Trade With Dave

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Daveflation: The Golden D

Claude Erb and Cambell Harvey did the heavy lifting for Dave in their most recent innovative collaboration, *The Golden Dilemma*. You may have never heard of their report. Dave hadn’t heard of it either. You see Dave just lays in bed in the morning and does his Napoleon Hill. It’s usually fairly early. Sometimes around 4:30 a.m., but nearly always by 6:00 a.m. Dave just lays there listening to his wife breathing and thinks.
Dave counts his blessings first and they’re nearly uncountable but the first five are more than I could have ever hoped for and I’m good with stopping the count at that. After Dave gives thanks to His Creator, Dave lies there and thinks about the world and what those who are trying to convince us that the world is in a state of scarcity might be up to on that particular day. Dave believes that scarcity is fundamentally... well, scarce. The natural state of things is abundance. Dave knows this every time he bends down to pull a weed out of the cracks in his asphalt and is reminded first-hand that genuine growth and abundance is unstoppable even in the Monsanto Roundup-Ready world that we live in.

So Dave lies there (or lays there) thinking. What can Dave do to spread the abundance and root out the scarcity? What lies can Dave expose? What truths can Dave share? If Dave was trying to deceive the world and convince it that abundance is a scarce as the truth what would he be working on and who would be paying Dave to work on it? It’s not that hard to figure out. Then Dave gets up and goes looking for that thing that they’re working on that’s designed to mislead and deceive and he attempts to shine some light on it. Thanks to all the loyal readers out there TradeWithDave.com showed up in a list this week of the top 150 most popular financial blogs.

This morning Dave was thinking about two things. I was thinking about the Federal Reserve no longer paying banks interest on their excess reserves and what that tsunami of money looks like when it washes over the drive-thru window at your local bank. Will the banks finally recognize the importance of family pets and no longer simply pass-thru a dog biscuit along with the suckers, but offer them reverse mortgages on their dog house? Will all those complaints that the Hank Paulson bail-out money went to bolster the bank’s balance sheets and the funds never showed up as bank loans on Main Street get loaned out to buy a solar panel for your roof or maybe take the form of a $3,000 White House Good-For-Business grant courtesy of an Executive Order for folks here that could use three thousand dollars to buy a thing-a-majig for their furnace http://www.youtube.com/watch?v=GdxOe1_kz9Q.

It’s hard to say exactly where the money-bomb will land. Maybe it will show up in your mailbox like those $800 stimulus checks (did you get one of those?). Maybe it will be in a Countrywide modern mortgage jubilee where the Clinton-to-Bush-to-Buffett-to-Spitzer-to-Greenberg-to-Fannie-to-Freddie email daisy chain reins in the next Franklin Raines before the Godzilla-Mozilla tan lady from New Jersey users her government grant to bake-in a municipal meltdown. Maybe it comes down from the Bernank in the form of a Bloomberg-banned Pedro’s-sized big gulp of a LIBOR settlement courtesy of the “Injured? If you have a phone, you have a lawyer” crowd. The key to unloading the cash is that we have options and in an election year where futures are unclear, at least the options on the options market rules are being enforced against anyone who promises not to lie to regulators.

Dave’s near-certain prediction that you will be reunited, and it will feel so good with your missing money and feeling as peaches as Peaches & Herb solves half the dilemma facing sovereigns around the globe as they attempt to shake the debt off their groove things. Inflating the take me away sovereign debt like so many dissolving Calkon Bath Beds is the obvious choice after waking up and smelling the bath salts of the failing technocracies. Yes you can pay back the debt with an overabundance of new dollars, but what about barbarous gold and its inevitable inflationary spiral into the Fregold stratosphere, you ask? There’s a peachy solution for that little problem too and you will find it first mentioned on page 22 of the Harvey & Erb solutions-based approach to the monetary innovator’s dilemma; the shadow price of gold.

Dave first introduced his take on the shadow price of gold about a year ago. It’s not as juicy as the Harvey &
Erb recipe for a shadowy cartel that sets the true price of gold. Dave’s idea behind shadow gold goes even deeper than the shadow market, it goes underground. Dave’s idea for deflating the price of gold while inflating away the debt through money printing is called Vector Gold™. It’s fairly simple, but Dave is gaining a deeper understanding of it as he gains further understanding of the disintermediation of paper money altogether and the self-inflicted Ron Paulian metaphorical money bomb being set off inside the Fed with the recent passage of the audit the Fed resolution.

The central banking model that was designed to address bank runs for paper money has run its course. It’s a dinosaur and unlike oil, money can be electronified and can travel the globe in a never-ending revolver of nostro/vostro musical chair entries that paper money is just not well-suited for. Before you think Dave’s been drinking the Kool-Aid from a Klein bottle, just picture the $15 trillion in new high velocity money that never stops for reconciliation just like CFTC Commissioner Chilton’s “New Enron” mobius strip running right through the occidental/oriental loophole. It’s like an overnight sweep account where we just keep pushing the broom and never break out the dust pan except in strategic “Layman Bros.” moments.

So what about this Vector Gold™? It’s quite simple in a sovereign kind of way. You see we return everyone’s share of the still-in-the-ground gold (plus Google asteroid gold) to the citizenry. We keep it in a central vault (how ’bout JPM’s London vaulting capabilities for example?) but we return its ownership to the people… by the people… for the bankers (not really bankers… politicians), but we go one step further in economic justice. We give the gold still in the ground (there’s still a quarter remaining according to Harvey & Erb estimates) back to the people that it belongs to. The people of the world. We are the world. We are the children.

The rainwater that falls on your rooftop in San Bernadino may no longer be your rainwater (try diverting it into rain barrels and see what happens) and the ground under your house in Jefferson County, Alabama doesn’t belong to you (try to dig an outhouse or better yet a septic tank without a permit), but the gold that is still buried on the planet is mine… all mine, and yours. You see, once you do away with the rule of law (google City of London) and habeas corpus (google Patriot Act) and voluntary organ donations (google Cass Sunstein) then you can give it all back to the people by giving them all their fair share in a one-time-only-golden-dollars jubilee where possession is still 9/10ths of the law, but recession is a thing of the past. A mobile phone, a Facebook page and a debit card in every pot and a jail cell for smoking pot for those who don’t comply.

If the job isn’t finished till the paperwork is through then how do you account for all this barbarous underground bullion? You do what any treasury-price-fixing-waterhouse-redirecting-cooper-doctoring-tax-cheating-secretary of an accounting firm would do. First you start off with the book value. In this case that would be $42 per ounce for gold at the Federal Reserve System. Let’s say for argument’s sake that post-$3,000-thing-a-ma-jig reset that the shadow price of gold is $8,000 per ounce, but to make this work you really need it be deflated to $800 per ounce. Not only does this help you bring the Chinese to their knees, it allows you to back your new electronic money with a 10% fractional reserve in gold.

With your new global electronic currency that’s now got a 10% gold-backing every man woman and child gets their fair share of the underground Vector Gold™ assigned to their account. All they have to do in exchange for receiving the money is to use the account. It’s that simple. How exactly is the shadow price of gold $8,000 and the system price of gold $800? Let me answer your question with this question. How exactly does the Treasury carry our supposed gold at $42 when the market price this past year was as high as $1,900? The answer is simple and in those memorable words of the man who junked the credibility of central banking once
and for all.

“When it becomes serious, you have to lie.”

Jean-Claude Juncker – Prime Minister of Luxembourg and Head Eurozone Finance Minister, May 2011

Dave doesn’t need a Verizon smartphone to say “I can hear you now.” I hear you. You’re saying, but Dave, that doesn’t affect my gold. I buried it under my shed in the backyard. They can’t touch me. For you sir, I only have two words; capital controls. Yes, you may be lucky enough to have a claim to yourself in habeas corpus, but your freedom to move about the countries and take your money with you is the freedom that is disappearing as quickly as the yield on French bonds. When concerns for “return on investment” deteriorate into concerns for “return of investment” does the possibility of a simultaneous hyper-inflation and gold deflation exist? If so, would they solve the problems for the powers that be? If they do, then Dave would suggest you store canned peaches in your basement and store your real riches in heaven because that’s the only place they will be safe.

The Golden Dilemma