THE PROGRAM IN MORE DETAILS

ECONOMICS OF GOLD MINING

At this seminar we shall evaluate the disastrous and failed hedging strategy introduced and promoted by Barrick Gold Corp. Although President Wilkins is now saying that Barrick's hedge plan will not be revived, his company is still hemorrhaging at the rate of almost $10 million per $1 increase in the gold price.

Gold Standard University (GSU) has been an outspoken critic of Barrick's hedging strategy from start. We are on record to have predicted that *the* strategy would end in a fiasco. GSU provides the *only organized research effort on the science of hedging*. Its approach is open-minded. We believe that there are lessons to be learned from the Barrick saga, arguably the worst mining disaster in the history of gold mining.

We don't say that all hedging is bad *per se*. Barrick's plan was bad because it was *unilateral*: it used forward *selling* to the exclusion of forward *buying*. The trouble with unilateral hedging involving forward sales of gold at an *upwards* spike of the gold price, is that it *alienates* bullish gold speculators, driving them to the short side of the market.

But there is a *bilateral hedging strategy* that also includes forward purchases of gold at a *downwards* spike in the gold price — a bull-friendly strategy.

GOLD PROFITS IN TROUBLED TIMES

As the bull market in gold reaches maturity, and the volatility of the gold price increases, it will be ever harder to initiate new positions. The question arises whether there is a winning strategy that is not too late to get started. The answer is YES, provided the investor has the discipline to carry his or her balance sheet and profit-loss statement in gold units, rather than fiat dollar units. The strategy is called BILATERAL ARBITRAGE, meaning that profits after every run-up in the gold price are not taken in terms of fiat dollars, but in terms of silver, and *vice-versa.* The strategy uses paraphernalia such as gold and silver *basis*, *lease rates*, NAV of ETF, in addition to the *bimetallic ratio.* They can be used as clues in bimetallic arbitrage.

Invited experts include Tom Szabo of www.silveraxis.com, Bill Koures the founder of Intermountain Institute of Science and Applied Mathematics in Missoula, Montana.

ADAM SMITH'S REAL BILLS DOCTRINE AND ITS RELEVANCE TODAY

The Real Bills Doctrine asserts that bills drawn on retailers of merchandise moving sufficiently fast to the ultimate cash-paying consumer can circulate as purchasing medium before maturity in 91 days or less. As the recent sub-prime crisis so vividly shows, mortgages will never circulate as purchasing medium, no matter how cleverly they are packaged and repackaged by the banks. As an old adage says, there is no easier profession than that of a banker *provided that* he can tell a real bill and a mortgage apart.

There are two types of credit according as the source is savings or clearing. The scarcity of savings is measured by the rate of interest, while the scarcity of credit created through the clearing process is measured by the discount rate. Not only are the sources of credit different; so are the forces governing the rate of interest and the discount rate. The rate of interest varies inversely with the propensity to save; the discount rate with the propensity to consume.

The timeliness of the Real Bills Doctrine is due to the disintegration of the international monetary system based on the fiat dollar, playing out before our eyes. There is a school advocating the so-called 100 percent gold standard where only gold coins serve as money, to the exclusion of real bills. According to Adam Smith such a system would be too rigid and would not survive. Real bills are not inflationary, as new money emerges together

with new merchandise and is extinguished when merchandise is removed from the market by the consumer.

Professor Lawrence H. White of the University of Missouri in St.Louis has been invited to represent the view critical of the Real Bills Doctrine.

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