Interview with Ferdinand Lips

by silberinfo.de

About Ferdinand Lips:

„Born in Switzerland in 1931, Ferdinand Lips, is a well-established and respected authority on gold and the gold market. His roots are in banking where he started his career, and became a co-founder and a managing director of Rothschild Bank AG in Zurich.
In 1987 he opened his own bank, Bank Lips AG, also in Zurich. He retired in 1998 when he sold his equity interest in the bank. Not being one to sit around idly, Mr. Lips continues to be very active in the banking, gold and financial fields. He is on the Board of various companies, among them African gold mining companies. He is also a Trustee of the Foundation for the Advancement of Monetary Education (FAME) in New York.
He has written two books previously (Das Buch der Geldanlage in 1981 and Geld, Gold und die Wahrheit in 1991). Gold Wars is his third book and expresses his views on gold, the gold standard and the gold exchange standard as well as the various attempts to manipulate gold and eventually push it aside. As a Swiss, he dedicates an important part of the book to the events leading up to the partial, but substantial, sale of Swiss gold reserves." (see www.fame.org)

silberinfo:

Your book „Gold Wars" which was updated with various chapters and translated into German ("Die Gold Verschwörung"; "The Gold Conspiracy"; translated and revised by Stephan Bogner from www.silberinfo.de) was received 2003 with great applause among the German speaking Gold investment scene. We anticipate that your timeless opus will go through a boom in the upcoming years and that your year long work already timelessly illuminated the obscure gold market from which the events of history ally themselves as mosaics to "the big picture" and start making sense.

How was the response of the German version of "Gold Wars" compared to the USA? How many books were sold so far?

F. Lips:

The book is now in its 4th edition and virtually 20,000 books have been sold so far. The American book "Gold Wars" is running well too, but I had the disadvantage that I did not have a publisher but an Organization with the name FAME (Foundation for the Advancement of Monetary Education) in New York (www.FAME.com) which issues the book. Unfortunately, the book was never sold in a book store. But I am delighted that my book will come into the markets in French and Japanese this September.

silberinfo:

If a friend asks you how high his share shall be in physical Silver compared to Gold, what would you recommend him for the long term?

F. Lips:

Difficult to answer. It depends on the individual financial situation of the person. Meanwhile, silver offers bigger capital profit chances than gold.

silberinfo:

What ratio of physical exposure to mining shares would you recommend a friend?

F. Lips:
This I would answer in the same manner as the previous question. Especially for the capital profit looking investor, mining shares are the far most interesting vehicle, particularly shares from companies that focus on exploration.

silberinfo:
Your investment fonds TOP-GOLD-INVEST (www.topgoldinvest.com) enjoys a significant well reputation in the investment scene. Currently it is the second best performing Gold-Fonds worldwide and after thorough analysis we anticipate it becoming the No. 1 Top-Gold Fonds outperforming all the others by large in future. In what gold investment forms is being invested?

F. Lips:
Gold and silver shares, which do not hedge, have a strong reserve basis and a sound Management. Thereby we concentrate ourselves on successful exploration companies. Furthermore, the portefeuille includes physical gold and silver. One of the gold mines also has a high share of uranium.

silberinfo:
What do you think about derived paper Gold issued by banks such as certificates, options, etc.? Could one recommend this form of investment with a good conscious to a friend?

F. Lips:
As the name already says, it is „PAPER“. These instruments are speculative. I can not recommend them as an investment at all. Further, the purchase of certificates is linked with a big agio/premium when issued.

silberinfo:
What do you think about the „ticking timebomb derivatives market” which positions already grow exponentially? In the long term rather a risk or a chance for the gold market?

F. Lips:
Both – but ultimately a chance. Those investors, who have invested in „paper gold“ will lose their money with high probability when the bomb detonates. It is possible that the gold price makes a short diver as well, because in panic everything is being sold. This phenomenon could be observed as well on the Black Monday 1987. Admittedly, the gold price then recovered far stronger than the popular stock markets. Whereas at the LTCM debacle the gold price immediately made a big jump to the upside. I am convinced that this time will be different. I believe that gold will already rise gradually in the forefront of a big financial collapse and then explode to the upside. I justify my perception with the fact that we live in a time today where the broad public begins to see slowly but surely. The trust in our paper money system is shrinking virtually daily. Gold is the only currency on which no debts are linked to. I wish that one day we all will live with a new and healthy currency system in which gold again is anchored as a solid fundament.

silberinfo:

For how likely do you see a banking crisis (possibly in the "domino effect"?) because of the derivatives markets? When and how fast one could come? Would well-informed paper gold investors have enough time to sell their derived paper or could an impairment of these "assets" come "over night"? Why is it safer to hold mining shares during those times?

F. Lips:
A banking crisis along with a potential domino effect is as certain as the "Amen" at church. Unfortunately, nobody knows how long the timebomb is ticking. By all means, such a crisis can come "over night" and the investors will not have enough time to separate themselves from paper gold or the popular share markets. I recommend the investors to position themselves early enough. A farmer as well is seeding in spring-time to harvest in autumn!

silberinfo:
At the end of 2004, the „Office of the Comptroller of the Currency" (O.C.C.), a department of the U.S. Treasury, indicated the total notional derivative positions of U.S. commercial banks (not including investment banks such as Goldman Sachs, etc.) having reached 220 trillions U.S. Dollar (20-fold increase in 13 years), whereas 86% of these positions represent interest rate contracts. How do you judge this dominant share of interest rate contracts? How far do you think that the FED is influenced by these positions regarding their power to increase interest rates? Kindly substantiate the danger for the globalized financial markets because of the huge derivative positions in general.

F. Lips:
The concentration in the interest rate contracts has many reasons to which I here can not go into detail. But I want to emphasize that because of the freewheeling money politics of the American central banks, the interest rates were kept low "artificially" for a long time to stimulate economic growth. Thereby big money flowed into this sector from Hedge-Fonds and banks, because fat profits could be made virtually "risk free" ("Greenspan put") and the future contracts feature an enormous leverage (respectively the margins are very low). An investor only needs $1,500 to acquire a $100,000 future contract of 10 year U.S. Treasury bonds. It is an open secret that thereby big investment banks such as Goldman Sachs could increase their profits strongly. The central bank knows very well about the enormous danger that comes from this gigantic balloon. Alan Greenspan pointed to that direction in his speech to the committee. The market has evolved to a huge casino in which central banks, Hedge-Fonds and speculators are cavorting. The weak U.S. Dollar has destroyed the lion's share of the profits of foreign investors and there existed the danger of a panic Dollar sell-off with strongly rising interest rates as a consequence. Greenspan has tried to slow down the fall and gradually increased the interest rates in the past six months. But I think that he would have to increase the interest rates much stronger to slow down the Dollar weakness sustainable. Thereby the danger would be that he kills the engine of the economy again. I consider the recent recovery of the U.S. valuta as a temporary rally within the long term downtrend. The confidence in the Dollar is decreasing ceaselessly. Slowly but surely the U.S. Dollar is on its way to its intrinsic value – namely ZERO!

silberinfo:
JP Morgan Chase is holding derivative positions that are seven times as big as their business equity. The revenues of these positions were only 3.9% of the total gross

revenues of the entire company. Why do you think such big (and therefore risky) positions are being made, eventhough the revenues out of this business would be neglectable and do not represent a core business field regarding profit?

F. Lips:
JP Morgan Chase is the prime example and one of the biggest players in the market. The company has consulted, among others, Barrick Gold in the composition of their derivative positions (hedge-book). There are rumors in the market that the U.S. central bank took over part of their derivative positions, because the situation is so desolate and that the merger between JP Morgan and Chase Manhattan Bank was decided over night, because of misbalances in derivative positions. None of this was made official. But when there is smoke, mostly there is a fire as well. The greed on Wall Street is just big.

silberinfo:
Do you think that Gold will regain an official monetary role in the upcoming years? What about silver?

F. Lips:
It is desirable, because it is the only way out of the present currency chaos which I have always constituted as a Non-System. I have lived in a time when silver coins peacefully circulated next to paper money. I see the possibilities for a currency reform farthest away, because there is nobody left who knows how it works. I don't know one University at which currency lessons are being taught.

silberinfo:
The IMF recently decided not to sale any Gold. It is widely known that the USA officially owns most of the Gold worldwide and have (in big contrast to other central banks) not sold any Gold in the past years. What do you think about the assumption that the USA deliberately do not sell Gold, but push others to do so, as to have most of the Gold "in the end" – to be able not to lose its "empire status" in the case of a remonetization of Gold? Is it imaginable that the USA are deliberately inflating their horrendous foreign debts with a collapsing U.S. Dollar as to settle these debts with a highly appreciated Gold price and after a new Gold Standard has been established? What are your scenarios?

F. Lips:
I have no idea about how much Gold reserves the USA really have. There was no audit of these stocks since Eisenhower. There is great uncertainness regarding these reserves. Regarding the huge internal and external debts, the official politics at the moment rather seems to be in inflating off the debts.

silberinfo:
In general, do you see the possibility of a Gold Standard or a coupling of the major currencie(s) to an index or even a new innovative attempt to anchor fiat-money in the system (i.e. Euro-Dollar)? What would you recommend?

F. Lips:
I have always recommended the return to the pure Gold Standard.

silberinfo:

What do you say about the following predication: Gold and Silver will continue not to play an official role after the next worldwide currency reform, because a completely new electronic money system will be installed which not even requires paper.

F. Lips:
There can be no real currency reform without gold. Silver could also play a role.

silberinfo:
How do you assess the current state of „the Gold Conspiracy“? Is Switzerland already free of Gold?

F. Lips:
Switzerland sold 1,300 tons and recently stopped the sales. She still owns almost 1,300 tons of Gold.
Since the book „Not Free, Not Fair: The Long-Term Manipulation of the Gold Price" of John Embry and Andrew Hepburn from the company Sprott Asset Management, Toronto, was published in August of 2004, the manipulation rather increased. The European Central Bank even sold 47 tons in the last weeks. However, one day the authorities will run out of munition and the gold price will shoot up then. Incidentally, the mine production is declining and will stay like this for the next time as hardly any exploration has taken place in the last years.

silberinfo:
What do you think about the work of GATA (www.gata.org) – the organization fighting for free markets?

F. Lips:
GATA is accomplishing an outstanding work by daily informing the investment public about the manipulation of all markets, especially the gold and silver markets. More, they are bringing out many interesting articles and information. To inform about the gold market actually would be the job of the World Gold Council (WGC). But this organization fails completely. Since a long time there are rumors that the politics of the WGC are influenced by Barrick, the biggest financier of this organization. Literally, the GATA should be institutionalized and take over the work of the WGC. My opinion is that the World Gold Council is worthless and even works against the interests of the gold mining industry.

silberinfo:
On the 15th April last year, the Rothschild Bank withdrew from the gold fixing in London. Did this come as a surprise for you? How do you judge this step, what could have been the reasons?

F. Lips:
I don't work at Rothschild anymore and I am no insider anymore. I suspect that the business was not interesting enough anymore but became too risky. I assume as well that Rothschild has nothing to do with this manipulation scandal. Because this is a colossal scandal and if these backgrounds are being recognized by the public there will be deaths.

silberinfo:

What is your opinion to the remonetization of Silver in Mexico? Would this be realizable at all with regard to the low Silver stocks worldwide?

F. Lips:
The Silver Peso is a very good idea. The man who represents this idea is a very affluent Mexican with the name of Hugo Salinas Price, who – like me – is pleading for healthy currency measures. However, the lot was blocked by the banks.

silberinfo:
You possess yearlong experience in regard to the mining industry in Africa and today are advising various African and Canadian mining companies via board positions and consulting functions. The South-African Central Bank recently lowered the interest rates. Do you think that the time is now right to invest in African mining businesses? How do you see the developments in the African mining industry?

F. Lips:
At the moment I am in the directorate of Aflease Gold and Uranium Resources Limited, Johannesburg. To answer your question: We have always expected the Rand to weaken in the medium term. But this is very difficult as foreign countries invest very strongly in South-Africa. The English Barclays Bank is due to buy the South-African Bank ABSA for $10 billion. That way, the Rand can not really get weak. The mining shares are of course undervalued but what they need primarily is a higher gold price. Then the situation looks different again. Then the Rand can even get stronger. The foreign investor then is profiting in a double fashion, namely from the stronger currency and from higher share prices. I could imagine that the share prices then literally explode. Nonetheless, one needs to be selective of course and know what to buy.

silberinfo:
The share price of Durban Deep respectively DRD Gold dramatically crashed in the previous weeks. Do you think that now is the time to invest anti-cyclically as there is "blood flowing in the streets/shafts of Durban"? How high do you estimate the chances of insolvency? Even if Durban survives, would you invest in a company that is looking for Gold 3000 meters deep?

F. Lips:
Durban Deep has enormous problems, besides the Rand also problems because of the Management. Presumably, the company will completely withdraw from South-Africa and the single interesting pieces will be taken over by other companies. The deepness of sources is a technical issue and big improvements have been made in this respect, take the example of Western Area Ltd.

silberinfo:
If Gold & Silver are appreciating noticeably, will the greediness of governments/countries increase to gain control of their own (and/or foreign) natural resources? Do you see such a development?

F. Lips:
As far as I know, at no time in history were gold mines being nationalized – with the exception of communist countries. Not even in Zimbabwe.

silberinfo:

At a certain amount, one is a facing a stocking problem when buying physical Silver. Can you recommend an alternative? Mr Dr Bandulet is mentioning a „metal account" – what do you think of that?

F. Lips:
Gold and silver must be held physical. I am against metal accounts. However, big amounts of silver are neither easy to buy nor easy to stock.

silberinfo:
Who is mastering whom: the USA – via their Dollar – the Chinese and Japanese; or the Chinese and Japanese – via their Dollar reserves – the USA? Who will be the stronger one in the long term?

F. Lips:
Both are interdependent from each other at the moment. In the long-term the Asians will prove to be the stronger ones. You see, America destroyed its own manufacturing industry – among other times – during the Clinton/Rubin era with their strong Dollar policy. Yesterday, the papers of the former biggest car manufacturers General Motors and Ford were declared as junk.
Very good future chances I see for Russia which is rich in resources. Its currency reserves are increasing every week.

silberinfo:
The European Union is on its best way to soften their stability principles. If this trend continues to accelerate what could be the consequences?

F. Lips:
They have already been soaked, namely by the biggest countries: France, Germany and Italy. The EU could break apart and the Euro would be replaced by national currencies again. We might know more when the referendum about the European Constitution in France and Holland is behind us. The sentiment in France is said to be not so well. Just recently, a new book came out from the French currency expert Pierre Leconte with the title "Le Grand Echec Européen" (in English: The big European checkmate). In the book he recommends with sound arguments that France should leave the EU. In the last moment the French might say to themselves that maybe the EU is not the worst and vote with a majority "yes". As a solid Swiss, I was always against a joining of Switzerland at the EU. I emphasize solid Swiss, because there are many Swiss who are blind and wanted to join the EU long time ago. Even the majority of our government thinks like that. The Socialists are advocates in any event.
I always liked General de Gaulle's idea of a Europe of Nations in a Europe from the Atlantic to the Ural. But that we shall be ruled by non-elected public officials in Brussels, I can not accept.
Initially, I was against the Euro, but found it as an alternative to the Dollar quite useful. Unconditionally, the Euro should have a real gold link – without, it will remain an Esperanto currency. Otherwise, the entire Euro-Experiment looks endangered to me. Everyone should necessarily read Bernard Connolly's book „Thee Rotten Heart of Europe – The Dirty War for Europe's", because there you can follow back the adventurous history step by step of how the Euro was set up.

silberinfo:

The U.S. real estate prices are reaching new highs, the debts levels continue to widen and the air for the popular stockmarkets is getting increasingly thinner. How do you judge the recent developments? Does now come "the" stockmarket crash or do you see higher probabilities for a Dow Jones at lets say >20,000 points in line with strong inflation?

F. Lips:
I can not assess the real estate situation so well. If the house prices rise, people calculate themselves rich and consume. This is what the FED is really aiming at with its policy of cheap money. I don't want to predict crashs, eventhough they are possible any time due to the "Derivatives Neutron Bomb". But I give you now the following prognosis: In 3 to 5 years we could see a Dow Jones at 3,000, a gold price of 3,000 per ounce (in 1980, the Dow Jones was at 850 and Gold as well at 850; therefore 1 : 1) and a silver price of $200 per ounce. In both cases, crashs undoubtedly might occur. In the case of hyperinflation the Dow could, as you said, shoot to 20,000 and a gold ounce to $20,000 as well.

silberinfo:
Thank you, Mr Lips for this interview. We wish you all the best. Concluding, you can write about a topic of your choice.

F. Lips:
I don't want to further enlarge the complexity of this interview, but solely emphasize the following:
I am an advocate of the Gold Standard. Without one it will not work. In this respect I would like to point out to three interviews, speeches and book revisions from me which you can find on www.TopGoldinvest.com, namely:
"Gold Wars, Battles, Gold and Currency Crisis"
"Prominence of the Gold Standard" and
"Interview to Gold Wars"

Thank you for your interest.
With best wishes.
Ferdinand Lips

--- On August 8th and 9th, Mr Lips will be a key speaker at the "GATA Gold Conference" in Dawson City, Yukon, Canada, where the Gold Rush shall commence – once again. This conference is set to get attention and become historic…
Visit www.goldrush21.com to find out more about the conference. ---