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**louisboulanger** now  
Freethinking Investment Strategies

**Issue 43: 31st October 2011**  
[Gold and Economic Freedom](#)  
["Whatever It Takes" Now Includes Default](#)

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4. 1000oz silver bars;
5. 50oz platinum bars.

For more information, please read past the end of this letter and fill out the form to get more details.

**Gold and Economic Freedom**

Dear Guest

*“An almost hysterical antagonism toward the gold standard is one issue which*

*unites statist of all persuasions. They seem to sense - perhaps more clearly and subtly than many consistent defenders of laissez-faire - that gold and economic freedom are inseparable, that the gold standard is an instrument of laissez-faire and that each implies and requires the other."*

- Alan Greenspan

Quote taken from an article he wrote in 1966, entitled 'Gold and Economic Freedom'; the full article can be found [here](#).

#### Symposium on Gold and Economic Freedom

As mentioned in the previous issue, I am organising a second week-long Symposium on Sound Money. This year's one has the theme: 'Gold and Economic Freedom'. The event will consist, as last year's did, of ten lectures: one per morning and one per afternoon. **PLEASE NOTE: the event is in four weeks' time from now.**

This will be a rare opportunity for you to hear from Professor Antal E. Fekete of the New Austrian School of Economics (NASE) in person, as well as a number of his assistant lecturers from overseas.

You owe it to yourself to learn as much about the historical role of gold in the monetary realm of human action, if you want to not only protect your existing wealth from the ongoing monetary and fiscal mismanagement worldwide, but also put yourself in a position where you can prosper from it rather than become just another ignorant victim of a dying system.

Here is the program for the week of **Monday 28 November to Friday 2 December:**

#### Monday

10am Coordination of the Social Interaction (Fekete & Jaitly)

2pm Why Gold Is Money (Boulanger)

#### Tuesday

10am Brief History of Gold Standard & Imposters (Fekete)

2pm Gold Backwardation (Weiner)

Wednesday 10am Hoarding and Gold's Role in Finance (Fekete)

2pm Gold Standard: a Stable 3-Legged System (Fritsch)

#### Thursday

10am Gold Bonds to the Rescue (Fekete)

2pm India, Gold & the Creation (Jaitly)

#### Friday

10am Unadulterated Gold Standard Explained (Fekete)

2pm Gold Ownership Demystified (Boulanger)

## Lecturers:

- **mornings: Professor Antal E. Fekete (Hungary)**
- **afternoons:**  
**Sandeep Jaitly (U.K.)**  
**Keith Weiner (U.S.A)**  
**Rudy Fritsch (Canada)**  
**Louis Boulanger (New Zealand)**

The event will be held in Auckland, New Zealand, at the Business School of the University of Auckland. All the information you need to know about the event, including the cost to attend and how to register (please note: we have limited capacity, so make sure you are among the first 40 who register and pay to attend), can be found [here](#).

I look forward to meeting as many of you as possible there, dear readers of *Prosper!*

I should also mention...

### [Gold Symposium in Sydney](#)

Also next month, and two weeks earlier than the event described above, will be the second annual Gold Symposium in Sydney. This is a great event that last year included keynote speaker James Dines and many others, including yours truly. This year, keynote speakers include Eric Sprott from Canada, Ben Davies for the UK, Egon von Greyerz from Switzerland and many others, including yours truly again.

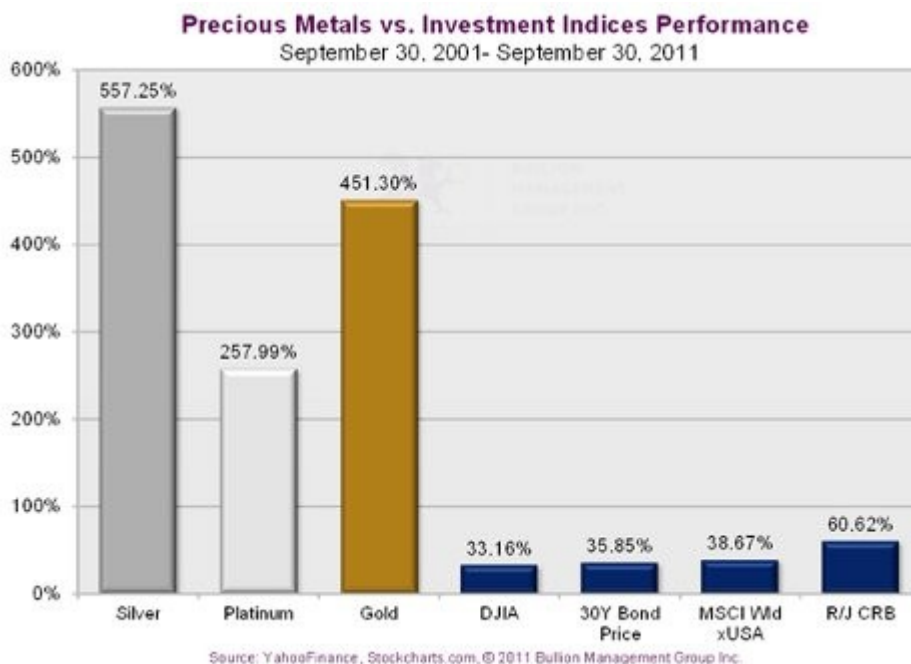
Gold Symposium 2011 is an event that will appeal particularly to investors in the gold sector, as there will be many miners and explorers who will be speaking and exhibiting. The event will be held on 14 and 15 November, at Sydney's Luna Park. All the information you need to know about the event, including the program and speakers, can be found [here](#).

Although many experts are saying that it is now time to invest in the gold sector, by buying shares of gold miners, producers and explorers, it certainly has **already** been a highly rewarding time to own some gold bullion, as advocated in these missives over the past five years.

### [Mixing Work with Pleasure](#)

The following chart, which was part of a presentation I gave in Manila on 20 October on how to hedge currency risk (or what I prefer to call protecting your wealth from fiat abuse), shows by just how much the monetary metals have outperformed anything else in the traditional asset class space (shares, bonds and even commodities) over the past 10 years:

## Why Invest when Hoarding Is So Much More Rewarding?



I just got back from yet another long overseas trip, where I not only continued to deliver my presentation on the ongoing monetary disorder and the role of gold, but this time managed to enjoy spending time with family and old friends in Canada.

First on the itinerary was Hong Kong, where I had GIPS meetings to attend to as the current Chairman of the GIPS Council and where, I am delighted to say, the Executive Committee has decided to make it its top priority to ensure that the GIPS standards become more relevant for the retail and/or pooled fund investment industry.

The week after, I was asked by CFA Institute to do a webcast of my presentation (the one that has so far been delivered in over twelve countries). This has been recorded and should be released in a week or two. So, for those of you who are CFA charter holders or members of the CFA Institute, keep an eye out for it when it comes out.

Then, I was off to Canada where my wife Louise joined me and we met family and many dear friends. We even had the immense pleasure of attending a dinner reunion to celebrate the 40th anniversary of my graduation at Collège de Montréal. What a special night that was! It was also the night that the All Blacks won 79-15 against Canada in the Rugby World Cup...

Speaking of the RWC, I am so happy that the All Blacks have won the Cup. I can't imagine what life would be like, now that I'm back here in New Zealand, if they had not won but instead (heaven forbid!) lost against France...

I also had the great pleasure of celebrating Diwali with many friends in Singapore. All in all, it was an enjoyable as well as profitable trip.

#### [Back to Reality](#)

In a recent [interview](#), Sean Corrigan, Chief Investment Strategist at Diapason Commodities Management, based in Switzerland, was asked: "What sort of things are you looking at to discern whether or not gold is overvalued or undervalued?" This is what he replied:

*"What is "value" in a world where the single goal of the powers-that-be is to deny the market the ability to have its constituents' underlying ordering of wants accurately reflected in the price structure?"*

*We have no proper market in capital; severely impaired markets in any number of basic goods; false markets in real estate; distorted markets in labour (hence why so many poor souls are still without jobs) and no certainty about anything except the awful certainty that nothing is off limits to those who are desperately trying to put*

*Humpty Dumpty together again in time for the next turn of the electoral cycle rather than accepting the fact that he's shuffled off this mortal coil and that it would be better now to see whether at least we can salvage a half-decent omelette out of the remains?*

*Gold is moving up as central bank balance sheets expand at an inordinate pace and as trust in fiat currencies erodes accordingly. Gold is working also as a diversifier – even an insurance policy – in a portfolio of real assets: outperforming other commodities and equities when we are in one of the recurring “Risk Off” phases which are so stultifying recovery.*

*Occasionally – as, for example, in late summer – it gets palpably overbought by those who are attempting to use zero-cost finance to game all this confusion and, as a result, it often suffers violent corrections.*

*However, while the perception persists that inflationism is the first line of defence, and while no one can be sure that – thanks to the stupidity of the Fed and its peers in trying to deny the reality of the losses we suffered under their previous regime of over-easy money – further financial disasters do not lie just around the next bend, it is hard to say that gold will not continue to do what it has for much of the past 5-6 years and grind ever higher, especially in USD trade-weighted terms.”*

Hear, hear, Sean! For the full interview, go [here](#).

In his latest newsletter, The Privateer writes much the same thing and states the obvious so eloquently, as he often does, but which unfortunately seems taboo for most to mention:

*“Before even a hint of a genuine recovery can take place, there has to be recognition of what it is that the financial world must recover from. What the financial world must recover from is a system whose vital components - money, prices and interest rates - are all controlled by edict and not by the voluntary interaction of people exchanging goods and services in the marketplace.”*

That's so true. Any attempt to use more debt to solve an already existing debt crisis is doomed to fail. It should be obvious to all, but somehow most people seem to prefer instead to believe in putting Humpty Dumpty back together again... and again... and again!

Then, suddenly, out of the blue, there comes a central banker who dares to speak the truth... Indeed, Bank of Canada Governor Mark Carney said last week that central banks have been less than forthcoming in admitting that one of the primary aims of quantitative easing is to weaken their foreign-exchange rates, remarks that will fuel a tense debate over the effect the Federal Reserve's policies have had in stoking the currency war, according to the Globe and Mail, a Toronto based newspaper. Click [here](#) for the full article . Here are some extracts:

*“The unspoken issue with quantitative easing writ large is the exchange rate channel.”*

*“The issue goes back to a calm understanding of why an institution is doing it, what the end objective is,” he said. A good place to begin would be avoiding describing QE as business as usual, Mr Carney said. QE should be clearly defined as an exceptional policy that will be deployed only when absolutely necessary. “It’s important to be up front,” he said.*

- Bank of Canada Governor Mark Carney  
Comments made on 26 October 2011 at a conference organised by [The Economist](#) paper.

**Please note that all past issues of *Prosper!* are available [Here](#) for your convenience.**

**“Whatever It Takes” Now Includes Default**

*“The paper money disease has been a pleasant habit thus far and will not be dropped voluntarily any more than a dope user will without a struggle give up narcotics.”*

- Congressman Howard Buffet (Warren's dad)  
(1903 – 1964)



The insanity of it all is just mindboggling. One week we are close to the brink; the next week we're all saved. And then it starts all over again. What is wrong with us to keep having faith in people who keep getting it wrong?! Why are we not taking matters in our own hands? Is it laziness? Or is it ignorance? Or misplaced faith in false beliefs? Whatever it is, it simply cannot go on forever.

The Privateer, once again, wrote eloquently about the latest chapter of the ongoing delusion in his [weekly commentary](#). I am going to reproduce it here in full, with his permission, for you all to read, because it speaks to the essence of the matter at hand:

### **A Nasty Precedent**

*For the same reason that small children should not be allowed to play with matches - or loaded guns - small-minded governments should not be allowed to play with money creation. This is especially the case when the government in question is relying upon "guarantors" of the debt it creates (all money today is based on debt) who are not in control of its borrowing and spending policies. When small children get out of hand, the best result possible is that they will get burned. It is also possible that they will put a hole in themselves - or in somebody else - depending on what they are playing with. Such is also the case - with a matching degree of severity - when governments get hold of the financial cookie jar.*

*This week the world's eyes were on Europe and it "sovereign debt crisis". On October 27, a "fix" was duly announced and global paper markets breathed a huge sigh of relief. These markets did not look very closely at the fix that was announced, nor did*

they waste any time wondering whether the steps announced to "fix" the problem would actually do the job. They simply bought - especially in the global stock markets and with gleeful abandon in the financial (bank) sector of the global stock markets. As usual, the buying was most frenetic on Wall Street. By the end of the week, all three of the major US stock indexes were back comfortably in the black for the year.

Other people had a slightly different idea about what to buy. Over the week, Gold rose by \$111 or nearly 7 percent while silver was up \$4.10 or just over 13 percent. Part of this was due to a renewed slide by the US Dollar, but most of it was due to the nature of the "fix" Europe put in to "solve" its debt crisis.

To paraphrase many financial commentators inside Europe - and many more across the English Channel and across the Atlantic - Europe has refused to use their central bank (the ECB) in the way that it is "supposed to be used". They are dragging their feet on using it as a lender of last resort - to the government. Worse still, they have had the temerity to impose a 50 percent "haircut" on the sovereign debt of a Euro-using European government. Whatever happened to the sanctity of the claim that the "FULL FAITH AND CREDIT" of a government stands behind the debt paper - AND THEREFORE THE MONEY - issued by that government? Well, in this case, nobody had any faith in the credit of the Greek government. Nor was there any likelihood that either could be reclaimed.

Everybody "knows" that a central bank has limitless resources, do they not? Remember Ben Bernanke's famous remark that the Fed has a printing press. So does the ECB. So does every other central bank in the world. Why are European governments outside Greece (and the other peripheral European nations) so reluctant to simply use it? Because they know that by doing so they put their taxpayers in potential hock to the policies of other governments. No government has any compunction about holding taxpayers to ransom for their own borrowing and debt creation. But they are not happy to stretch the point outside their own borders in most cases. The fatal flaw in the creation of the Euro is said to be the fact that a supra-national currency was created without creating the supra-national government necessary to "manage" it.

That IS the fatal flaw in the Euro. Without a monolithic government with sole control over the issuance of debt, a money which is based on debt (and nothing but debt) is vulnerable. The Euro is exactly like every other currency in the world. It is backed by the "full faith and credit" of the government's which create it - and NOTHING else. By forcing private holders of Greek debt (denominated in Euros, don't forget) to "accept" the fact that they will never get their capital back, the Europeans have set a dangerous precedent for themselves. They have also set a dangerous precedent for every other nation which operates with a money backed by the "full faith and credit" of the government. And that, unfortunately, is every other nation in the world.

In the avalanche of fatuous statements made in the wake of the announced European "fix" of October 27, one from Fitch (the US ratings agency) stands out. Fitch virtuously pointed out that the 50 percent "haircut" on Greek sovereign debt "may" create an event of default if investors accept it. Why? Because even if this haircut is accepted, the owners of this Greek debt paper are left with a "product" that is lower in value to what they originally agreed.

Is there a piece of sovereign debt paper issued anywhere in the world whose "value" (or purchasing power converted into cash) is NOT lower in value to what was originally agreed by its purchasers? Is there a fiat currency anywhere in the world which has NOT lost purchasing power on a continual basis ever since it became a fiat currency? Of course, there is not. Given Fitch's criteria, there is no such thing as an AAA rated bond (including a government bond) and no such thing as an AAA rated currency either.

There is, however, an AAA rated MONEY. That's gold, which continues to languish outside the financial system altogether. We do not know how much longer that will be the case. We do know that the Europeans have hastened the day when Gold is once again used as money with their 50 percent "haircut" on Greek sovereign debt.

[The New Aristocracy](#)

There is an excellent interview with John Rubino, the author of a number of books on the dollar collapse and the proprietor of the website <http://dollarcollapse.com/>, carried out by Chris Martenson and posted [here](#) recently (for the full transcript of the interview click [here](#)).

Another good interview with John, where he talks about the opposing deflationary and inflationary forces at work in our system presently, is posted [here](#). In it, he also comments on the new aristocracy of today:

*“The banking sector has grown so fat and so powerful on all this free money that the government has been handing them that they have come to basically become an aristocracy in the US where they get all of the gain but none of the pain from anything that happens. So you got a populace that, on the one hand, is really mad seeing this 1% of people basically rule them with impunity and on the other, is losing a lot of the things that they thought were their birth rights like, you know, good jobs and really nice public services, good schools, etc.*

*These things are all disappearing now and most people don't understand why they are disappearing; a few do, and some people in the Tea Party seem to grasp that unsound money is at the base of it. But most people are just frustrated and scared and mad... And so, you've got a lot of people who are angry at the system and wanting to throw the bums out, basically whoever is in office while this is going on; their popularity plunges and they get thrown out at the next election.*

*That's inevitable when you borrow too much money, because the voters, especially voters who have been brought up on the idea that there are no painful choices, expect that the government will take care of them. They are now confronted with only painful choices and they are mad at somebody and the people in charge are the ones who get blamed.”*

In fact, there are so many good interviews on the internet, that instead of writing a lengthy issue as I seem to usually do, this time I will simply give you a short list of just a few such interviews for you to listen to or watch:

Dylan Ratigan interviews David DeGraw and William Black on the destruction of the rule of law: click [here](#).

Amy Goodman interviews William Black about the 'Occupy Wall Street' movement and FRAUD: click [here](#).

Eric King interviews Martin Armstrong, where he clearly states the need for monetary reform: click [here](#).

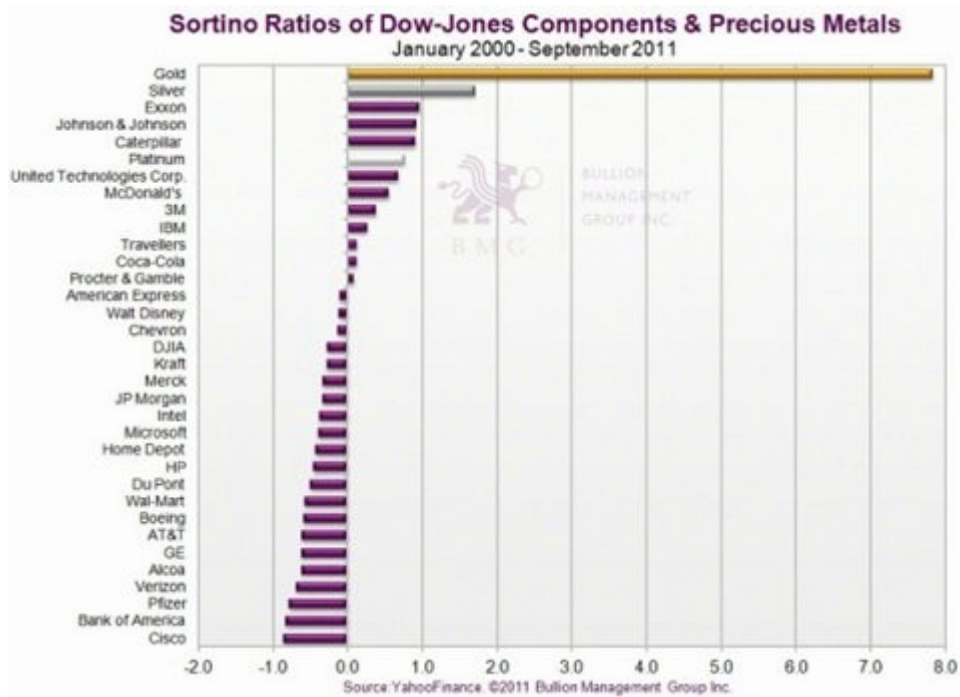
Hugo Salinas Price lets the truth out about why Gaddafi was taken out: click [here](#).

David Galland interviews Chris Martenson, who speaks of the exponential trends of today: click [here](#).

Chris Martenson interviews Paul Brodsky on the seeds of our destruction (the bond markets): click [here](#).

### Sortino Ratios

I'd like to close this issue with an interesting fact that BMG, the Bullion Management Group company based in Toronto that I use for clients who wish to purchase bullion bars, has recently brought to my attention with their latest issue of their weekly enewsletter, BullionBuzz (you can subscribe to it, it's free, by going [here](#)). Take a look at this chart:



Unlike a simplistic volatility measure that ignores returns, the Sortino Ratio measures the risk-adjusted return of an investment asset, portfolio or strategy. It uses only downside volatility, unlike the more popular Sharpe Ratio that uses both upside and downside volatility. The thinking is that although we don't really like volatility in investments, if the volatility is only to the upside, it would mean the investment is rising, which is good.

One common myth is that "gold is volatile." This chart shows the Sortino Ratio of the 30 Dow Jones Industrial Average components, the Dow Jones index and precious metals since 2000. Gold is the clear winner in this analysis. It has been rising steadily for a decade with little in the way of downside volatility. Over the past ten years gold has outperformed all of the Dow components, and with less risk.

The Sortino Ratio shows that gold, over the past decade, has had a much better risk-adjusted return than blue-chip stocks in the Dow 30. Hummm...

*"When the illusion of prosperity fostered by stellar equity market performance and indefinite borrowing facilities is ultimately blown away, a sober reality will dawn. Governments, whether acting individually or in concert, will not be able to throw a few switches to turn the lights back on. A serious failure of the credit and payments system is in prospect, a failure that tears at the fabric of ordinary life and could take many years to mend. The prospect is one of broken dreams, broken promises and broken relationships. On the evidence of previous depressions, the public mood turns quickly from euphoria to anger, frustration and despair. Ironically, the task of restoring confidence in the financial system and the currency will rest ultimately with the central banks, the experts in crisis management."*

- Peter Warburton

Quote from his book Debt & Delusion – Central Bank Follies that Threaten Economic Disaster

Your freethinking investment strategist, thanking you for reading and looking forward to the day we will finally engage in some serious discussion with our leaders about monetary reform.

Louis Boulanger, CFA  
Louis Boulanger Now Ltd.

### Disclosure and Disclaimer Statement:

I am not a disinterested party. I personally own gold and silver bullion. My company, LB Now Ltd, also became in late February 2009 an authorised bullion dealer for BMG BullionBars™. One of my objectives in writing articles such as this is to interest investors in the subject of sound money and the need for profound monetary reform, to the point where you may be encouraged to conduct your own further diligent research on these important matters. Neither the information nor the opinions expressed herein should be construed as a solicitation to buy or sell any security, currency or commodity. Investors are recommended to obtain the advice of a qualified investment advisor before entering into any transactions. I have neither been paid nor received any other inducement to write this article.

If you wish to purchase bullion, please read this and, for more information, please fill out the form below.

### Investment-grade bullion bars of gold, silver and platinum

For investors seeking real wealth protection during these turbulent times, Bullion Custodial Services Inc (BCS), a BMG Company, now provides a secure and reliable means of purchasing investment-grade precious metals bullion bars, and optionally provides allocated and insured storage. Louis Boulanger Now Limited is an authorized dealer for [BMG BullionBars™](#).

Individual BMG BullionBars™ can be purchased in five different products: Gold in one kilogram bars, 100-ounce bars and 400-ounce bars, Silver in 1,000-ounce bars, and Platinum in 50-ounce bars.

With each bullion bar purchased, the BCS registry maintains all the details of the BMG BullionBars™ and owners. None of the client details are at all connected to the internet, providing the highest security and confidentiality for BMG BullionBars™ owners. This registry also allows owners to easily sell their bullion.

A physical bullion deed, identifying smelter, serial number, fineness and exact weight of bars, is also issued for your recordkeeping. By entering into a storage holding agreement, the bullion will be stored at The Bank of Nova Scotia in Toronto, Canada. The Bank of Nova Scotia provides investors a secure, fully allocated and insured storage facility. On a delivery request, the purchaser is required to pay shipping, insurance and handling fee.

**Process:** Investors must first fill out the BCS Application Form and agree to submit to World Check verification. Once BCS approves an application, clients are required to open and fund their purchase account by wire transfer. An order for BMG BullionBars can then easily and conveniently be placed.

**Fees:** On purchase, clients must pay a purchase charge on top of the prevailing market (spot) price; the purchase charge varies depending on the size of the order. Ongoing storage, including insurance, (if this option is selected) costs depend on the size of the order. Selling bullion in storage incurs a sales charge.

To get more details from Louis Boulanger Now Limited, please [click here](#).

If you are unfamiliar with BMG (Bullion Management Group Inc), they are based in Toronto, Canada, and have been managing the [BMG BullionFund™](#) [formerly called The Millennium BullionFund] since March 2002. The BMG BullionFund™ is the world's first and only open-end mutual fund trust that invests exclusively in equal

proportions of unencumbered, fully allocated gold, silver and platinum bullion. A new BullionFund has recently been launched, which consists of only gold bullion.

**If you wish to contact me personally for advice, please know this:** I will first assess whether I believe it is appropriate or not for me to offer you any advice and I may, as a result, refuse to do so. But should I accept, I will provide you a copy of my Investment Adviser Disclosure Statement for you to read and consider before giving you any investment or financial advice.

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