* - one of the most potent weapons wielded by all those who stood up against the tyranny which surrounded them was the political joke. It won a great victory in the end.

A Word To ALL "Privateers" - But Especially To Privateer Subscribers:

If we reprinted all the gracious, articulate, generous and moving responses we have had to the letter where we announced the "winding up" of our newsletter, this issue of *The Privateer* would have blown out to many times its "normal" length. We cannot imagine a greater reward for our three decades of publishing.

There was not a single sour note in the whole deluge. We got emails from people who have been with us since the late 1980s and from people who have only had a few issues. We got letters to people who have never subscribed to *The Privateer* but who have followed our Gold commentaries online. We got letters from fellow newsletter writers too. One we especially cherish is a letter from Daria Doering - the daughter of the doyen of newsletter writers, Richard Russell. Ms Doering passed on her own best wishes on behalf of herself and her father for our three decades of work. Coming from a man who is halfway through his SIXTH decade of publishing one of the finest newsletters in existence, we are very grateful.

We've had a splendid time over the past thirty years. To all *Privateer* subscribers past and present, we say THANK YOU. You have made it possible for us to earn a living at something we love doing. To all subscribers whom we have corresponded with at any time in our history - and especially over the last two weeks - we say an even bigger THANK YOU. You have fuelled our efforts more than we can tell you.

That's it for *The Privateer*. It is NOT "it" for Bill and Cathy Buckler - the CaptainS of *The Privateer*. Before we do anything else, we are going to take a complete break. But further down the road, who knows what may happen. All we can say for now is that if and when we make any plans for getting back into some type of writing in the future - you will be the first to know.

Now - let's all of us sit back and watch what happens.