20 Years later – a Freegold Project: Interview with "FOFOA"

"What will change is how we view money and wealth. Everything else in Freegold flows from that!"

FOFOA

Key Takeaways

- **There is a group of "physical gold advocates" that have a completely unique view on money, the energy markets and gold. They believe, we are entering a new monetary and financial system in which gold will displace the most conservative types of investments, those used by passive savers.**

- **The term they use for this system is "Freegold". The theory dates back to the late 1990ies when a mysterious writer showed up in online gold forums. He called himself "Another" and wrote about the gold market in a way no one before or after could. Many still consider him a genuine insider.**

- **We have conducted an exclusive interview with the most high profile writer who is still actively exploring "Freegold". He uses the pseudonym "FOFOA". In this extensive interview he explains "Freegold" like never before and calls for a much, much higher price of gold.**

Preface

> *"Old world, gold economy, as viewed thru modern eyes' or 'way to move from US-Dollar without war'."*
>
> Another

Almost exactly 20 years ago an anonymous writer who called himself "Another" appeared on the biggest Gold discussion board the young internet knew at that time. He seemed to be an insider with deep knowledge of history, politics and economics. He would write for many years and had an heir, called "Friend of Another" who took the torch once Another himself "retired". To this day we don't know who Another was, where he got his information and why he chose to share it with the world. But we do know one thing: Some (not all) of his sometimes outlandish predicdtions did turn out to be true.

The body of their work streches from the Bretton-Woods-Deal to the Nixon-Shock and the introduction of the Euro. It represents one of the most fascinating perspectives of the role of Gold in the current and future monetary systems. It also makes a compelling case for a much, much higher price of Gold.

To this day people study his work to make sense of it and learn about the Gold market. The most well-known student of "Another" and "FOA" is a blogger who calls himself "FOFOA". He has been working on the topic known as "Freegold" for more than a decade. "FOFOA" kindly agreed to do an interview for this year's *In Gold We Trust* report[1]. We want to thank him for his effort and time as this project was conducted over several weeks.

In order to make this broad subject as approachable as possible, we shall apply some structure to the interview.

- We will start off with a few questions about FOFOA himself, so we get to know him a little.
- Then we will describe the body of work that Another and FOA left us and talk about the state of the internet at that time.
- The content of Anothers/FOAs work will be the topic of the third section.
- In the following sections we will cover the
    - Predictions - what came true and what didn't?
    - Gold itself
    - and the special role of the Euro

Without further ado, let's get into it.

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[1] The English edition of the *In Gold We Trust* report 2019 can be downloaded for free at https://ingoldwetrust.report/igwt-en/?lang=en. Die deutsche Fassung des *In Gold We Trust*-Reports 2019 kann heruntergeladen werden unter https://ingoldwetrust.report/igwt/.

First question

First off: What are we going to talk about here? In as few sentences as possible, could you describe what Another's/FOA's work means to you?

Hello, and thank you for giving me the opportunity to do this. I guess the simplest way to explain what their work means to me is that it gave me a lens. What do I mean by that? I mean something like a camera lens, a view of the world that's a little bit different from what we get everywhere else. And it goes far beyond gold and the gold market. That's the hook, because the implication of physical gold inevitably revaluing to something like USD 55.000 per ounce is gravitational, but once you've seen through this lens, you'll never see anything quite the same way again.

I'm talking about everything, from history to politics, from money to war, from religion to economics. They say the winners write history, but that's not really true. Looking back, we can usually find at least two diametric views on any topic, big or small. Often there are several. Take economics for example. You have the Marxist view and the Keynesian view, the Austrian School and many more, and they each have a different perspective on economic (and often political) history. In politics, you have the left and right, and so on.

What Another and FOA presented, represents a certain perspective that I haven't seen explained anywhere else. There really is a menu of choices out there when it comes to lenses. Take the most recent period, from 1970 to present. There's the mainstream view, and then there's the hard-money view. You could also call it the goldbug view. I think we can all agree that the goldbug view and the mainstream view of the last 50 years are not the same thing, at least not about money, gold and the financial system. But Another's view of the events during this time period is different.

You might think it would be closer to the goldbug view than to the mainstream view, but it's arguably the other way around. In fact, I'd say that Freegold is more like the easy money system we've had for the last 50 years than the hard money system most goldbugs pine for, yet its implication for those holding real, physical gold is a magnitude greater than most goldbugs even imagine.

But again, I really can't overstate how sweeping this lens is. That's what's kept me writing about it for ten years now.[2] I suppose by the time this is published, it will have been 11 years since I first started reading A/FOA (as I call them for short). So that's what their work means to me. I don't think they meant it that way, but it's what I found in their writings, and it's what many have found in mine.

And it's not just another way to view the world, an alternative lens so to speak. In my view, it's the only correct lens through which to view the world, and its only limitation is in the eye of the viewer. Similar to a fractal, I like to say it offers

[2] FOFOA's public blog is http://fofoa.blogspot.com/.

infinite resolution. That's how you can be confident that a perspective is correct, if it holds true the deeper you dig and the closer you look. I certainly can't say I've gone all the way with it yet. In fact, I've probably only scratched the surface, but what I found there was pure gold. And hopefully this first answer will make more sense as we work our way through the rest of your questions. ;D

Sincerely,
FOFOA

Personal questions

Who are you? What can you tell us about yourself?

I'm just a regular, 50-something guy. I don't like to give out many details about myself, because I want what I write about to be judged on its merits alone, and not on the details about me. I'm sure you can think of a few people with impeccable resumes, who are so wrong on literally everything that they're actually dangerous to the very survival of mankind. Well, that's kind of the problem with our obsession with resumes. I'm not saying there's anything wrong with mine. I actually think it's impressive, but I also think it has nothing to do with this subject matter, so I just keep it to myself.

Why do you prefer to stay anonymous?

I could give you a litany of reasons why, but in the process I'd probably inadvertently reveal something about myself that I'd prefer to keep private. ;D

How did you come in touch with A/FOA?

Well, I first came across a lengthy quote by them in 2008, on the old "Gold Is Money" forum. In fact, the fellow who posted that quote is still a subscriber at the Speakeasy, my private blog.

I had a modest financial windfall in 2007, and I'd put a lot of it into a couple of properties, and the remainder went into stocks, with a little held back in cash. Then in 2008, I suffered a substantial loss in both the real estate and the stocks, and I was desperate to figure out how rich people protected their money (what I learned from A/FOA actually meant *thinking like* a "Giant" protecting his "wealth", rather than a rich person with money).

It was late 2007 when I first noticed that something big was happening, and I spent the next six months reading as many financial books as I could get my hands on. I would go to Barnes and Noble and stand in front of the finance section picking out books to buy. Then I found A/FOA, and I literally stopped looking anywhere else. That's not to say I don't read other stuff anymore. I do. But when I found A/FOA, I knew that I'd found what I had been looking for. I had no idea yet just how deep it went, but I could tell right away that it was deep!

Have you been investing/researching (in) Gold before?

I had never even touched a gold coin before 2008, so no. I knew nothing about gold. I didn't even know how to find a coin dealer. My first purchase ever was in March of 2008. It was relatively small, and mostly silver. In fact, for the next few months, I purchased mostly silver. That stopped when I started reading A/FOA. I never purchased another ounce of silver after that. 90% of my gold was purchased after I discovered A/FOA, and I am now completely out of stocks, silver and real estate, other than my primary residence.

After reading A/FOA - when did you start writing about it? And why?

This is kind of a funny story when I look back, but after about a month of reading A/FOA, I thought I was ready to write a book about it. I had done some writing in the past, and I was so intrigued by this stuff that I wanted to write a book about it. I thought about writing USAGOLD to ask for permission to use the source material, but I don't think I ever did. I'm a little hazy on whether I actually did send him an email or not, but if I did, I never heard back.

Instead, I joined the USAGOLD discussion forum, where A/FOA had posted seven years earlier. The problem was, nobody there was talking about Another, FOA or Freegold, which was all I wanted to talk about. Apparently it had become topic non grata by the host of the forum, who thought it was bad for business. So I started my own blog about it, and announced it at the USAGOLD forum. Two hours later, my post was gone and my access was terminated. Luckily I had caught the attention of a few people from the forum during the two hours my post was up, and the rest, as they say, is history.

Is blogging your main job today?

Yes, you could say that. It's been my only source of income for a decade now.

Questions on material

Could you set the scene and explain what exactly we are talking about here? What are the Another archives? When did he start writing? What was the world/the internet like back then?

Well, the first posts by Another were in late 1996. The internet was still pretty new at that time, and discussion forums like Kitco were still in their infancy. Those first posts, from about December 1996 until October 1997, are a little controversial, because we don't really know for sure if it was them.

Forums hadn't yet developed a secure identification system, so anyone could post using any name at any time, and you had no way to know whether it was the original poster or an impostor. Another developed a significant following pretty quickly, so he was an obvious target for impostors. But by October, they had worked out a secure ID system, so most A/FOA archives start with his Oct. 5, 1997 post as the first one.

FOA stands for Friend of Another, and it was always FOA doing the actual posting. He was posting "on behalf of another", which is where the name Another actually came from. Another was old, English wasn't his first language, and his "position" in life made it necessary to have someone else post his thoughts for him.

Their posts continued until December of 2001, so if we count from his first post in Dec. 1996, then they posted for a total of five years. It boggles my mind that I've now been exploring their thoughts for twice as long as they spent writing them.

How much material written by Another/FOA do you have today?

Well, to give you an idea, I have all of their posts in a single file for search purposes, and it's about a thousand pages long, single spaced, small font. I don't have an actual word count, but it's probably around 750,000 words.

How much is still available online?

It's all still available online, you just have to know where to look. USAGOLD has some of it still up, but not all of it. A couple of my readers have created online archives themselves, that are both linkable (you can link to specific posts) and more complete than what USAGOLD still has up. And I have some pdfs linked at my public blog for easy reading. For someone who just wants to read through it starting at the beginning, I'd recommend going to the blue side bar at my public blog, and look for the link that says, "It all starts here!"

Are there any third party texts that are relevant? Has anyone written about the same topics in the same way?

To be honest, there's no one I'd recommend, other than maybe Aristotle, who was on the USAGOLD forum at the same time as A/FOA. But I wouldn't call him a third party as he interacted with them.

What makes you think that Another/FOA are legit and not some scam artists, trying to sell Gold?

When you say “trying to sell gold”, I assume you mean “promoting gold”, because they weren't selling anything. They posted anonymously on different gold forums run by competing companies, and they even recommended against buying silver, which both companies sold as one of their main products. So I don't think you can make a case that they were acting as salesmen by posting on discussion forums.

I can tell you that they were not scam artists, because I have read everything they wrote, multiple times, and that's my determination. It's not even close. I don't think anyone could make the case, using their words, that they were scam artists. It's just impossible. They were, in fact, the furthest thing from scam artists or salesmen, so it's not even a notion I feel I need to address.

I guess the real proof is in the pudding. For ten years now, I have distilled their words into principles and concepts, tested and applied them across the board, in every way I could imagine, and came up with some results and conclusions so amazing that it can only mean the source material was genuine.

Questions on content

Could you give us an idea about the form of the content A/FOA produced? Did they write blog post? Did they engage in discussion? Was there a plan to what they were publishing?

Yes, they wrote both posts (what you might call blog posts today), and participated in the discussion forum. As I said, it was always FOA posting on behalf of Another, but in 1998 he started to differentiate his own words from Another's by posting as Friend of Another when speaking for himself, which was soon shortened to FOA. That was right after they switched from posting on the Kitco forum to the new USAGOLD forum, which had been created especially for them.

I don't think there was really an organized plan to what they were posting until February of 2000, when FOA started a series of posts called The Gold Trail. For that, he posted under a third name, Trail Guide. So, from then until his final post in December of 2001, he would post as FOA in the discussion forum, and as Trail Guide on the Gold Trail. The distinction was kind of like that of a blog post versus the comments section today.

In the Gold Trail, he wrote long posts on topics relating to gold, money and wealth, always with an air of deep knowledge and wisdom. But what he was really delivering was a slightly different perspective and reasoning on topics his readers already knew a lot about. In his first post on the Gold Trail, he wrote this:

> *"After we share some time on the trail, many of you may find that most of this understanding and knowledge of FOA was already with to you to begin with. Truly, it was the years of exposure to "Western life" that has obscured our good reasoning."*

It's neat to read that line again, because I can really appreciate its sentiment now after ten years of being both student and teacher myself. For so many of the concepts he wrote about, the biggest obstacle to understanding them is all the stuff we thought we already knew but was more or less wrong. But it's only wrong because of our perspective. We are like fish in a fishbowl, looking out, and FOA showed us what the outside really looks like.

Did they say why they were giving this information? What motivates them? How much did they divulge about themselves?

Another's initial motivation appears to be related to the LBMA going public with its clearing volume in January of 1997. Understand, the LBMA was only ten years old at the time, having been established in 1987 as a result of one of the London bullion banks collapsing due to over-leveraging itself to compensate for the decline in gold trading in the early 1980s. From there, the gold price spent the next ten years, from 1987 to 1997, declining from USD 500 per ounce to USD 350 per ounce, yet somehow the LBMA was clearing thirteen hundred tonnes of gold each and every day. This was big—and confusing—news in the tight-knit community of international gold traders and analysts of 1997. Enter… Another.

Another explained how the price could decline even with overwhelming demand. He explained the volume, the history, the reasoning, the seen and the unseen, deals made at the highest levels of international finance, and how it all tied together into the current events of the time. He gave us the view from outside of the fishbowl, and he gave us a lens that allows us to see that view even from the inside. That's the lens!

As to why they were sharing this insight with the community, why do any of us do it? I think they clearly enjoyed it, most of the time anyway. And the internet was so new then, that was exciting. I also tend to think they were simply being altruistic. There's a French expression, "noblesse oblige", which basically means that nobility obliges honorable behavior. The truly noble should go beyond mere generosity, and offer whatever wisdom they possess to those who will listen. It's like the old saying, if you give a man a fish, you feed him for a day, but if you teach a man to fish, you feed him for a lifetime. Another taught us to fish.

That said, Ari once told me he thought that they might have had a more specific motive and target audience, to get information out anonymously that would be seen and perhaps acted upon by someone in particular. Ari had no idea who that someone might be, but it was just a feeling he had about some of their posts.

They didn't drop many hints about their identities. Anonymity was kind of the whole point of their choice to use the internet to communicate. Another once said his "position" (take that however you want) "will not allow open expression." And sometimes the clues they did drop were seemingly contradictory, so I can imagine there was some misdirection employed whenever the subject of their identities was raised.

For example, in 2000 FOA said that he translated most of Another's thoughts into English, implying that English was not Another's first language. Then in 2001, he wrote, “I will say this for the record: Another is English and not Islamic!” It seems contradictory to say on one hand that Another is English, and on the other hand that most of his thoughts needed to be translated to English. It is my personal opinion that Another spoke both English and French, but that French was his first language, which of course implies that FOA also spoke French in order to be able to translate.

As for FOA's identity, there were three main clues he dropped that come to mind. The first was that he said repeatedly, “I'm American to the core! 'Born in the USA'.” I once went through and counted the times. He used that phrase “Born in the USA” four times, always in quotes. The second clue was when he wrote, talking about John Templeton, “Sir John, living *here* on Layford Cay...” The way he added the word “here” appears to imply that he lived there too. On the other hand, he misspelled Lyford Cay. And the third and final clue was when he signed two of his final posts as “Sir Douglas, aka FOA”, apparently divulging his real name.

Could you give a few examples as to why you think they were genuine insiders of some sort? How was that transmitted via their writing?

That's a good question, and I know what you're after, but first I think we need to clarify what we mean by “insider”. Another explained history and events surrounding London bullion banking, South African gold mining, the LBMA, central banks, the BIS, the oil industry, the Kingdom of Saudi Arabia, and “big money” coming out of Hong Kong. Some think he must have been a central banker, but I don't think even a central banker would have had the information or big picture perspective that Another had.

I don’t think he was a Saudi insider, a bullion bank insider, or an oil industry insider. Somehow, some way, he had a “position” with connections in all those places, and was also somehow above it all, affording him that “30,000 foot view” which he shared anonymously, through an anonymous proxy (FOA), on the brand new internet, because “his position would not allow [the] open expression” of what he wanted to say.

You might be struggling to imagine someone like I'm describing. And there probably aren't very many of them, which is part of the reason Another's perspective is so striking. It's rare. So if you still can't imagine who in the world would have such a “position”, I'll just throw out an example. Perhaps a Rothschild would. The Rothschilds dealt with gold, oil, banking, central banking, South Africa, Hong Kong, all of it. Would you call someone like that an insider? To me an insider is more like a whistleblower or a leaker. But that's not how I view Another's message.

So now that we've clarified what we're talking about, I think what you mean when you say that I think they were “genuine insiders” is that I think the things they explained were real, and not just speculation. They presented certain “inside” things as if they were fact, not speculation, so if they were mere speculation, then that would make them liars, fakers, scam artists, hoaxers, or whatever you want to call them. There's not much middle ground. If someone presents supposition or theories as if they are facts, then that's clearly a deception, that person is a liar, and that person should not be trusted in anything they say.

In rare instances, sometimes I know things but I can't reveal how I know them. And when you know something that's not public information, it can lead you to other possibilities that no one else even considered, possibilities that are not facts, but mere supposition based on a non-public fact that you know. My point is that I have personal experience with this sort of thing, and I'm always careful to distinguish between what I know and what I think. I don't always spell it out as such, but if I state something as a fact, then there's a reason I did so. It's because I know something, even if it's not prudent to explain exactly how I know it.

My point is that this is basically how I judge their authenticity. But it's complicated by the fact that what they wrote wasn't always articulated clearly. Often it seemed cryptic, but it wasn't necessarily intended as such. I think in many cases, the crypticness was just a matter of suboptimal articulation. They were simple concepts that they were explaining, but being from a slightly different perspective made them difficult to present. It's easy to present something that supports and confirms what your audience already knows. But it's tough to present something that contradicts what they think they know, no matter how simple or obvious it might be.

There is stuff that they wrote about which was non-public information, or at least not generally known at the time, which can be verified now through information that came out later, declassified documents, books that were written later, whatever. But I don't really want to get into making a list of such things, as to me it's far more important that the whole of what they presented is logically consistent and non-contradictory. It makes sense. It fits. And it explains perplexing things that no one else could satisfactorily explain.

If in the final analysis I judge them to be authentic, which I do, and not fakers or liars, then I will pay close attention to whether they explained something as a non-public fact, or more as a corollary to a non-public fact. They did both. And it's important not to conflate or confuse the two. If you can distinguish the sometimes-subtle difference between opinion and fact, then I think you'll find their authenticity is immediately clear.

Was there a main reason for them to start writing at the time they did? How did they start out in their first posts?

Well, skipping some early comments which aren't totally verified as being from them, their first real post began with the line at the top of my blog:

> *“Everyone knows where we have been. Let's see where we are going!”*

Another went on to explain what is called "the gold for oil deal". He started with another famous line:

> *"It was once said that 'gold and oil can never flow in the same direction'. If the current price of oil doesn't change soon we will no doubt run out of gold."*

He was not talking about the price of oil in US dollars changing, but oil priced in gold. And not the price of oil in US dollars converted to gold using the known market price of gold which was USD 332/oz. at the time, but the unseen "gold for oil deal" price. It was actually a clever way of saying "if the price of *gold* doesn't change soon, we will run out of gold."

This is going to take a little bit of backstory to explain, but the "deal" went basically like this: Imagine you're an oil nation (Saudi Arabia) with massive but finite oil reserves under your land. This oil is of tremendous value to the world, so you pump it out of the ground and sell it to the West where it is burned up and gone forever. This makes you fabulously rich, but you also want to replace the finite reserves with something of lasting value for future generations. That something is gold.

The problem is, at the price of oil in US dollars converted to gold using the market price of gold, aka the gold/oil ratio, you'd break the market if you tried to buy real physical gold with your surplus US dollars. You learned this lesson in the 1970s. That would be self-defeating, as you could acquire the same weight of physical by only spending a fraction of your surplus on gold, and spending the rest on something more practical like indoor snow skiing in the desert, and also the BIS apparently thought it would destroy the US dollar international monetary and financial system (the $IMFS) in the process.

The gold/oil ratio was basically the same for 70 years, from 1946 at the beginning of Bretton Woods following WWII, until 2016. It stayed in a band ranging from about 9 to 29, and averaging about 15. That's the price of oil in gold and gold in oil. An ounce of gold is 15 barrels of oil, and a barrel of oil is 1/15th of an ounce of gold. But that's not an equilibrium price. It's the $IMFS price.

Now, in 1978 and 1979, the $IMFS was collapsing, and certain central bankers in Europe worried about what would happen if we all of a sudden lost such an important international benchmark currency system, so they decided to redouble their efforts to build an alternative of similar size, the euro. But they worried it would be all for naught if the $IMFS collapsed before the euro launched. So they got together in Belgrade in October of 1979, and agreed to support the failing US dollar system until the euro could be launched (which took 20 years, although they didn't know at the time how long it would take).

That support consisted of buying US dollars and selling gold when necessary, whenever the system was in danger. Then, in the mid-1980s, they created a new kind of paper gold market based around Barrick, the gold mining company, and the bullion banks of the brand new LBMA. Rather than selling gold outright into the market, the central banks allowed the bullion banks to sell "ownership invoices" or certificates of ownership on central bank gold, while the actual gold stayed in the central bank vaults.

Meanwhile, Barrick covered the CB gold certificates with forward contracts on its gold still in the ground. The buyers paid cash for gold that was still in the ground, but those contracts were guaranteed by CB gold that stayed in the CB vault. The cash sat in an account earning interest. It was the beginning of Barrick's hedge book. The CBs were, in essence, lending their gold to Barrick to sell into the market. Barrick kept the difference in interest, and was therefore earning interest on its gold in the ground.

It wasn't long before the bullion banks started lending more gold than they had guaranteed from the CBs, no different than fractional reserve banking. And that's how the paper gold market was born. The mines were being used to expand the gold trading arena, which was driving down the price by adding phantom supply faster than demand, and they were none the wiser. And after a decade of a declining gold price, all mines had to play the game and hedge their production, i.e. earn interest on their reserves, just to survive. It was a vicious circle.

The initial idea was that this extra funding going to the gold mining industry would allow it to expand output some five times over, solving any shortage without the CBs ever having to part with any of their gold. But it didn't quite work out that way.

There were basically three things locked together that could jeopardize the $IMFS, the US dollar exchange rate, the gold market and oil. To understand this complex dynamic, we again go back to the Bretton Woods period where the gold/oil ratio began.

Saudi Arabia basically controlled the price of oil through OPEC, and London basically controlled the price of gold through the LBMA, prior to that, through the bullion banks that became the LBMA, and prior to that, through the London Gold Pool in the 1960s. But whenever war broke out, the price of oil would skyrocket. In the early 1970s, Saudi Arabia raised the price from USD 3 to USD 15 per barrel. Then when war broke out between Iraq and Iran, the price skyrocketed to USD 40 per barrel.

By the mid-1980s, they brought it back down to USD 15 per barrel. That was around the same time as the LBMA was formed. Then, in 1990, Iraq invaded Kuwait and oil skyrocketed again to well over USD 30 per barrel. To put that in perspective, those two spikes were similar in magnitude to the spike in 2008, which took oil up to USD 149 per barrel.

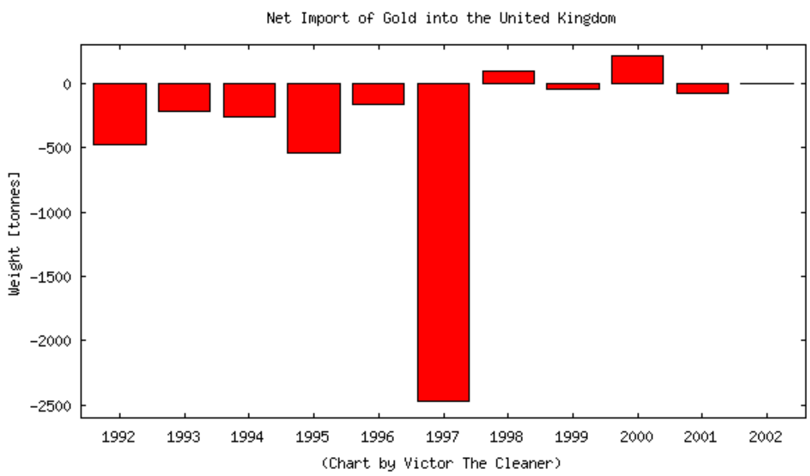
The Gulf War, which was 1990-1991, was when the oil for gold deal changed. The gold/oil ratio was what Another called the "old agreement", and he said that "went out the window after the Gulf War." So Another's "oil for gold deal" that he wrote about in his first few posts was what brought the price of oil back down after the Gulf War, to the USD 15-USD 20 range for most of the 1990s.

That deal was over-the-counter (OTC) through the LBMA, not on an exchange, and it was basically gold in the ground for oil in the ground on paper, guaranteed by the central banks' physical gold held in London at the Bank of England.

He said the Saudis began buying 20mln ounces per year, or 622 tonnes per year (CB guaranteed paper), beginning in 1991. They could also take a small amount of physical each year at the same time. This was a sweet deal for the Saudis, because they could acquire much more gold at market prices than they otherwise could. The gold was on paper, but it was guaranteed by the central banks, and the Saudis paid for it with the guarantee of their future oil production as collateral, so the mutual guarantees were rock solid. If the Saudis didn't get their gold, they could cut oil production, and if they didn't fulfill their end of the bargain, they wouldn't get their gold. It was kind of like MAD (mutually assured destruction).

Again, the motivation behind this was to keep the $IMFS going until they could launch the euro, which was still several years away. But in 1996, some big money in Asia found out or figured out what was going on. The implication of course was that the price of gold was being artificially suppressed by this deal, and the ability to buy large quantities at market prices without affecting the price was the essence of the deal. Yes it was paper gold, but it was guaranteed by central bank gold, albeit on a fractional basis at that point.

Anyway, the Asians (It may have been a legendary trader out of Hong Kong, or some other group in China, according to FOA) were the ones who drove the LBMA volume sky high in late 1996 and '97, much of it related to the handover of Hong Kong from the UK to China (again according to FOA) which culminated on July 1, 1997. This dramatic rise in trading volume led to the LBMA's surprise release of the clearing volume on January 30, 1997. But it wasn't just paper buying. The physical offtake was what really stressed the market, like a run on reserves at a fractional reserve bank. You can really see the 1997 physical offtake in this chart of net gold exports from the UK during the 1990s:



Here's the data and where it came from:

Monetary Gold Imports (Exports) from the UK (metric tonnes)[3]	
1991	-65.5
1992	-477.5
1993	-214.3
1994	-255.8
1995	-543.8
1996	-160.8
1997	-2,472.90
1998	93.6
1999	-48.6
2000	208.6
2001	-78.5
2002	-5.7

According to FOA, this frantic outflow of gold "threatened to unhinge the delicate balance" of the $IMFS. And according to Another, there were some 14,000 tonnes worth of unbacked paper gold that would have to be made good by the European central banks guaranteeing the paper. He wrote:

> *"Now the CBs will have to sell 1/3 to 1/2 of their gold just to cover what's out there. To use the Queens English 'it ain't gona happen dude'!"*

It was then that the BIS held a meeting, and the Bundesbank put its foot down. Here's what Another wrote about it on November 12, 1997:

> *"A person thinking of purchasing physical gold should see the Bundesbank statement as fact. They openly admit to lending in the past and no chance of selling real gold in the future. This is a clear indication that a solid decision was made at the BIS meeting (see my post) ! All CBs will now slowly stop all leasing operations and allow the market to size itself. The important players, the oil states, will have their paper covered without question! But, for all others, the great scramble is about to begin!*
>
> *[...]*
>
> *A BIS meeting was held and from those doors the world did change. The Bundesbank has now made clear to all what will now be policy for CBs. A crisis is at hand! All physical gold sales will stop. All gold lending will wind down. We will see the results of this as a massive scramble to cover open positions slowly unfolds. All of us will see the destruction of the gold market as we know it, LBMA will be no more!"*

That was the precursor to the Washington Agreement on Gold (WGA), also known as the Central Bank Gold Agreement (CBGA), which was signed two years later in 1999, and which is still in effect to this day.

—

3 "More Proof", Free Gold Money Report (James Turk), April 21, 2003 (via waybackMachine)

You asked, “Was there a main reason for them to start writing at the time they did?" This was it. A crisis was at hand! The Asians had spoiled the “deal", the central banks had pulled the plug on it, and the $IMFS was at risk of collapsing more than a year before the scheduled launch of the euro, at a time when the EMU was still struggling to pull things together.

A year later, in October of '98, FOA wrote this:

> *“In return, the BIS smashed the Asian economy and unleashed much of that gold. Few people grasp this, but I offer that if the BIS could take down Russia, a world nuclear superpower, Asia was no problem.”*

And after all that, some people focus on that one little line from Another: “*All of us will see the destruction of the gold market as we know it.”* And they say he got that wrong. So he must not be a real insider. He must have been guessing, or speculating. But let me just point out that even insiders can't see the future. They can tell us what's really happening behind the scenes, and how it might affect the future, but they don't have a crystal ball any more than anyone else does.

That's why FOA had to eventually write, almost three years later,

> *“If you came with a notion that I am someone who sees the future; grab the children and run far away. For these Thoughts, and my ongoing commentary, are meant to impact exactly as the “gentleman" said they would. People hear them, and whether believed or not, the words leave a mark. A mental mark on the trail, if you will. And later, after the world turns, our little “stacks of rocks" will be easier to understand next time you are passing this way. In fact, your ability to find your own way will forever be enhanced for having seen this path in a different light.”*

But more importantly, he wrote this:

> *“Timing? We, and I, as physical gold advocates, don't need timing for this position! Timing is for poor, paper traders. We are neither and our solid, long term, one call over several years to hold physical gold will confirm our reasoning. There is no stress for me to own this ancient asset as it is in a good proportion to all my other wealth. There is no trading an economic system whose currency is ending its timeline. Smart, quick talking players will joke at our expense until fast markets and locked down paper gold positions block their move into physical.”*

You see, when you finally come to truly understand the concepts they were explaining, you'll see that what he said about the destruction of the gold market as we know it, is still valid. It's still coming. The Oil and Asian stories were current events at that time, and they were the threat at that time. But that particular crisis was averted, and the euro was successfully launched 20 years ago this month.

Some still cling to the Oil and Asian stories as the core of Freegold, and as what keeps A/FOA relevant today, but that's just not the way it is. So many things have changed since then. GLD came along. The Saudis aren't buying much gold anymore. China joined the WTO and bought US dollars hand over fist for 12 straight years, from 2002 through 2013. 2008 happened. But even though the threats that were the reason for them to start writing when they did are no longer a concern, everything else about the ending of the $IMFS is worse and more obvious today than it was in 1997. And it's that, the ending of the $IMFS, that is the real core of Freegold, and what really keeps A/FOA relevant today. And that was the real driving force behind their writings. It's why they kept writing for more than three years after the Oil and Asian crisis was averted.

The big difference now, why it's worse and more obvious today, is that the foreign public sector no longer has a reason to support the $IMFS or the gold market as we know it whenever it's in danger. The reason behind the European central banks' support in the 1980s and 1990s ended with the launch of the euro. And China stopped its net purchases of US dollars in 2013 in an effort to float its currency to get it into the SDR. In fact, everyone's trying to float their currencies today, which is bad for the $IMFS. It's still going because the foreign private sector still finds US financial assets profitable, but when that ends it'll be like when the music stops in musical chairs. And yes, your physical gold is your chair. :D

Big question: What were they writing about? What were the main concepts they wanted their readers to understand?

The main concepts were money and wealth, and of course gold, oil and monetary history, but always with an eye toward the end of the current regime, the $IMFS, and its implications, what comes next, and so on. I think at the time they were writing, there was an excitement among some of their readers that change was possibly imminent, and that probably took away from a deeper understanding that was possible.

To me, wisdom is the kind of knowledge that comes from being, from living through, from experience. It's more of a perspective on facts than the facts themselves, and it's a perspective that transcends time and place. So while Another was explaining current events and how they could potentially end the gold market as we know it, there was also a deeper layer embedded in his message. Perhaps it was not intentional, but it was unavoidably there.

It took me years to unpack little bits of it, and each time I did was like a major epiphany for me. To give you just a few examples, one of the first epiphanies I had was the separation of monetary roles into different mediums for different purposes. There are three primary monetary functions, medium of exchange, store of value, and unit of account. What I realized was that what they were explaining as the future called Freegold was, in essence, a separation of the medium of exchange and store of value into different media—currency for transactions (MoE), and gold for savings (SoV).

A/FOA never wrote about it in precisely those terms, but unpacking it in this way helped me and many others to get down to that deeper level of wisdom. From there came the concept of the Debtors and the Savers, the two “classes" in perpetual conflict over whether money should be hard or easy. And from there came what one of my readers dubbed *FOFOA's Dilemma*, which is: “*When a single medium is* *used as both store of value and medium of exchange, it leads to a conflict between debtors and savers. FOFOA's dilemma holds true for both gold and fiat, the solution being Freegold, which incidentally also resolves Triffin's dilemma."*

From there came the concept that gold is really only for savers, while money and the monetary system are for everyone. And from that came the epiphany that "Freegold the monetary system" has nothing to do with gold. It's all about imbalances being resolved through floating currency exchange rates, not the transfer of reserves.

And finally, there's the deep concept that, as the reserve asset par excellence, gold's utility will scale. What I mean by that is it will serve roughly the same purpose at the individual level as it does at the national level. It's the universal wealth reserve, and the one totally useless proxy for all useful wealth. It's what you save for unforeseen emergencies and the unknowable future. And in this function, you'll want to have a certain amount, but not an unlimited amount.

This is the part that's so interesting on both the individual level, and at the national level. I've written in the past that the accumulation of foreign exchange reserves at the national level, even gold, is essentially a manipulation of the exchange rate. For decades, the world has done it for that exact purpose, to either peg or fix exchange rates. But reserves are also needed at the national level in case of emergencies. Emergencies can be manmade, like war, or natural, like earthquakes or other natural disasters.

Gold serves the same purpose at the individual level. It's a wealth reserve, a useless proxy for useful wealth that will transcend time and decay unlike more useful forms of wealth. We hold it for unforeseen emergencies, like medical emergencies, and for the unknowable future, including the prospect of a long retirement. But to get there, we need to accumulate this useless wealth proxy gold.

To accumulate a useless wealth proxy requires some measure of austerity, of living below your means, of foregoing some of life's pleasures in the here and now in favor of buying insurance for the unknowable future. It's a sacrifice to accumulate gold, both at the individual and at the national level.

This is why I say there's a prudent amount for everyone. It's a highly subjective measure, but it's one everyone (and every nation) should make. If you accumulate too much of a useless wealth proxy, it's wasteful because you will have sacrificed more than necessary, and like they say, you can't take it with you. Of course some will want to sacrifice well beyond their own needs for the benefit of their children, and that's fine. Like I said, it's a subjective measure, different for everyone.

At the national level, when a central bank is accumulating reserves, whether it be gold or foreign currency and foreign assets, the act of doing so suppresses the exchange rate of its currency below where it would otherwise be. This lowers the global purchasing power of the currency, and therefore the living standard of the entire currency zone. It's a form of national austerity, and it's the sacrifice that's made in order to accumulate reserves.

Each country needs a certain level of reserves for emergencies, but beyond that, the accumulation of more inflicts unnecessary sacrifice on the people of that currency zone. The point is, once you have a system of floating currency exchange rates, there's no need for central banks to do anything with their reserves except in the case of emergency. I think most countries have enough gold at this point, and that's why we haven't seen much change in official gold in aggregate. We've seen some shifting around, but very little net purchasing or selling of official gold over the last 20 years.

Even the Saudis, who played a big role in the current events of Another's time, don't appear to be purchasing much gold anymore. In one post, Another basically said that their goal was 100 million ounces, which is about 3,100 tonnes. He said that "100million + ozs of gold" was "equal to all the oil in Arabia," not at the gold/oil ratio of that time, but at a different one. He said, "It all depends on how it's valued, simple yes?"

Just look at what the Saudis and other oil states have done since the 1990s. They've build islands, ski resorts, tall structures, and even underwater structures. They are not sacrificing, and it doesn't look like they are buying much gold anymore, so perhaps they reached their goal.

Now think about this on the personal level. How much do you need to save? What's the right amount for you? It's a deep concept with many variables, revaluation being one of them. I've watched people buy too much gold, even going into debt to get more, and I've seen it backfire more than once. FOA once wrote,

> *"There is no stress for me to own this ancient asset as it is in a good proportion to all my other wealth."*

What was their view on gold and how is it different from the "classic goldbug" view we all know?

For A/FOA, gold is the master proxy for real wealth, meaning not money, but the actual wants and needs that contribute to our standard of living. That's real wealth, useful things, and gold is the useless proxy we can save and exchange for those things in the future.

To goldbugs, on the other hand, gold is the rhetorical proxy for a whole menu of other metals, commodities, hard assets, and shares in the companies that produce them. When goldbugs talk about gold, they're really talking about gold and silver… and platinum and palladium and rhodium and mining shares and so on. You'll often hear goldbugs say things like "silver is like gold on steroids," but you'll never see A/FOA say anything like that.

For A/FOA, the reason to buy gold is a revaluation, not a bull run in the price. And it's only *physical* gold that will be revalued when the US dollar system dies. And the best way to hold it to make sure that you really own the physical itself is by possessing it, not letting someone else hold it on your behalf. There are too many potential pitfalls to trusting some sort of promise on paper, even if it says that they're holding real physical gold on your behalf.

But to goldbugs, the reason to buy "gold, etc…" is a bull run in all goldish-type things. They anticipate a repeat of the 1970s, which is why they say things like silver and mining shares are like gold on steroids. In the late 1970s, they were.

For A/FOA, gold's highest value can only be realized once it is totally freed from money, and completely unshackled from the monetary system and fractional reserve banking, as is happening. Goldbugs, on the other hand, are perpetually engaged in the quixotic battle to get gold back *into* the monetary system, and to re-shackle it to money. Funnily enough, probably the biggest goldbug organization actually uses Don Quixote himself as its mascot. For those who don't know, the definition of quixotic is, "exceedingly idealistic; unrealistic and impractical," which is how FOA often characterized "Hard Money Socialists", or as you put it, classic goldbugs.

But FOA was very clear that he, himself, came from that same background. He, too, was once a Hard Money Socialist and a classic goldbug:

> ***Trail Guide (06/17/01; 20:39:31MT - usagold.com msg#: 56317)***
>
> *Throughout history "hard money socialists" always fought to include gold in the currency / banking system so they had an escape route. None of them ever could live with gold moving through society as a singular wealth asset that was traded next to cash.*
>
> ***FOA (08/28/01; 10:34:03MT - usagold.com msg#104)***
>
> *The notion that "real wealth" and "money function" could be combined and retained, for trade use and as a long term savings for average man, was a dream for hard money socialists. These two separate forces were stamped together and coined by a narrow logic that never would concede how incompatible it was with changing human desires.*
>
> ***FOA (10/3/01; 10:21:26MT - usagold.com msg#110)***
>
> *Most current brand of American gold bugs all invest along the "hard money socialist"line. They harp on the gold story while placing their money in leveraged bets on gold. Perhaps 10% of their hard money portfolio is in physical and even most of that is in the falsely perceived leverage of lesser hard metals. All the while 90% of their investment is in various leveraged near gold games…*
>
> *Fortunately for the majority of world physical gold owners, the hard money socialist game has ended. In fact, it has been on track to fail for a decade or more. To this end, I invest for a full American economic and associated dollar currency breakdown that is reflected in a total revaluation and function of all dollar using business entities. Because governments do and must combat these types of breakups, gold mines and the hard money socialists that guide most of them will fail little better than other investors or companies. They will cry for the government to again create a stable, leveraged paper gold arena so their bets could return to even.*

FOA (10/4/01; 11:34:15MT - usagold.com msg#111)

This political process of fixing money value with the singular weight of gold locked gold into a never-ending money vs gold value battle that has ruined more economies, governments and societies than anything. This is where the very first "Hard Money Socialists" began. Truly, to this day they think their ideas are the saving grace of the money world. It isn't now and never was then.

FOA (10/5/01; 10:55:19MT - usagold.com msg#112)

I bet you and many hikers think I am tagging all Americans and gold thinkers with this "Hard Money Socialist" label. Ha Ha,,,,, let me slowly turn around so everyone can take a good look what a HMS looks like. Yes, that's right,,,,, I fit the definition completely.

Most of my life I thought gold should be locked into any official currency system so to act as a gauge and controlling factor against socialist tendencies in governments. I studied and in some cases talked to all the prominent thinkers on the subject…

FOA (10/9/01; 10:05:48MT - usagold.com msg#117)

Remember, this writing is coming from one of the longest running (now ex.) "Hard Money Socialists" anyone has ever seen!

What was their view on fiat money and how is it different from the "classic" view we all know?

FOA wrote several posts about the pure concept of money, meaning not how we think of money today, but more like a view on the money concept that transcends place and time. It's a view of the money concept as it first emerged in antiquity, but it also explains so much more about what's happening today than, as you put it, the "classic" view of money that we all already know.

In the simplest terms, the pure and original concept of money is closest to the credit money of today. In essence, money is credit. It's not gold, or even paper. Instead it's the numbers that are stamped on the metal or printed on the paper, not the metal or the paper itself. And those numbers (the credits) can just as easily be printed on a ledger, or even held in one's memory.

"Fiat currency" generally means "unbacked currency". It's a term used primarily to differentiate the US dollar after being taken off the gold standard in 1971, from the US dollar before Nixon closed the gold window. It's probably not the most precise use of the term, but it is the most common.

I guess the biggest difference is that A/FOA view the post-71 fiat US dollar as an improvement on the gold standard US dollar. It's all part of the evolution from hard fixed to free floating exchange rates, which is Freegold. It was the Jamaica Accord in January of 1976, the 2nd Amendment to the IMF Articles of Agreement, that officially unshackled gold from the monetary system. And it's still in effect today. It paved the way for free floating exchange rates, abolished the official price of gold, and authorized central banks to carry out gold transactions at free gold market prices. It paved the way for Freegold!

There's a famous line that Ari wrote about his biggest epiphany, and it goes like this:

> *"In working on this project, I was personally shocked when I discovered that we absolutely NEEDED paper currency in order to set Gold free."*

My Debtors and Savers post talks about two kinds of money systems, easy money and hard money, and two camps of people, the easy money camp and the hard money camp. Fiat money is easy money, and a gold standard is hard money. We've had both in the past, and each type of money tends to benefit its own camp of people to the detriment of the other camp. Easy money depreciates, benefitting debtors and hurting savers, while hard money appreciates, benefiting savers and hurting debtors.

Freegold solves this dilemma by giving savers their own "hard money" to save in while the monetary system everyone uses is an easy money system. Each camp gets its preferred kind of money. And although the money everyone uses depreciates over time, the savers avoid paying disproportionately for that depreciation by simply not saving in that money.

So, you see, Freegold really is an easy money system, if we're talking about the monetary system and not the wealth asset used for saving. Freegold money is just like today's money. And that's, I think, the big difference in A/FOA's view of the fiat monetary system.

Yes, there are many problems today, but they stem from the $IMFS, not from modern fiat money. And by that, I mean they stem from savers all over the world saving in today's fiat money. That is truly the root cause of most of the problems people blame on easy money. We don't need to fix modern fiat easy central bank money, we just need to stop saving in it.

What was their view on oil and how is it different from the "classic" view we all know?

This is a tricky question. I think the best way to approach it will be to give you a few "oil quotes" from A/FOA along with my own commentary. It's going to take some time, but hopefully it will be worth it! This first one is from March of 1998:

> ***Another:*** *"To understand gold, one must start with 'oil'! Let us go back in time, to the early 70's. Many did view the oil market as an attempt at a 'cartel' to keep the price high in USD terms. My view, from where I stand, did show a 'cartel' for public image. However, the oil market was never controlled to move the price higher! It was controlled to keep the price down! Even 'back then', oil was managed in much the same way as gold is today. Yes, oil became 'gold' from an economic viewpoint, 'black gold' if you will! In that*

> *time, as today, oil and gold had to be managed to keep their true value, in terms of currencies from destroying the free market financial system based on low prices for both. Politically, there is much more to gain, by producing countries, by 'managing' its price down, than by 'allowing' its price to rise thru freemarket use!"*

The "free market financial system" he was talking about is the $IMFS, and he says it relies on both cheap oil and cheap gold. Continuing…

> *"Oil is managed from the standpoint of 'supply' not demand, as demand is infinite for this now indispensable substance. The world economic need for oil has built our modern financial structure as an upside down pyramid, on oil! Every business, asset, debt, currency and army is 'priced in currency terms' that reflect a 'full supply of cheap oil'!*
>
> *But, what is cheap oil? It is defined in two terms, a currency price that allows a country to operate its economy in a competitive way, and, in another real commodity price that allows producers to value their product as an asset, not subject to the valuations of the world economy, gold."*

Remember earlier I said that the "classic" view is that gold is the proxy for commodities in general? The truth is that *oil* is a good proxy for not only commodities in general, but for manufactured goods in general. While gold is almost totally "useless" other than as a wealth reserve, oil is the most basic input in the production and distribution of commodities and manufactured goods in general.

> *From this standpoint, one can see the value of managing both oil and gold. For the oil field owner, operating in a "oil consuming" country, there is no value in this form of management! But, from an "oil producing" country, holding world class reserves, a low USD price offers all the advantages. It produces an ever "dependent" economic system, that, "in real terms of need" "up-values all in-ground reserves" with a far higher "future need". That "future need", as expressed in a drive "to maintain current asset values (dow jones) " creates the political drive to manage oil prices*
>
> *[…]*
>
> *Mr. Allen, the "Beirut Resolution" was real. [Note: The Beirut Resolution was a 1971 OPEC resolution to raise the price of oil any time the dollar was devalued, regardless of whether the devaluation was caused by government action or market forces. If the dollar lost purchasing power, OPEC could raise its price.] In that time, the threat was to price oil in all currencies, not just US$! When the US$ went off the gold standard, the problem was not that oil would buy gold. The gold "free" market was very small for oil. In the back rooms, all talk was "how to keep oil prices and "settled" in US$! As the dollar was the reserve for all countries, a move from oil in dollars would have destroyed it and the financial systems of most large economies. With the US$ just off the gold system, it was very susceptible to any loss of usage.*

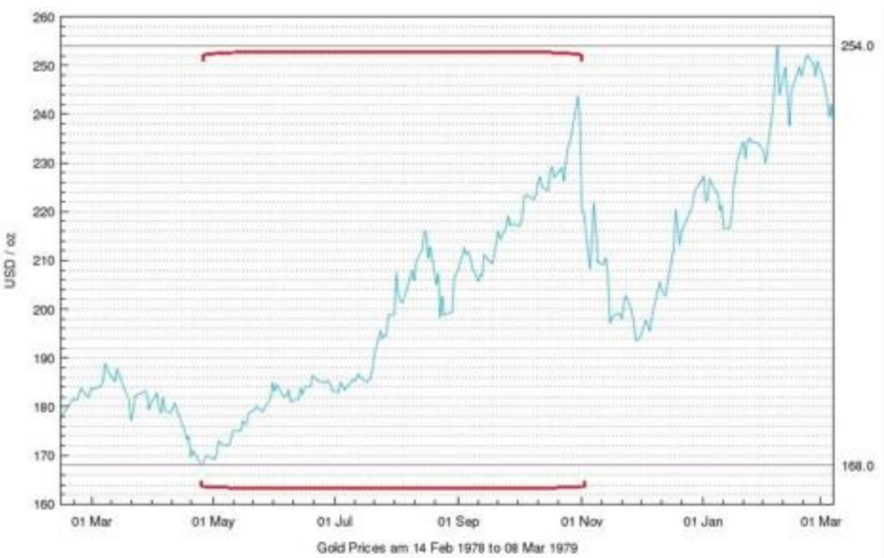
Note that the perceived threat from the loss of the US dollar reserve system was to "the financial systems of most large economies," not just to the US. He's explaining the concerns of Europe here, not the US, when he says they were worried that "oil" would change its pricing from US dollars to a basket of currencies.

> *To hold a dollar backed oil system, the governments agreed to create a liquid "free" gold market. They did this by selling much gold over years and allowing it to rise to $200 US. Then, as now, free dollar reserves could go into gold. As the US treasury did no longer back US$ with gold, it hurt not the currency. In a very real way, the dollar went onto an "oil standard" to replace the old "gold standard". As $180/$200 was to be the limit, for gold (the BIS set at $180 then) , in 1978 the US did bomb the gold when it went to $250. The market went out of control and rest is history.*

Remember earlier, I said that the 2nd Amendment to the IMF Articles of Agreement, passed in January of 1976 at the Jamaica Accord, officially codified the "free gold market" and paved the way to Freegold by authorizing central banks to carry out gold transactions at free gold market prices? I also said earlier that "oil" learned the lesson in the 1970s that it was too big to buy real physical gold with its surplus US dollars. It simply drove up the price which was self-defeating.

Another wrote,

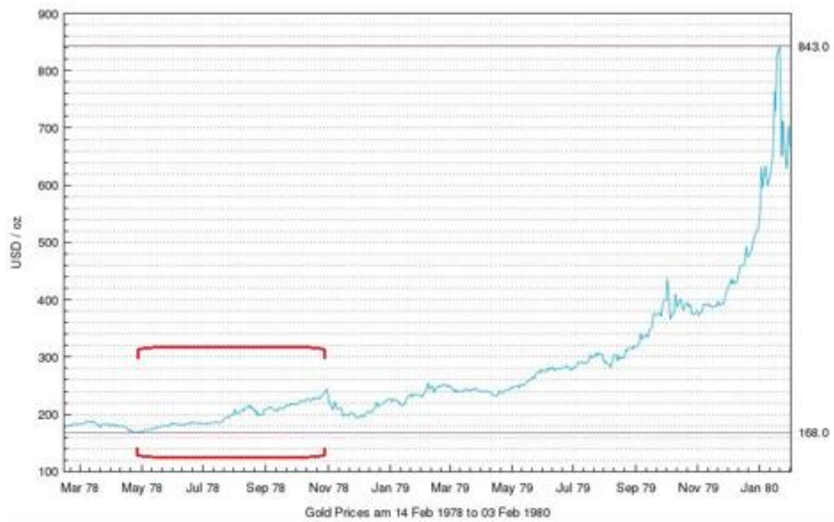
> *"As $180/$200 was to be the limit, for gold (the BIS set at $180 then) , in 1978 the US did bomb the gold when it went to $250. The market went out of control and rest is history." In 1978, from about May through October especially, the US dollar was collapsing and the price of gold was rising. Here are the charts. I marked the period of reference:*



That last spike in October was when gold hit USD 250, and President Carter threw everything but the kitchen sink at the problem. This is what Another meant by "the US did bomb the gold when it went to $250," from my Dirty Float post:

> *"**Carter's kitchen sink approach was a multi-front attack on the dollar's weakness**, from buying up international dollar liquidity through 'massive intervention' in the foreign exchange market and tightening domestic liquidity by raising interest rates and bank reserve requirements, to **quintupling the size of the ongoing US Treasury gold auctions from 9 to 46 tonnes per month.** Carter's war chest of foreign currency ammunition was declared to be $30B, $5B already held by the US at the IMF, and another $25B in foreign currency that would be borrowed, primarily through expanded swaps with foreign CBs."*

And here's what Another meant by "The market went out of control and rest is history."



So, if there was an acceptable level for gold that was higher than USD 35/ounce, but not too high, then why not just raise the official price in 1971, rather than closing the gold window altogether? Here's Another writing about that in April of 1998:

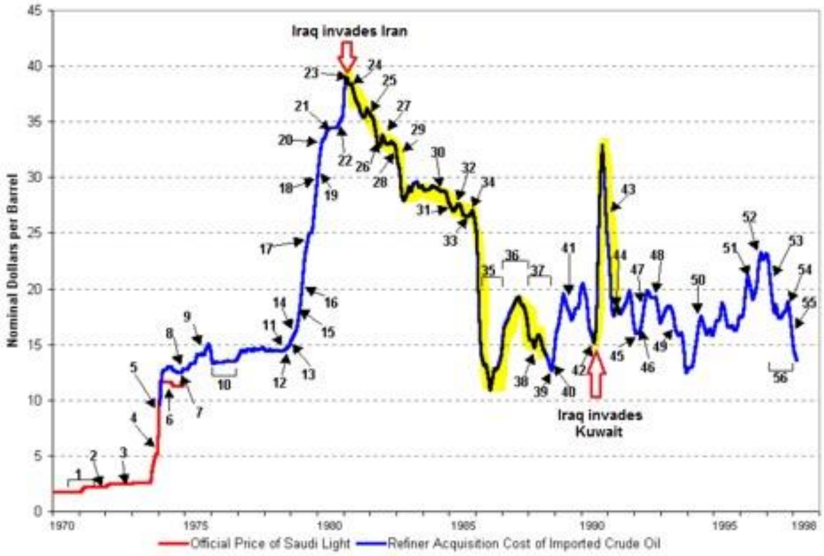
> ***Another:*** *"In days past, it was held as good knowledge that the US stopped gold backing to protect the dollar and keep gold from leaving to other shores.*
>
> *But, in the same time frame, all central banks did sell gold to all persons, even the US. All treasuries held gold and dollars as reserves. To what end did the world financial system gain with the dollar off gold backing, and then allowed to 'dirty float' against all currencies? Would the world not have been better off to find gold revalued to, say $300 and then begin a 'dirty float'? Noone would have lost, and the inflation would have, at best, not have been worse!*
>
> *Truly, I tell the reason for this action. The US oil companies knew that the cheap reserves were found. The governments knew this also. The only low cost oil reserves in the world at this time were in the Middle East, and their cost to find and produce was very low. It was known, that, in time, ALL oil would come from this land. As much higher US dollar prices were needed to allow exploration and production of other reserves, worldwide. But, how to get crude prices, up, when the Gulf States were OK to pump and produce in exchange for 'gold backed dollars'? I will not name the gentlemen that brought this thinking to the surface in that era, but it was discussed. It was known that oil liked gold. It was known that 'local oil' would be used up without higher prices. What if, the US dollar was taken off the gold standard, and gold was managed 'upward' to say, $208 per ounce? The dynamics of the market would force oil to rise and allow for much needed capital to search for the higher priced oil that was known to exist! The producers would find shelter in gold even as the price of oil was increased in terms of a now 'non gold dollar'! Price inflation would rise, but gold and oil would also increase. The dollar would continue to be used as the only payment for oil, and in doing so replace gold as the backing for this 'reserve currency'. All would be fair.*
>
> *The war in 1973 and the Iran problem did make markets 'overshoot', but all did work to the correct end. The result was 'a needed higher price for a commodity that was, as reserves, in much over supply by the wrong countries'! It was known that the public would never have accepted this "proposition" as fair. To this end, we have come."*

So Another said that the gold window was closed rather than revaluing gold to, say, USD 300 an ounce, in order to raise the price of oil. The reasoning was so that the rest of the world could afford to look for higher cost reserves, and that eventually we would not be so dependent on one unstable region of the world for our energy needs. And it apparently worked. Today, the top two, and five of the top ten oil producing countries in the world are neither in OPEC nor in the Middle East, and 56% of the world's oil comes from non-OPEC countries.

Another also gave us some interesting details. He said that this line of thought was brought up for discussion by some "gentlemen" (plural) that he would not name. Isn't that interesting? And he even gave us some specific insider details about the discussions. He said the plan was to "manage" the gold price rise by selling official gold into the market when necessary, and that the BIS had a specific target price of USD 180.

Obviously that price was surpassed, and Another explained that "*The war in 1973 and the Iran problem did make markets overshoot"*. The war in '73 was the Yom Kippur War between the Arabs and the Israelis, and the "Iran problem" was the Islamic Revolution in 1979, from which Iraq invaded Iran a year later with the encouragement of neighboring Saudi Arabia and Kuwait, and later the support of virtually the entire rest of the world.

And remember that we're talking about the gold price "overshooting" here, but so



did the oil price, as the purpose of managing the gold price to a specific level (USD 180) was that "*The dynamics of the market would force oil to rise and allow for much needed capital to search for the higher priced oil that was known to exist!"* So higher was good, but too much higher, the kind of higher you get from unexpected wars and revolutions, was bad. I wrote a long and detailed post about this a few years ago at the Speakeasy, and here's an oil price chart from that post:

Now, I don't doubt Another's word for a minute, but thanks to the Nixon tapes, the Freedom of Information Act, State Dept. releases, Fed transcripts and Wikileaks, today we have access to more candid conversations within the DC power elite establishment during the 1970s than any other time and place I can think of in all of history. And one thing that's clear is that raising the price of oil was not Nixon's primary motivation.

The Saudis weren't the gold problem in 1971 that forced the closing of the gold window. Most of the formerly US gold had gone to Europe, not Saudi Arabia. In fact, the US had gone from owning 69% of the world's official gold to only 28% in less than 20 years, and the vast majority of that transfer went to Europe. So a revaluation of gold in isolation, against ***everything***, would have been a game-changing windfall for Europe. And we know from previously-classified documents that the US was indeed concerned about Europe gaining monetarily by simply revaluing gold.

Furthermore, I can imagine how the raising-the-price-of-oil argument might be more necessary in convincing Europeans to support closing the gold window over outright revaluation, than in convincing Nixon or Burns. To the Americans it would be *another* reason, a supporting reason, but to the Europeans it might be primary. And I'll mention again, Another was relating a primarily-European perspective in most of his writings.

Also, from my research for *Dirty Float*, I found that, at least in the late 1970s, the Saudis themselves were more concerned about keeping oil priced in US dollars (rather than using a basket of currencies which was the alternative being floated at the time) than the US government was. This also fits with Another's "European insider" perspective and memories, because I think it's clear, in general, that it was the Europeans and the Saudis working together behind the scenes in most of what Another reveals.

So that's a pretty big difference in the historical account of oil as it relates to gold, from "the classic view we all know." Here are a couple more quotes to kind of top it off:

> ***Another:*** *"The 'new Euro' did take much longer to create, and the Gulf War did create a crisis of payment for oil. In this time, early 1990s, the currency of gold was brought 'into use' as a 'temporary' partial payment until the Euro could be presented. A paper gold market, of sufficient size, was created, that as such, it could hide discount payments to a few producers for oil."*

> ***FOA:*** *"The early 90s Gulf war spike in gold should have been the final revenge for us bugs. Can you imagine,,,,,, war in the middle eastern oil fields,,,,,,, hundreds of wells burning and gold gets shot down?? I was already 80% in my associates (Another's) camp of thinking by then and that spike down pulled my other 20% right in. I knew then that the whole story was changing on political grounds and was not going to follow the Mises path."*

But in addition to the historical account, there's also a big difference in the projected future of oil as it relates to gold:

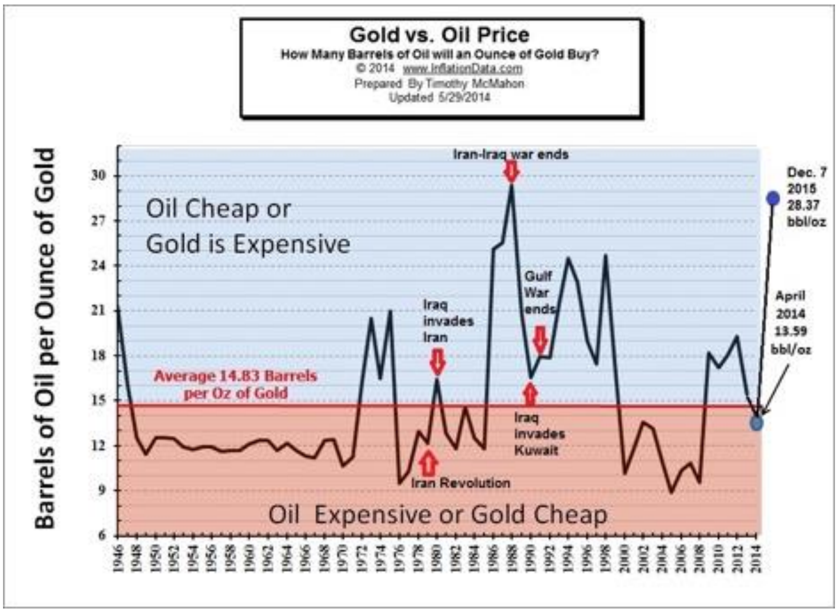
> ***Another:*** *"When the battle to keep gold from devaluing oil (in direct gold for oil terms) is lost, the dollar will find 'no problem' with $30,000 gold."*

People still ask today, just like they did back in the 1990s, "What's the point of $30K or $55K gold if a burger costs me $100?" They just can't wrap their heads around a gold revaluation in isolation, why it *must* be revalued eventually, why eventually is soon, and why this time is so different from 1971. It all comes down to *"the battle to keep gold from devaluing oil (in direct gold for oil terms)."*

As I said, oil is a better proxy for commodities and consumer goods than gold, because it's the primary input for those things. Gold just sits in a vault. It's basically useless other than the fact that it makes a good wealth reserve.

Revaluing gold to USD 200 or USD 300 an ounce back in 1971 would have been completely different from simply closing the gold window and then dumping tonnes onto the open market in a futile attempt to manage the price rise through brute force. It could have potentially worked for a long time. Gold was still under USD 300 more than 30 years later in 2002. But the world wasn't ready for it yet. A backup monetary system of sufficient size to guarantee economic continuity was still three decades away, and the West was on course to eventually become completely dependent upon the Middle East for oil.

But a gold revaluation in isolation still needs to happen. It hasn't happened yet. A gold/oil ratio of under 50, which it has been for 73 years now, is an artifact of the



US dollar reserve system, also known as the US dollar international monetary and financial system (the $IMFS). It was at 21 in 1946, and it's 21.9 as I type. Here's another chart from my 2015 oil post at the Speakeasy. This one is the gold/oil ratio:

So here's the other big difference between A/FOA's view and the "classic" view. The "classic" view is that if we ever see USD 30,000 gold, then oil would have to be at least USD 1,000 a barrel. But Another foresaw a post-revaluation gold/oil ratio of as high as 1,000:1, meaning, in real terms, not nominal terms, gold could be revalued to USD 30,000 an ounce with oil still at USD 30 a barrel!

This is possible, because A) the price of gold has no impact on the price of other things—it's basically an arbitrary price—whereas the price of oil *is* closely related to the general price level, i.e., inflation, and B) because the gold/oil ratio of the last 73 has never been allowed to find its physical equilibrium price. As I said, it all comes down to *"the battle to keep gold from devaluing oil (in direct gold for oil terms)."*

The "battle" has already ended. Europe stopped when the euro was launched, and the rest of the foreign public sector stopped supporting the $IMFS five years ago. The gold/oil ratio which persists today is merely an artifact of the $IMFS, the result of regression and the expectation of traders that tomorrow will be just like yesterday, just like the gold/silver ratio is an artifact of the same. It won't break until the $IMFS ends. But when it does, the outcome A/FOA foretold is about 50 times greater than "the classic view we all know."

What was their view of "the world" and the way politics and factions within the financial world were structured at the end of the 1990s?

There's a great line by Another from May of 1998, right after they moved over from the Kitco forum to USAGOLD. Michael Kosares of USAGOLD asked him this:

> *"It seems that both you and your friend believe that the world is splitting up into currency/trading blocks -- much as the world did for both World Wars. There has been much discussion around the world about the imposition of a NEW WORLD ORDER and international one world government. Simultaneously, we see another, opposing force at work -- regionalism, nationalism, even tribalism. What do you make of this? Is the Euro a child of the forces of the New World Order, or the forces of regionalism/nationalism/tribalism?"*

And Another delivers possibly his greatest line ever:

> *"I would say, 'Old World Order' to return. To understand/explain better: A very easy way to view this 'order', would be to simply say that the American Experience is reaching the end!"*

There's so much deep stuff behind that line, stuff which they would spend the next 3½ years expanding upon. But in that comment, he goes on to explain how the $IMFS—"*the New Idea of long term debt, being held as a money asset"*—grew out of the European economic ruins of WWII. And then he says, "*here was born the American Experience that comes to maturity today."*

This shouldn't be read as an indictment of America, the $IMFS, or even the American Experience (i.e., the "exorbitant privilege" of printing the world reserve currency), it was really just a statement of fact, a recognition of reality. It was kind of the underlying theme of their entire tenure and message.

As for political and financial factions, if you read that one comment (and you can read it here), he answers a bunch of questions about who is aligned with whom:

> ***"Is Europe (led behind the scenes by the BIS) an opponent to the United States?***
>
> *Sir, Yes, but not in the ways of war, as it is in the feelings of 'pride' and 'we go our own way'... Opponents? No, I would say they are learners of the 'American Way' as they embrace the 'American Idea' of a 'free world market economy.*
>
> ***Which countries are in which camp? Your associate (FOA) seems to feel that Asia is split between the United States which has Japan***

as an ally, and Europe which has China as an ally (a notion I found particularly intriguing). Where is Britain in this? Japan? And most importantly, the Gulf States, particularly Saudi Arabia?

Sir, I feel he is correct in this thought. Europe does grasp for a relationship with Asia as the US did have with the Japan. It would build a mighty economy on a foundation of oil and gold as backing for new money. As China and Arabia was once a part of the Europe economy, in a small way. They may now return with no fear of Russia. Britain? A lost nation. Japan? This one is "of the American Economy" and is to live and die by it!

Your associate says that BIS helped China increase its gold holdings. Please tell me what the source of that information is, or is it simply a speculation on his part?

The BIS is the gold broker for all interbank sales/purchases. Bullion Banks are for sales to other entities. I think, at first, China was leverage against the oil producers. Then Arabia was allowed into BIS for Euro.

One other item you might clarify for me is 'Who is really behind BIS'?

Perhaps, 'who control them'?

The Swiss?

Yes.

The euro central banks?

Yes.

Who does BIS really represent?

'Old world, gold economy, as viewed thru modern eyes' or ' way to move from US$ without war'.

Why was Saudi Arabia just included in BIS?

answered.

Has Saudi Arabia gone with Europe?

Yes.

Sir, there is much more to this, but we talk over time, yes? I will be away for perhaps ten days. We speak again.

Did they change their story over time? Were there specific events or news items that they referenced while writing?

Did they change their story over time? No. When you say story, I think you must be referring to the history they explained. That didn't change. Perhaps you mean, did they change their message over time? No on that too. Their message was consistent all the way through. They were just dumping wisdom by the truckload, in my opinion, and that kind of stuff doesn't change.

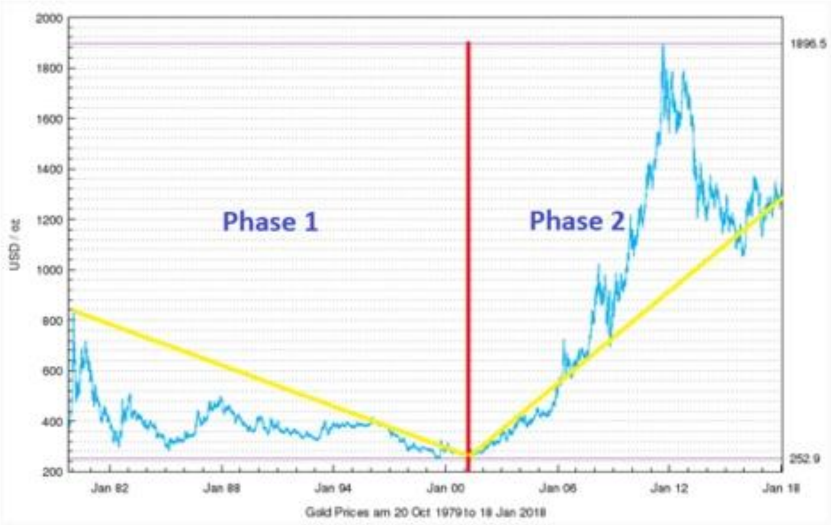
But I think I know what you're after. Did they change their outlook or predictions over time? Well, some would say they were predicting an imminent collapse and revaluation of gold, over and over for four years, and that never happened. But I don't think they ever engaged in timing that way. I think they explained what will happen when the $IMFS ends, and how it was in danger of ending back then. And I think they were right, and are still right to this day. It *was* in danger back then, it just didn't happen then, and hasn't happened yet.

Understand that even the most inside of insiders can't know every twist and turn that a complex system will take on the way to its end. All they can do is let us know what they know, and warn us about *potential* imminent risks. As I quoted above, FOA once wrote:

> *If you came with a notion that I am someone who sees the future, grab the children and run far away.*

I love that line, because it reflects how each person's subjective perception affects their judgment of A/FOA. With a proper perspective on what they wrote, which I've been trying to help people obtain for over a decade now, I think it's clear that they didn't change their story over time, and that's a good indication that they were telling the truth.

As for specific events and news items that they referenced along the way, there were many. Some of the more notable ones were the Asian financial crisis, LTCM, the launch of the euro, "Brown's Bottom" and 9/11. Understand that it's not easy being a gold writer when the price is declining, and during the years they were writing, gold dropped almost 30%, from USD 350 to USD 250.



That chart is from my post, Comex is a Side Show, which comes from a 1997 quote by Another, and they were posting right through the final four years of Phase 1 in that chart. So it's pretty amazing the following they garnered, and how their writings are still relevant today. It really is quite remarkable.

Questions on predictions and the future

A/FOA wrote a lot about the future. What did they think was going to happen?

This is the perception that many people have, mainly because they predicted the end of the US dollar reserve system and the revaluation of gold, but I think they wrote much more about the past and the present than the future. As I already quoted above, FOA explicitly rejected the notion that he was a soothsayer, or whatever you want to call a person who can see the future.

Instead, he said,

> *"later, after the world turns, our [words] will be easier to understand… In fact, your ability to find your own way will forever be enhanced for having seen this path in a different light."*

I'm not trying to downplay their predictions, because they were as big as they come. They predicted that the US dollar reserve system would end in hyperinflation, the paper gold market would end, and physical gold would be revalued to a really high price. They explained why these outcomes were inevitable, which entailed mostly explaining how we got here—"this path"—shown in a different light.

In June of 1999, after responding to questions from commenters for almost two years, they pivoted to something more like a blog. Eventually it developed into the series they called *The Gold Trail*, but here he explains the initial pivot:

> *"I had considered writing many letters (posts) to address each of the different questions / concepts posed on this forum. This was as a similar process that Another used to get readers to view and analyze events in a different light, using their own concepts. However, this subject is now much too large and all-consuming for brief points of comment. We have reached a time when 'everyone' has seen the obvious management of gold prices and accepts this as fact. Only a few years ago, most investors considered the gold market as a 'somewhat free' supply / demand situation and invested using that premise. As Another pointed out that 'events' would prove all things, so do we witness the evolution of investor logic into the realm of 'reality'!*
>
> ***Gold: Saving Real Money In A Time Of Transition***
>
> *I am going to offer a series of posts (chapters) starting at the 'beginning'. We will use simple logic and common terms to explain 'what has happened' along*

> *this 'journey through time'. Another will edit it for direction (as he has this post). This will be a long process, and I hope it will offer a real value for 'thoughtful minds'. As many are now starting to discover that most of the Western ideas of gold investment were flawed from the beginning, so too will they find their present (gold) portfolios 'unprepared' for the storm that approaches!"*

In hindsight, did any of their predictions (for example on the price of Gold or the Euro) come true?

Way back in 2009, I wrote a post titled, *The Call of the Century*. Let me give you a short section from the beginning of the post, and a paragraph from the end, to make a point about "predictions":

> *"Making market calls, or 'predictions', is a common practice. Timing is always the hardest part. If your sole source of income is derived from the success of these calls or predictions, it is advantageous to attach a timing that is far enough out that it allows for new information to surface that can be used to mitigate any damage done to your reputation should that call be wrong.*
>
> *Normal market calls usually state that for fundamental or technical reasons, a trend line is due to change directions. But in the short run, where market calls normally reside, fundamental forces often take a back seat to momentum. It has always been this way, which makes fundamental-based timing more difficult. But now more than ever, it seems that fundamentals have taken a seat all the way at the back of the bus.*
>
> *Generally, the purpose of market predictions is short term profits. For this reason, the business of calling markets has shifted over the last year, far away from fundamentals. I am not saying that no one is making fundamental calls, only that many newsletter writers who make their living doing this are saying two very different things out of two sides of their mouths.*
>
> *On one side, they are saying "'go with the flow for a profit' and on the other, 'fundamentally we are due for a big change'. So the way they reconcile these two different predictions is by setting up a boundary between the short and long term, a boundary which they will keep pushing forward through time until, unexpectedly and catastrophically, the short and long terms collide. Then they will finally claim magical predictive powers, even if their followers have lost everything.*
>
> *[…]*
>
> *Much is written about how gold will profit from the falling dollar. I think it is the other way around. It may just be a semantic difference, but I really think that gold is the key! And I feel privileged to have found*

> *the one explanation that makes so much sense. The call of the century, made less than 12 years ago, unfolding in front of our eyes today!*

The point is that A/FOA weren't making short term predictions. They didn't do timing or technical analysis, they did large scale, long term, big picture fundamentals. If some of the things they wrote sounded like short-term predictions, that was usually more of a misperception by the reader than the intent of the writer.

The concepts that they explained acted on the scale of decades, and the discussions were about the ultimate end of the $IMFS, the denouement, the final outcome of the 100-year US dollar system timeline. They weren't about making money *in* the system, but about surviving its inevitable end.

Here's an example I found where a reader named Reify asked Another about the timing of his predictions back in 1997:

> *"Date: Mon Nov 03 1997 07:31*
> *Reify (@ANOTHER) ID#413109:*
> *Soooo, I'm wondering, over what period of time are your predictions? Where do you get information on about, Big Trader?*
>
> *Reify,*
> *The actual buying of gold (no other metals) by huge players is not a prediction, it is ongoing. In 1997 it exploded! The price of the metal in currency terms will be made for all to see as it moves quickly upward for a very short period of time (30 days). After that only black market traders and third world noones will understand its price! When is this going to happen? I have no idea. Is there anything to look for that will tell us when the problems have started? At first the US$ and gold will go up together against all other assets!"*

Notice that first he says he's not making a prediction, he's talking about something that is ongoing. Then it almost sounds like he's about to do timing when he mentions a short period of 30 days, but then he says, "When is this going to happen? I have no idea."

Remember, FOA said they don't do timing, and that timing is for poor traders. They were not traders. They simply recommended following in the footsteps of giants, buying physical gold over the years, and holding it through the inevitable end of the current system. Their ultimate predictions have yet to unfold, but those who took their advice have seen a 400% gain since 2001. The Dow, by comparison, is only up 133% after two collapses, and is due for another.

Speaking of the Dow, I did find one prediction FOA made in 2001 that came true:

> *"The Dow will not be much different when seen ten years from now; a drop to 5,000 then off again, is a real possibility!" (LINK)*

The Dow dropped from 11,000 in 2001 down to 7,000 and back up to 12,000 in 2011.

What didn't come true?

Well, their timing didn't come true, but as I said, their timing was more of a misperception by the reader than the intent of the writer. And since they didn't do timing, I'd probably rephrase your question as: What didn't come true… yet?

The collapse of the paper gold market centered in London hasn't happened yet. The collapse of the US dollar reserve system and hyperinflation of the US dollar hasn't happened yet. And the gold revaluation to somewhere around USD 55,000 per ounce (in constant US dollars) hasn't happened yet. But one of the things I do on my blog is explain why these predictions didn't come true yet, but still will.

You mentioned a price tag of USD 55,000 for one ounce of Gold. Is that a number A/FOA were using or is this your number?

USD 55,000 is my number. I first used it in 2009. A/FOA used USD 30,000, but that was back when gold was under USD 300 an ounce and oil was around USD 12 per barrel.

Anyway, what is the thinking behind this number?

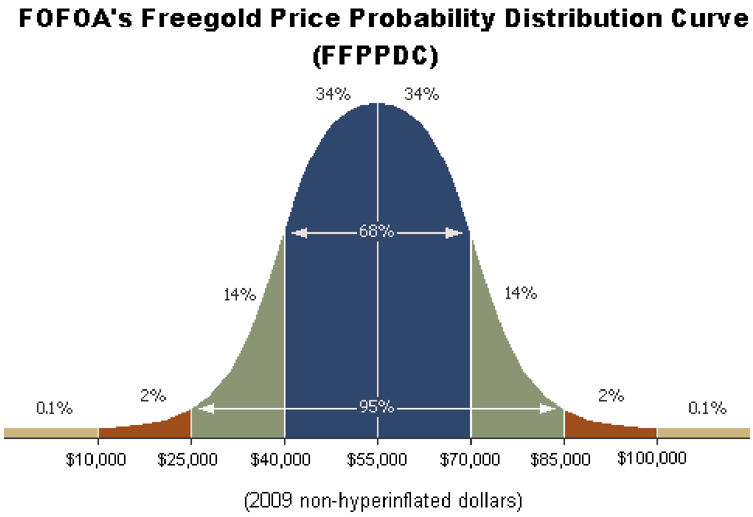
Well, first let me address A/FOA's number and where it came from. FOA was asked that question back in 1999, and he said it was a projection taken from a study done way back in 1988 in response to the stock market crash of 1987. It was based on the US dollar losing "reserve use". Here's what he wrote:

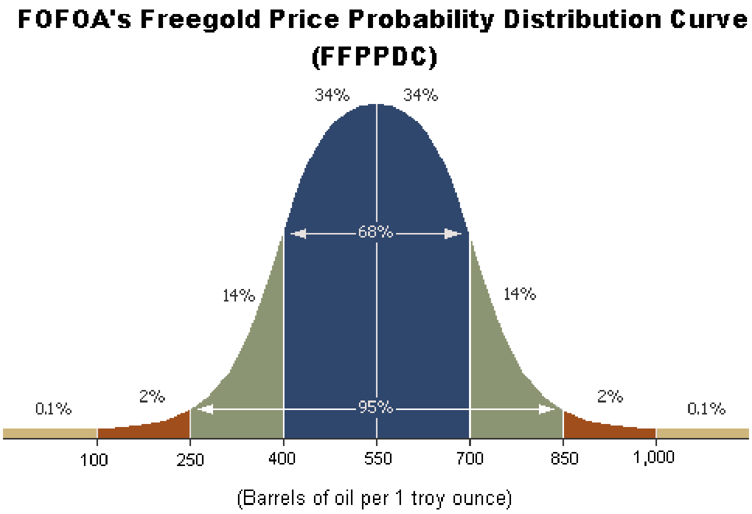
> *"This work started back in 1988, not long after the 87 crash. Important people were asking some very serious questions about the timeline of the world monetary system. They expected a long term evolving report that would expand ongoing events into a format of true life context. A context to be understood at all levels of economic exposure. In other words, it had to do a better job of explaining the (then) recent illogical swings of world economic affairs and the effects of those swings on various national economic groups. Were we progressing into a new, better age, or was our system responding in a death-like downtrend?*
>
> *Because the questions grew from a fear that the world economy would indeed contract in the future, leaders wanted to know how one could retain the most wealth during such an event. It was thought that if the basic extended family blocks of a nation could survive such a collapse, savings intact, those nations and their children would be a benefit to economic affairs of the future. In effect, negate a possible return to the Dark Ages of European history. Our time frame was outward some 20+ years. I cannot offer the full report or its complete ongoing analysis. But, the effort you have seen to date is one of sharing somewhat for the common good of all."*

That gives us a good framework for understanding Another, as well as an idea of where the USD 30,000 number originated. We don't have all the details or calculations that went into it, but at least we know it was the result of a study.

I can't give you much more than that for my USD 55,000 number either, but I did explain it in a post back in 2014. So let me just reprint that section of the post here:

> *"People often ask how I came up with my $55K gold projection back in 2009. Now I will tell you. It was the result of working with inside assumptions and extrapolating them to the outside. [That comes from this quote by Another: 'To find the answer, work with inside assumptions and extrapolate them to the outside!'] One assumption I have carried since the beginning was that Another knew what he was talking about from personal experience. My second assumption, which is a corollary to the first, is that whenever Another mentioned specifics, he wasn't just being pretentious and pulling them out of his backside. Rather, he was actually revealing valuable insider assumptions.*
>
> *My price projection is an amalgamation of Another's occasional specificity. It was never about the currency price. It was always about the revaluation multiple in real terms. [Recall] my two FFPPDC's from way back in 2009:*





In 1998, Another praised a post by "Allen (USA)" which Allen wrote using assumptions previously mentioned by Another. Allen's GOR [Gold-Oil Ratio] of 1,000:1 came from this earlier statement by Another: "If Arabia says, 'I will sell oil for $10US a barrel or in gold valued at $10,000' what do you think would happen?"

Allen's post mentioned a revaluation multiple of 67X, gold at $20,000/oz. and oil at 1,000 bbls/ounce. For comparison, I'm currently using a more conservative revaluation multiple of 40X, gold at $55,000 and oil at 550+ bbls/ounce. I decided to use 1,000 bbls/oz. as the high end of the spectrum in my oil FFPPDC, and an order of magnitude lower as the low end.

Another did say, a few times, that the 2nd tier price of gold was $6,000 at the time that paper gold was trading for $300, a 20X differential. He also clearly stated once, and often implied, that $6,000 (aka 20X) was the low end of *possible revaluation prices. He wrote: "The $6,000 valuation of gold can only be true if currency deflation destroys enough dollars to bring it down to that range."*

Another (and FOA who was writing on his behalf) mentioned $6,000/oz., implying that it was the 2nd tier price at that time, 14 times. Meanwhile, the number $10,000/oz. was mentioned 43 times, and $30,000/oz. was mentioned 55 times. This gave me an anticipated revaluation that ranged from 33X to 100X in nominal terms. Being overly conservative, I decided to use Another's low end ($10,000) nominally and his high end in real terms, giving me a wide range. Working with $1,000 gold in late 2009, $10,000 was 10X, which was safely under Another's extreme low end of 20X. And $100,000 at the high end, or 100X, fit nicely with oil at $100/bbl. giving me the same high end as the oil FFPPDC.

So, coming directly from Another, we have revaluation multiples of 20X, 33X and 100X, with 20X clearly indicated as the low end. For oil, we only have limited mentions of 1,000 bbls/oz. which corresponded to a 67X revaluation for gold. But Another also said that, after revaluation, oil would be relatively "cheaper" for those who had gold, implying that gold's revaluation multiple against oil would be higher than it would be in absolute real (non-oil) terms. This told me that my target was probably somewhere between 33X and 67X.

My primary assumption was that Another had a reason for the specifics he shared and repeated so many times. I think that the reason he used specific numbers repeatedly is because they were the assumptions being used by those who were in the best position to make such projections. So I figured that a probability curve which encompassed his high and low end projections would give me a reasonable estimate based on true insider assumptions.

Obviously I wanted to be conservative in my estimate, so I used his highs as the absolute while stretching the low end well beyond his lows, knowing that my curve would give them extremely low probabilities anyway. If I rerun the numbers today, using my same conservative range, the projected price is $73,000. If I disregard the conservative end of the spectrum and simply go with Another's range, it comes out to $80,000. Those numbers represent 55X and 60X revaluation multiples respectively.

Upon further reflection, I still like $55K as it now represents about a 40X reval, which is why I have never revised those images. I hope I am low, but 40X is nice and clean because it represents a simple doubling of gold's true value that exists within this extrapolation.

In any case, both 40X and 55X lie comfortably within my target range of 33X-67X, with 50X being the dead center. Remember that it's not about the currency price, but simply about the revaluation multiple. In oil terms, the price of gold has hardly changed since WWII. The GOR hovered around 15 when Another was writing. Today it is 13, and historically (over the last 65 years) it has averaged around 14.5.

That's all $55K ever was, an extrapolation from an amalgamation of Another's Thoughts. And the probability curves were simply my way of expressing how I view it as a range of probabilities rather than a specific prediction."

I hope that answers your question. :D

How does their "lens" help you when you read the news today? For example, the stories on the new Iran-sanctions and the Europeans uneasiness? Or those on China and their move to price oil in Yuan?

I think it helps me keep my eye on the ball, and not waste time on or get distracted by inconsequential things. Using my A/FOA lens, you may be surprised that I judge those stories you mentioned as more or less inconsequential in terms of the big picture. Therefore, I don't waste much time on them, but I will address them here since you asked.

What those stories have in common is the perception that they are existential threats to the US dollar reserve system. The reason is that they indicate a move away from using the US dollar in a transactional role outside the US. This is certainly the direction we're heading, and such developments are certainly not helping the US dollar, but they aren't the harbinger of collapse that some people say they are. Are they a sign of the times? Yes. Will they trigger the US dollar's collapse? No.

What supports the US dollar is what will trigger its collapse when it is removed. That support comes from the US dollar's foreign exchange reserve use in the foreign public sector, and its store of value use in the foreign private sector, not its transactional use.

There are a couple of important points to bear in mind about the transactional use of the US dollar outside of the US. First of all, you don't need US dollar reserves in order to buy something priced or even invoiced in US dollars. The modern foreign exchange market makes it possible to obtain US dollars in exchange for any major currency. International banks can even create those US dollars from thin air on their balance sheets. They're called Eurodollars.

Secondly, even if something is priced in and sold for US dollars, for whatever reason, the seller who receives the US dollars can just as easily exchange them for whatever currency he needs. So just because something is priced in US dollars and US dollars change hands, that doesn't mean actual "Made in America" US dollars were needed at all. They could have appeared on a balance sheet as Eurodollars, and disappeared just as quickly.

The point is that the pricing of things like oil in US dollars is not as important to the international US dollar reserve system as it was 30 or 40 years ago. It's not a major pillar of support, and its removal, while obviously being a sign of the times and what's happening, is not the threat to the US dollar that some make it out to be. Yes, it's interesting, but it's not the ball that I'm keeping my eye on. I guess a good way to put it is that those stories are more an effect than a cause of what's happening.

In addition to that, an oil futures market makes perfect sense for an economy as large as China. Think about a Chinese oil importer. Now he can hedge his oil price exposure directly in his own currency, passing the risk off to speculators. Before, he had to worry about price changes in both oil *and* the US dollar.

What's important today is not what's priced in US dollars or the US dollars used for transactions, but the US dollars held as reserves, savings and wealth. If you buy oil in US dollars, what matters is if the seller then holds those US dollars as reserves, savings or wealth. If he exchanges them for another currency he needs to pay his expenses or employees or whatever, then the transaction is basically irrelevant to the US dollar.

The ball that I watch is capital inflow, that is, foreigners buying US assets. That's all it takes to support the current system. When that stops, we will get US dollar hyperinflation. Since 2013, the foreign public sector has been flat, which means foreign central banks stopped more than five years ago. It's been the foreign private sector buying our bubbles since then.

That will stop when the markets crash, and an important part of my theory is that I don't think the foreign central banks will pick up the slack this time like they have in the past. That idea is based on a number of things, from trends to statements to actions. And I view developments like the European uneasiness over Iran sanctions you mentioned as supportive of my theory.

Last year Ewald Nowotny, the governor of Austria's central bank (OeNB) and a member of the ECB governing council, talked about Europe's efforts to counter the USG's use of the US dollar as a weapon. When the markets crash, and the foreign private sector stops buying US assets, the US dollar will devalue. This devaluation will force the USG to print money hand over fist, but all that will do is cause the US dollar collapse to accelerate.

The question is whether Europe and China will prop up the US dollar at that critical juncture between when the stock market crashes and the US dollar devaluation begins. In the past, they couldn't let the US dollar collapse without it taking them down with it. But today they are prepared, and because they are now taking active measures to counter the USG's aggressive use of its exorbitant privilege, I don't think they will be very quick on the draw trying to prop it back up. And that hesitation is important, because once the US dollar collapse gets underway, there will be no putting that cat back in the bag.

What are the most significant events of recent months/years in your eyes? What do you look for when you read the news?

In January of 2016, I wrote a post called *The Unicorn Economy* focused on the tech bubble, and ever since then I've been looking for bubbles. In January of 2017, I wrote about the "bubble of bubbles," and in November of that year I had a section in a post titled, "Bubbles Built on Bubbles Built on Bubbles". By that time, a few people were calling it the “everything bubble,” and in January of 2018, I called it the “Bubble of Bubble Bubbles,” dubbing 2018 the year of the POP.

I heard something on a recent interview I watched, I think it was Jeffrey Gundlach. He said, basically, that the first sign of a bubble market turning is usually some single crazy mania thing that happens. Like in the dot-com bubble, it was Pets.com, and in this one it was Bitcoin. It’s a sign that something has changed.

That whole run-up in Bitcoin from USD 2,000 to USD 20,000 during the second half of 2017 was pretty insane, and I had several posts during that time on related topics. That manic phase ended on 12/15/17, and a little over a month later, on 1/29/18, the stock market bubble popped. That was when it dropped 10% in 10 days. The turn in the market was confirmed with the October 3rd retest, and again on Christmas Eve with a 6% drop from the previous day’s high.

As I write, we are testing the highs for a triple top, but I’m pretty convinced that the nine-year bull market turned into a bear last year, and this year I’m looking for a big drop, not just in stocks, but in the “everything bubble”, which includes virtually all US wealth assets except gold, things like real estate and art, too.

That’s what I’m looking out for, because I think *that’s* the next (final?) step on the trail to Freegold.

Using your “lens” – where do we stand in the US dollar “timeline” today?

To me, it’s pretty clear we’re at the very tip of the tail end of the US dollar timeline. As I said just above, I think the “bubble” already popped a year ago, and I’m expecting the next step to be a big plunge down. This plunge, I think, will sound the death knell for the US dollar.

As I explained above, what supports the US dollar is what will trigger its collapse when it is removed. That support comes from an intermittent combination of the US dollar’s foreign exchange reserve use in the foreign public sector, and its store of value use in the foreign private sector.

The foreign private sector is all that’s left, and it’s only still supporting the US dollar because it’s still marginally profitable to be in US assets. When it turns unprofitable to be in US assets, foreign capital will stop flowing in. It doesn’t even matter if it flows out at that point, because the US dollar requires a constant *in*flow, so simply stopping that will be sufficient to devalue the US dollar.

You see, the whole world is in a floating exchange rate regime today, ever since the Jamaica Accord in 1976. It’s been a dirty float for most of that time, but since 2013 it’s been pretty clean. That means the US dollar is floating too. But its position in the float is the result of a constant inflow of capital, meaning a constant buying of US dollars by foreigners which has been ongoing, non-stop, since 1975.

It’s reflected in the US trade deficit. That’s how you can see it. That’s how you can know it’s flowing in. A 44-year non-stop trade deficit doesn’t just happen organically. It is *caused*. It is caused by a capital inflow. A capital inflow causes a trade deficit. And over 44 years of living with it day in and day out, the USG has grown addicted to it.

It's like the water in a fishbowl. The USG is a fish, and the perpetual trade deficit is the water. Only there are holes in the bottom of the fishbowl, so water is constantly leaking out. But there's also an equal inflow coming from a hose propped on top of the bowl. When the markets crash, that hose will be turned off, and the USG will find itself short on water.

When the markets pop and the inflow stops, the US dollar will drop, and the USG will find its current nominal budget insufficient for even its most basic operations. It won't be able to borrow or tax more, so it will print. At that point, the US dollar will have only undergone a devaluation, a sudden drop to a lower level. But when the USG starts printing just to maintain the status quo it has grown addicted to, the US dollar will start slipping again.

The slip will become a slide, and the more they print, the faster it will drop. That's how hyperinflation works. You can never print enough, because printing begets more printing, and you can never outrun the bear.

So that's where I think we are in the US dollar timeline today—right on the cusp of a big change. I can't say when it will happen, only that it's way overdue.

Could you explain what the "next financial system" will look like based on your knowledge? How will it differ from today? Are there any examples from history for what is about to emerge?

What we have today feels to most like all there ever was, because it's all we've ever known. Most of us have lived with it our entire lives, so we can't even conceive of how preposterous it is. But the way the financial system is today, is really just a product of a change that happened in the 1970s.

It was a big change in thinking that you can't really trace back to one thing in particular, but I will anyway. There was a 1974 law called ERISA that pretty much changed the financial system into what it is today.

ERISA is the Employee Retirement Income Security Act of 1974, 29 U.S.C. 1002(5), and it gave birth to the individual retirement account, or IRA, which led to Roth IRAs, SEP IRAs, Simple IRAs, 401(k)s, and so on and so forth. It basically opened the floodgates of Wall Street to an ocean of dumb, passive money, and Wall Street never looked back after that.

Let me give you a quick analogy. In 2003, a guy named Chris Moneymaker won the World Series of Poker in Las Vegas. What was most remarkable about him was that he was the first person to win the WSOP after qualifying at an online poker site. And that win, like ERISA, opened the floodgates of online poker to an ocean of dumb, passive money. They called it the "Moneymaker Effect", and it made professional poker players rich beyond their wildest dreams. Taking money from the ocean of dumb "fish" money was easier than stealing candy from a nursery.

I shouldn't be so hard on the dumb money, though, because it's the Savers' money, and I'm a Saver. It's only dumb for it to be invested in the shark-infested waters of Wall Street, where they eat your lunch daily and cheat like it's part of the game.

It's important to draw the distinction between Savers and professional investors, traders and speculators. True professionals were in Wall Street long before all the easy money came in, and they'll be there when it's gone. But there are also a lot of Savers today who think they are professional investors, traders and speculators, but wouldn't be very good at it without the ocean of easy money.

Just like in online poker. While it was big, there were lots of mediocre players who thought they were really good, just because there were so many bad players playing. But that all ended on April 15, 2011, when they shut down online poker in the US. They call it Black Friday, and poker hasn't been the same since. You can still play online outside of the US, but it's not the same, because the easy, passive, dumb money is gone. The floodgates that opened in 2003 were closed on April 15, 2011. And that, in a metaphorical nutshell, is how the "next financial system" will differ from today.

The floodgates that let an ocean of passive Savers' money into the shark infested waters of Wall Street will close. Much savings will be lost, but new savings will go elsewhere. Investors, traders and speculators will still invest, trade and speculate, but it will be a smaller pool in which they play, and their skills, which have likely atrophied over the past 44 years, will once again be tested.

This is a big topic, and there are many implications worth exploring. It's something I do at the Speakeasy once in a while, gaze into my crystal ball, and write about how I think the future will look. But the bottom line is that when this sucker blows, all those savers still invested in Wall Street are going to be so badly burned that they'll never go back. At least not for several generations. And in my assessment, savings or Savers' money makes up the majority of the financial system today, so you can imagine how it's going to have to shrink.

Passive investments such as ETFs will probably shrivel and all but disappear. Real estate investing will be boring and difficult like it used to be, so REITs will probably follow ETFs. Far fewer kids will study finance at college. You get the picture. ;D

What role will Gold play? What role will the Euro play? How is it different from the role of the US dollar today?

Today the US dollar is considered both money and wealth. What will change is our understanding of what constitutes wealth. It will no longer be confused and conflated with the money concept. I write about it now, and it's very difficult to explain now because everyone's still living inside the US dollar fishbowl, but in the future it will be obvious to everyone. Gold will be wealth par excellence, and the Euro will simply be money.

I try to only write posts when I'm feeling inspired, but I must admit that some of my posts are better than others. I think the Fiat 33, Dirty Float and Global

Stagnation series are my most important posts of all. There are many that came before those which are close, but considering only posts that came *after* that series (and during the Speakeasy years), I'd probably put Money or Wealth? at the top. As a post, it stands on its own, but it was actually a continuation of the post just prior to it, How Gold is Different.

The gist of *How Gold is Different* was that the physical market has no effect on the price. Most people think that the paper gold market must, ultimately, be subservient to the physical market, because that's how it works in other commodities, but it's simply not the case with gold. And I go into great detail to explain why that is. It's because gold is different from not only other commodities, but from everything. It's traded like a currency run by the bullion banks, but it's different from all other currencies. It's considered a precious metal, but it's different from all other precious metals, including silver. And it's produced like a commodity, with futures trading and all, but it's different from all other commodities. It's different from literally everything.

I also pointed out in that post that the physical gold in private ownership (that's excluding central bank gold) is worth more, even at today's prices, than three times the market cap of Apple, Microsoft, Facebook, Cisco Systems and Volkswagen… combined! At Freegold prices, it will be worth more than 125 times that combined market cap, or more than six times the market cap of every company listed on the NYSE, and NASDAQ, *combined*, and that's at current bubble valuations. The point being that the idea of gold being a valuable asset is *anything* but a relic from the past. By comparison, well, there really is no comparison. It's different from literally everything.

The gist of *Money or Wealth?* was that gold is not money, it's wealth. And I went into great detail in that post to show that it's not just a matter of semantics. I wrote separately about both money and gold, and I made the case that gold has no place in the monetary system, not even in the future monetary system (Freegold), and that whenever gold ended up in the monetary systems of the past, as FOA said, that was not the best use of gold.

I published that post on February 1st, 2017, just 12 days after Trump's inauguration. And it was all the talk about potential Trump advisors pitching the idea of returning to a gold standard that prompted me to write a post to really drive home the flaw in that kind of thinking, and that bringing gold back into the monetary system is not the solution to anything. It's not even an improvement on what we have now. It's a terrible idea.

In that post, I made the point that money is in fact the *opposite* of wealth, in that a monetary balance indicates a physical plane (real wealth) *im*balance. They can be exchanged for each other, money for wealth, and wealth for money, but they are not the same thing. They are opposites, like matter and antimatter. And I explained how it does not make more sense to say that debt rather than money is the opposite of wealth, because debt is simply a negative monetary balance in the monetary plane, and it can be extinguished or paid off within that single plane.

Finally, I emphasized that *both* money and wealth play important roles in our lives, they're just different roles. I wanted to make it clear that the post was not an indictment of modern money. Modern money is good. We all need money. And having an efficient international monetary system like we have today is a huge improvement over not having one. The problem is *holding* money (and financial balances), and thinking it's wealth. It's that kind of *thinking* that will change, not money, so beware of anyone trying to fix modern money by bringing back the gold standard. It's the gold *standard*, not gold itself, that's a relic from the past.

So money will be just like it is today, mostly credit, denominated in a purely symbolic unit like the US dollar or the euro. The US dollar will have fallen far, and the euro will help bridge the gap. Most of the problems with the euro today, and criticisms of it, are actually effects of the current system, the US dollar international monetary and financial system ($IMFS), the fishbowl in which even the euro swims today. Once it is free from the $IMFS, the euro will be money par excellence. The reason is mostly because of its management structure.

The reason I have positive things to say about the euro is because, no matter how it's being used today, it was conceived and constructed to bridge the end of the US dollar reserve system to the next one. Its design, its architecture, will not only allow it to survive the transition, but also to flourish within the next system.

In his famous acceptance speech for the International Charlemagne Prize of Aachen for the euro in 2002, Wim Duisenberg said, "*It is the first currency that has not only severed its link to gold, but also its link to the nation-state.*" You see, the euro solved ***two*** problems.

1. It severed its link to the wealth reserve function of money.
2. And 2. it severed its link to the Triffin Paradox of an international currency being managed by a single nation. These are the US dollar's two greatest problems, and the design of the euro resolved them.

Is it susceptible to politics and political influence? Of course it is. But it's the currency of many very different countries, and that's why its susceptibility to political influence is actually a strength, not a weakness. FOA wrote:

> *"The dollar is ruled by one country and one country only. This implies that only one Economy is taken into consideration when policy is discussed, the USA. The management of interest rates, inflation, dollar value and crisis intervention, are therefore politically motivated to benefit one world group, again, Americans. We have seen the news events of how this tramples upon the needs of other geopolitical groups (countries).*
>
> *On the other hand, the Euro will utilize a totally different structure of consensus management. It will be governed by many nations of obvious conflicting needs. This very weakness, that is so well documented by analysts, is the 'major' strength that will contribute to the popularity of the Euro. In time, it will be governed by many cultures, including an 'open market' valuation of gold."*

So money will be just like it is today: easy. Easy money, not hard money. We don't need hard money. Hard money is bad. It's bad for the economy, and it's bad for the debtors. Savers (and gold bugs) seem to want hard money, but after a while, those hard money systems end in either tears or bloodshed for the savers, as we abandon hard money once again. It happens over and over in history.

Freegold solves this problem, and ends the Groundhog Day repetition of easy and hard money systems forever. The role that gold will play is that of wealth reserve par excellence.

That doesn't mean that gold will be the very definition of wealth, but it will be the master proxy for wealth. And at a high enough price, there will be plenty of it to fulfill that role. ;D

How do we get there? A/FOA wrote about this 20 years ago. How do we know that it won't take another 20 years?

I think we're close. I think we're almost there. Like I said, I think a good stock market crash like 2008 will do it. I came into this in 2008, right before the crash, and I thought that was it. I still think it would have been, except someone saved the day, and it wasn't Hank Paulson.

It had to have been a foreign CB that stepped in and propped it up. I think it was probably the BIS acting through China who decided to buy a little more time in 2008. If you look at the historical TIC data, China's rate of US dollar accumulation jumped 440% in mid-2008 as compared to the previous 6½ years since it joined the WTO. That started right in the middle of the 2008 global financial crisis, but I don't think we'll see a repeat of that "stick save" in this next one.

So how do we get there? I think it will be a chain of uncontrollable events that will start with a stock market crash that could happen at any time. It could be something else, but whatever it is, I think the endpoint is still the same. And whatever it is, you can bet we'll be talking about it at the Speakeasy!

Sincerely,

FOFOA

This interview is a chapter of this year's *In Gold We Trust* report and was only extracted for lack of space. The English edition of the *In Gold We Trust* report 2019 can be downloaded free of charge at https://ingoldwetrust.report/igwt-en/?lang=en.

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