



ATLAS METALS
120 Church Street
Charleston SC 29401
888-564-5231

GOLD: THE BARBARIC RELIC

Current Price:	\$1650	Aug 2012	Silver	\$31
Nominal All-Time High	\$1923	Sep 2011		\$50
Dollar Adjusted High	\$2600	1980		\$154

Forecast: The world is in deep shit my friends and the only solution we can come up with is to print money out of thin air, elect sociopaths and kick the can down the road.

In the interest of full disclosure my job for 22 years has been in the financial paper markets and I make my living by buying, selling and holding paper assets. But as a student of economic history I came to the stark conclusion after the technology bubble in 2001 that every investor needs to take some amount of money *out of the system*. This recommendation has been reinforced by Central Banks and Progressive Government policies that have perpetuated the financial crisis that began in 2008 but was born in 1971 when the gold standard ended.

One way to take money *out of the system* is by owning hard assets such as physical gold/silver. In my thesis Gold should be viewed as a hedge or an insurance policy against the idiocy of Central Banks, social/economic upheavals and the corruption of Governments.

My research leads me to believe that we are in the midst of a once in a generation secular shift that will affect the entire spectrum of our lives—politics, economics, cultural and social issues. One way or another the next twenty years are going to be a lot different than the last twenty.

The following are a few reasons why everyone should take some amount of money *out of the system* by owning and taking delivery of hard assets like gold or silver.

1) GOLD IS A FOOLISH INVESTMENT.

We have been sold a bill of goods by Wall Street, Main Stream Media and crony capitalists that all excess cash should be invested in paper instruments manufactured by Wall Street and that Gold is a barbaric, non-producing relic that is only owned by nut jobs. My retort is that if you should own some amount of your money in hard assets like gold because of out-of-control Central Banks and insolvent governments but the major reason you should own gold is because it has been a great long term investment.

See there is still one law that is applicable in this quasi fascist-entitlement state-crony capitalist world we now inhabit and that is mathematics. And the math is simple. I will use the year 1970 as the starting date for my comparison because that date is the best long term timeframe to use when comparing various assets because that is when the current Federal Reserve Notes that we use as our currency came into existence (8/15/71) .*

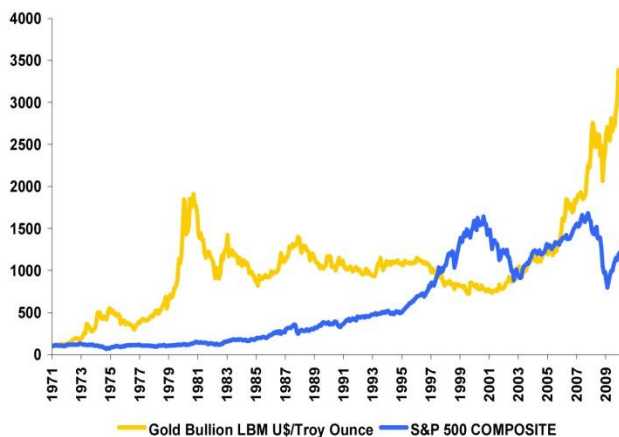
*For clarification there is no such thing as a US dollar bill. If you look on the front of a “dollar bill” it reads Federal Reserve Note and a Note by definition is ‘an instrument of debt’ which is how all Federal Reserve Notes come into existence by the issuance of debt. In August 1971 Nixon ended the gold standard thus creating our modern currency which is fiat based which means money whose value is created solely by government regulation or decree.

This is the astounding news no one wants to tell you. If you took \$100,000 and in 1970 invested it in **Gold** vs. **Stocks** (Dow Jones Industrial Average):

1970	2012	
\$100,000 invested in Gold is worth	\$4,700,000	Gold \$35 /oz
\$100,000 invested in Dow Jones is worth	\$1,700,000	DJIA 809

I think that quite a few people are going to be astonished to discover that Gold has significantly outperformed stocks over the last 42 years.

Gold vs. S&P500 since 1971 (starting point 100, both in USD)



Sources: Datastream, Erste Group Research

Growth of Gold Vs S&P since 2001



So why is this not promoted? The simple answer is:

- **Wall Street hates gold because they can't screw their clients by rehypothecation, churning, charging fees, commissions, or expenses on it?**
- **Congress hates gold because they have difficulty taxing, regulating or controlling it.**
- **Lawyers hate gold because they have difficulty stealing it.**
- **IRS hates gold because purchases and sales are NOT 1099 reportable.***
- **Central Banks hate gold because it is their natural arch enemy. Central Banks power is derived from their ability to print at their discretion via fiat paper. If people use gold or silver the central bank loses its power. At the very least our money pre-1971 established some limit as to how much money could be printed and wasted by Congress and Banksters.**

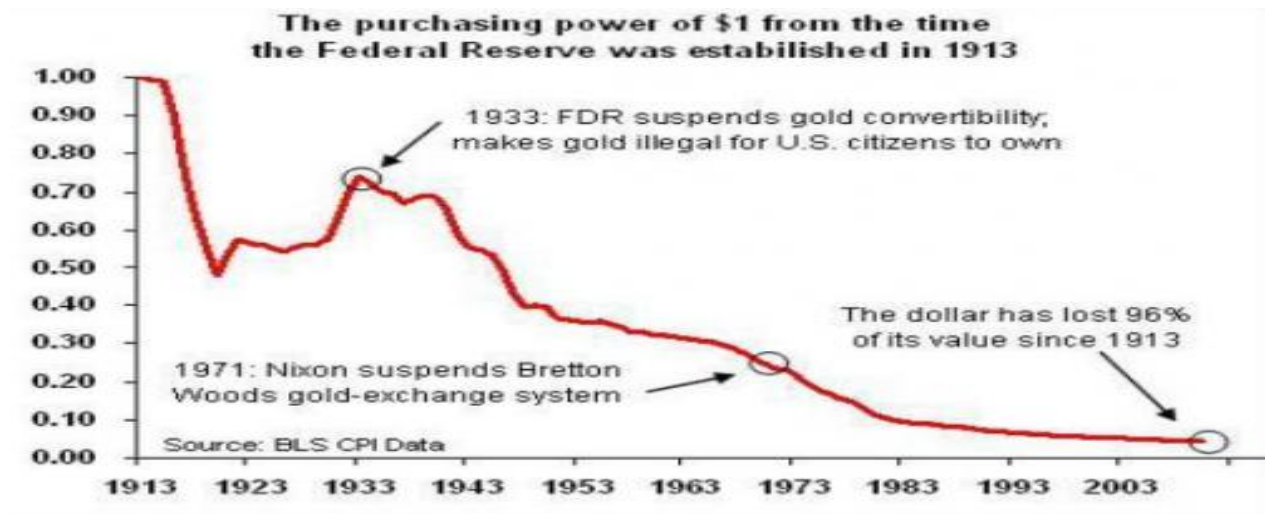
2) **IN THE HISTORY OF CIVILIZATION EVERY FIAT BASED CURRENCY HAS FAILED.**

“All paper money returns to its intrinsic value—Zero”

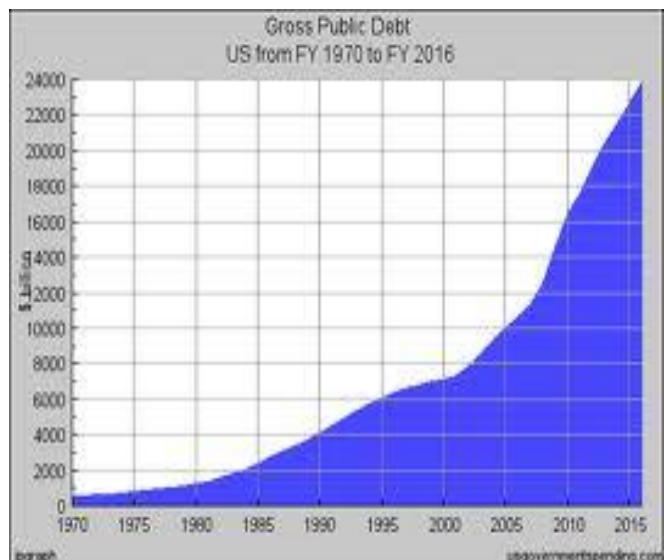
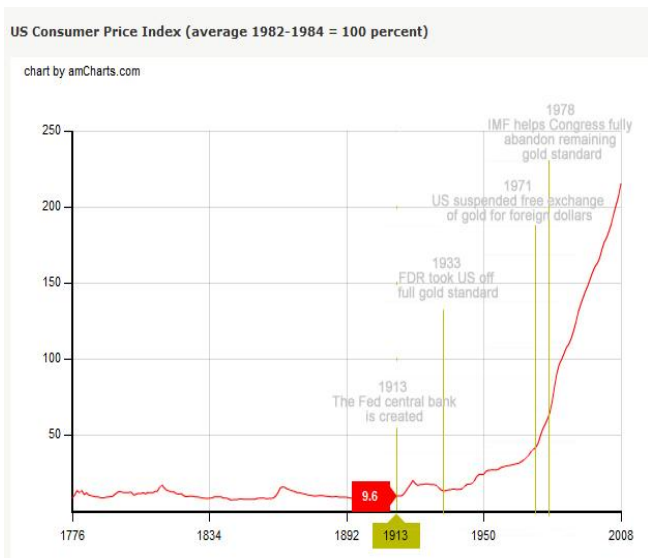
Voltaire

The average life for a fiat currency is 30 years. Our currency (FNR) has been in existence for 41 years, so I know “but this time is different and there is no way the United States dollar is going to fail or default on its debts”.

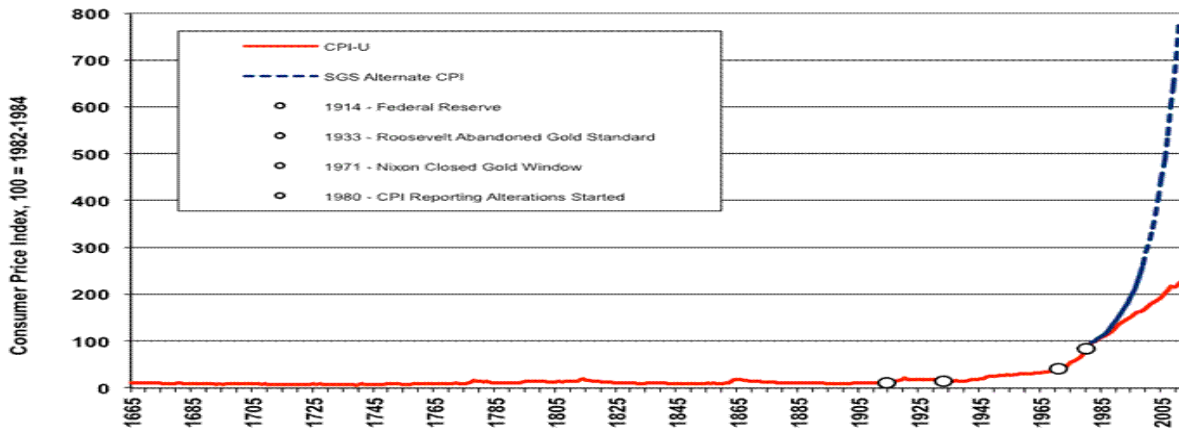
I agree in this sense—as the world’s reserve currency and a superpower the world cannot accept the United States defaulting on its debt. But my argument would be that for all intents and purposes the dollar has already failed. Since Nixon took the United States off the gold standard in 1971 the dollar has lost 82% of its value and since the Federal Reserve came into existence the dollar has lost 96%. But we will continue to print and pay off debts with paper that is less and less valuable.



It is interesting to see the charts from 1970 relative to inflation and debt after the last checks and balances were removed from the Federal Reserve and Congress.

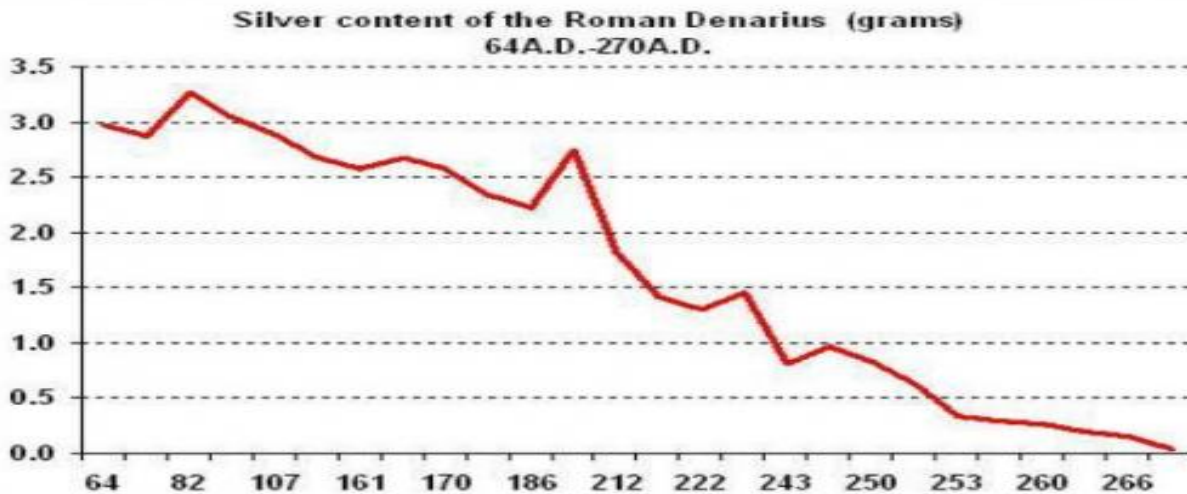


**Consumer Inflation in the American Colonies/
United States 1665 to 2011, CPI vs. SGS Alternate**
Sources: ShadowStats.com, Robert Sahr, BLS



Another misperception perpetuated by economists et al is that inflation is a natural phenomenon. **IT IS NOT.** This is an inflation chart since 1665 and except during periods of wars, inflation remained pretty constant until—you guessed it the creation of the Federal Reserve and especially the time period after Nixon took our currency off the gold standard.

For fun below is chart of the silver content of a Roman Denarius which was the standard currency during the Roman Empire. Over a period of 200 years the currency was debased much like our own currency has been. Eventually Rome's currency lost 98% of its value and the Empire collapsed in the East in 476 AD.



The most important point is that fiat currencies trade our freedom and security for the Government's freedom to squander the wealth of a nation on wasteful pet projects, wars and corruption. Before the FED was created the United States was the largest creditor nation in the world and now we are the largest debtor nation in the world.

Gold/silver offers a measure of protection.

3) PETRODOLLAR

What is a Petrodollar? A petrodollar is simply U.S. dollars that oil exporting countries receive from selling their oil which is deposited into a U.S. bank.

Poor Richard Nixon never got credit for it but at the time it was a stroke of genius and that was—the creation of Petrodollar System. The Petrodollar System was a brilliant political and economic move because it forced the world's oil money to flow through the US Federal Reserve which created an ever-growing international demand for both US dollars and US debt.

In 1973 President Nixon and King Faisal of Saudi Arabia struck a deal that required Saudi Arabia to accept only US dollars as payment for oil and it also required them to invest their oil profits in US Treasury bonds, notes, and bills. In exchange, Nixon pledged to protect Saudi Arabian oil fields from the Soviet Union and other hostile nations like Iran and Iraq. By 1975 all members of OPEC and most oil producing countries agreed to sell their oil only in US dollars. Over time the petrodollar system spread beyond oil with the majority of international trade and payments for commodities being denominated in US Dollars.

For decades the Petrodollar system allowed the US to reap many rewards because it created constant worldwide demand for US dollars. A strong US dollar allowed Americans to buy imported goods at a massive discount – the petrodollar system essentially creating a subsidy for US consumers at the expense of the rest of the world. Think about it this way we have imported vast amounts of the world's natural resources and products in exchange for paper IOU's that are backed by *nothing* more than governmental decree. The net result was that through the 1980's and 1990's the strong dollar helped America create a lifestyle for the majority of its citizens that has never come close to being duplicated in the history of civilization.

But the Petrodollar System has downsides and unintended consequences that are now coming to light:

The first problem with the Petrodollar System is that the availability of cheap imports over the last three decades has decimated the US manufacturing industry, and today one of the biggest obstacles to resurrecting the US economy is the loss of manufacturing. Since 2000 over 42,000 factories have closed for good and 5,500,000 manufacturing jobs have been lost. These abysmal and really sad facts speak for themselves and don't need further comment from me.

But the biggest problem with the Petrodollar System has not even occurred yet but it is lurking in the shadows and it threatens every single person in this country. If international trade begins to shift away from the US Dollar into different currencies than countries around the world won't need all their US Dollars or US Debt which would result in a long term decline in the value of US dollars.

This is a major macro-economic paradigm shift. The ramifications are so large that they cannot be ignored because more than two thirds of the US Dollars are held abroad.

Do I believe the petrodollar system is going to suddenly dissolve overnight—**NO**. But the nails are being hammered into the coffin.

We have already seen Iran, Syria, Venezuela and N. Korea threaten or try to exit the petrodollar system in limited form. But more importantly countries like Russia, India, Chinese, Australia, Chile, Africa, Brazil, South Africa and even Japan have all recently signed International Trade Agreements to begin switching the settlement of their trade to their own currencies or in commodities.

So what effect will this have on the United States if this trend continues or picks up pace? First of all everything will cost a lot more: Oil, Food, and virtually everything we import or use in our daily lives will be a lot more expensive. There will be less demand for our Government debt leading to higher interest rates. How will this country service \$20,000,000,000 trillion of debt (CBO 2016 estimate) with higher rates? Who will buy our continuous issuance of debt to finance a country that if we used General Accepted Accounting Principles is insolvent?

So my basic premise is that the slow demise of the petrodollar system is very bearish for the US dollar and US debt and very bullish for hard assets like gold and silver.

4) WHAT EXACTLY IS GOLD? WHY IS IT RARE AND WHY IS IT VALUABLE?

Gold is a naturally occurring element (element symbol Au, atomic number 79), that is created in nature from supernovae explosions. The abundance of gold is about 0.005 parts per million making it one of the ten rarest elements in the Earth's crust.

Think about this the next time you hold a gold coin, bar or ring in your hand:

All gold atoms are formed in the center of suns. After billions of years a small number of these stars of a certain mass may explode into a Supernova. These explosions are the most intense and violent explosions in the universe.

Only in a supernova is it possible to create atoms with 30 protons, 40 protons, 50 protons or even 60 protons. Nature prefers even numbers for stability, but every so often, the star will forge an odd-numbered atom, a real rarity: gold! Gold is a rare, odd-numbered atom with 79 protons. For every single gold atom in the universe, there are 1 million iron atoms.

After the supernova explosion a few gold atoms are cast out into the universe where they float in empty space for eons. Eventually, some of these gold atoms may join a cloud and some of these clouds may eventually condense into a planet like earth. Gold is not formed inside the earth because it is an inert element so most of the gold that has been discovered in the mantle and crust was brought to us from outer space as a result of a supernova explosion.

All the gold ever mined in the history of mankind would fit in 2 Olympic size swimming pools.

BULLET POINTS FOR GOLD/SILVER INVESTMENTS

- Despite the misinformation from Wall Street etc Gold has significantly outperformed stocks over the last 42 years.
Since 1970 \$100,000 in gold has grown to \$4,700,000 compared to \$1,700,000 for stocks(Dow Jones Index).

- Gold cannot go to zero like Enron, Lehman Brothers, General Motors, Lynodell, Chrysler, Consec, Washington Mutual, CIT Group, MF Global, Calpine. These stocks didn't go to zero but if you owned the equity you pretty much got wiped out: Wachovia, Freddie Mac, Fannie Mae, Bear Stearns, AIG, Citigroup. These are only recent examples and the list of supposed Blue Chip companies that have gone bust in the last 40 years could go on forever.
- Gold is a store of value and a hedge against Central Banks, Government corruption and ineptitude and a weakening US Federal Reserve Note.
- Every civilization and government that has ever existed has defaulted on their currencies and Bonds.
- Gold is a finite natural resource. It is rare not only on earth but in the universe. Gold is a commodity that has been used as a currency and store of value for 4000 years.
- Gold's advantage over Real Estate is that it is portable and liquid and it has international value that can be redeemed anywhere in the world.
- The value of the world's Equity and Bond markets is over \$200 Trillion dollars. The bizzaro world of shadow banking has \$700 Trillion dollars of nominal Credit Default Swaps. By the way the World's Gross Domestic Product is \$70 trillion so go try and figure out how a Quadrillion or \$1,000,000,000,000,000 of financial paper assets could exist when all the goods and services produced by the world is only \$70 trillion.
- The demise of the PetroDollar System will have immediate and drastic ramifications for every single person living in the United States.
- Gold has an inverse correlation to the US Dollar.
- Very few individuals actually own gold or silver.
- **PHYSICAL PURCHASES AND SALES* OF GOLD ARE NOT 1099 REPORTABLE.**
- **IF WALL STREET, POLITICIANS, LAWYERS, IRS AND CENTRAL BANKS HATE GOLD, THEN I ABSOLUTELY LOVE IT.**

Jamie Clifford
Registered Principal-Investments
888-564-5231
jrclifford@comcast.net

*There is no 1099 reporting for any gold or silver purchases. Sales of bullion to dealers are also exempt for IRS 1099 reporting for Gold and Silver American Eagles, Gold American buffalos, Austrian Gold and Silver Philharmonics, and Silver Canadian Maple Leafs.

Sales of 25 oz or more for South African Kugerrands and Canadian Gold Maple Leafs are 1099 reportable.

