



03 JAN 17

## — MINED GOLD IS THE ONLY GOLD THAT COUNTS — ECONOMICALLY MINEABLE GOLD IN THE GROUND COMES SECOND paper gold is nothing more than a hollow promise just like paper money “THE WORLD OF FINANCE HAS TO COME BACK TO COMMON SENSE AND REALISTIC VALUES”

(PART ONE)

It is the time of the year again that we all are making up our good hopes, intentions, plans, promises and predictions for the New Year. Whether they will come true remains to be seen; it is quite better that we don't know the outcome. As I stated in my previous Editorial, the world of 2017 will have to get used to some changes, even more so than usually is the case when the year changes. This time it feels that we may have a quite new future to face. The forthcoming change of the Presidency of the United States is likely to become so much more than just a change of political signature. It will likely be setting the clock or rather the calendar back in many respects. As we have seen Donald Trump in his Presidential campaign, he turned out to be more of a street fight than that of a candidate that wanted to win on serious plans and promises to the voters. Whatever we think of him, we have to grant him that he obviously changed in the way he handled the next steps. He almost instantly turned into a politician and although the choices of his cabinet members may certainly make some eyebrows go up, he is not forming a team of dummies, that is quite clear. But whether those mostly intelligent and certainly wealthy cabinet members will turn out to be the politicians who will be able or maybe better, will be willing to make the changes the USA and the world need, is at least questionable. And maybe also dangerous: their conservatism and over-self confidence could make some of the international negotiations very difficult and cause serious conflicts, economically and politically.

I ended my previous Editorial with questioning whether the new Trump administration will have the guts to tackle the issue of the ridiculous levels of the money supply we have got into over the years. With the already loudly touted plans of Donald Trump to build roads, houses, schools, support industries bring their foreign activities and productions back to the USA, create jobs etc., etc. “to make America great again”, economists and analysts have already put a price tag of \$1 trillion ▶

over 10 years of rebuilding the nations infrastructure, according to Kitco's Neils Christensen. On top of that it is likely that the spending will be further fuelled by \$500 billion to \$1 trillion to boost U.S. military spending. Trump already called for 90,000 more Army soldiers, a 350-ship Navy, 100 more fighters, and strengthened nuclear and missile defenses. I am sure that the money that is needed to realize all that will certainly not be coming from the deep pockets and bank accounts of the new cabinet members. But.....they are used to think in frightfully large amounts and they have never protested to the vast increases of the budgets and government spending. So why be more Roman than the Pope and tighten some belts now.....? It is not likely to happen. On the contrary, it will not be pressing their conscience to accelerate the Trump spending parade. What the heck, one Virginia-class submarine is costing 'only' \$2 billion a piece at least, so why not buy another 11 more?

Some effects of the economic stimulating frenzy caused by the not-even-yet-in-place Trump administration spending are already visible: on this first new working day of this year, the Bitcoin already jumped up to a \$1,000 price level (I just cannot call it 'value'....), reflecting the international craziness of paper money, paper gold, unheard-of debt levels and the like. But inflation? No we have no inflation yet, we build our future on a broad economic recovery, in the USA and also in Europe..... Why did I, in making a choice of the usual illustration for my Editorial, think of...



Gold, let's jump to gold now. Although as I mentioned above, the paper gold markets would qualify to fit into this category easily, gold itself is not. Far from it. Gold is real, has an ancient history and despite what some bankers often like to think and say, has a future. There is no doubt in my mind about that. And to be even more explicit, I am sure that there will be a great future for gold. We may even be at a point now that could prove to be a turning point. As I did last year, I already posted my guidance for the gold price in 2017, saying

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IF AND WHEN THE WORLD WILL COME BACK TO COMMON SENSE  
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\$1,400 - \$1,500

reflecting my confidence in a possible strong performance of gold in the coming year. Of course, I am sure you will ask me for my reasons to make such an outspoken statement. Well, it is a mix of factors that made me come to say this. A mix of both negative and positive assumptions, mainly coming from the many uncertainties about how the Trump team will tackle the most urgent and nasty tentacles of the political world spectrum. But really nobody in the world has the ability or foresight to predict how things will develop. At the best, some educated guess can be made. On the other side, when I take a pure look at gold, my reasoning is not too difficult to comprehend.

I belong to those who say that **GOLD IS THE ONLY REAL VALUE IN THE WORLD**. Not because of its beauty, its shine or its magic attraction, which are also valuable qualities. The main reason is that **GOLD CANNOT BE MADE BY HUMAN HANDS**. And nature has made sure that **GOLD IS NOT EASY TO FIND**. It is an old story but most people do still not realize that **ALL THE GOLD IN THE WORLD COULD BE PUT TOGETHER IN A CUBE OF 20X20X20 METERS**. That really shows that **GOLD IS EXTREMELY SCARCE**. In contrast to what politicians often say **GOLD HAS UNIQUE QUALITIES**, the applications are often unknown but do vastly outnumber the function that we mostly know, putting the bars in the vaults of Central Banks and other wise safe hands.

So, why do I think gold could show a dramatically positive performance in the coming year? Also here, nothing new. Government budgets, debts and money supplies have already grown to ridiculous and incomprehensible levels. We often hear “this cannot go on” but we have heard that already for so many years and despite we all know that is true, thing not only go on but we see it even accelerating. To get an idea of this, you better watch the Trump administration in the forthcoming months!

Is there a solution which could reverse this despicable trend? Well, there might be.....! One of the first remarkable things that Donald Trump did after he was elected as President-elect was having a meeting with **John Allison**, previously CEO of BB&T Bank and, more recently, **President and CEO of the Libertarian think tank known as the Cato Institute**. Like other believers in honest money, he is a **strong believer in the idea of reinstituting the gold standard**. Which, if done in a modern 2017 version, in my view would be a very wise thing to do. The meeting resulted in a flow of rumours that John Allison would become a prime candidate for the position of U.S. Treasury Secretary but that did not happen. Instead, another banker was to nominated, Steve Mnuchin, known as a world-class financier, banker and businessman who played a key role in developing the “plans to build a dynamic, booming economy that will create millions of job”. Also uncertainty here, it could be that they succeed in restoring that economic growth but the consequences cannot come without a tremendous influx of money. And if they won't succeed with their plans, most of that money will be spent anyway. In both scenarios gold could come forward as the saving commodity.

(.....will be continued.....)

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