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Veteran analyst Leonard Melman discusses the bright future of money metals within the context of the global economic meltdown


The Daily Bell

The editors of the Daily Bell are pleased to present this exclusive interview conducted by Scott Smith with one of the world's premier hard-money analysts, Leonard Martin Melman. A well-known and gracious hard-money financial commentator, Melman provided Scott Smith with a generous amount of time for this special guest interview.

Introduction: Mr. Melman, formerly a stock broker and licensed commodity broker, began his writing career with "California Mining Journal" (later re-named "ICMJ's Prospecting and Mining Journal") in 1985.

He authored a monthly column entitled, "Melman on Gold and Silver", now in its 24th year. He also enjoyed a stint in the 1980s with "World Investment News", managed by Ellsworth Dickson, prior to its closure, then resumed working with Mr. Dickson via a monthly column entitled "Speculations" for "Resource World Magazine."

He started his personal website, "The Melman Report" in early 2007, featuring "Melman Minutes", which discuss metals and general market events. Politically, his beliefs lie in a deeply-rooted conviction that human liberty is the greatest goal of all and free markets are the only means of achieving any lasting advancement of freedom.

Daily Bell: You were prescient when it came to predicting the economic crisis. Take us through your logic.

Melman: In my studies, I looked for eras during which sound economic growth took place and I found one such era was the United States from about 1946-65. During that time, consumers had almost no debt; government policies were consistent with limiting - or even eliminating - deficits; inflation was low; basic industrial production was being carried on in a steadily growing manner; America's goods were sought around the world for their quality and durability; money from around the world poured into America; and, while the domestic gold standard had been abandoned by Roosevelt, the Greenback was still internationally convertible into gold, thereby providing an extra increment of stability to the American currency.

As the dominant economy of the world, America was on a sound footing, one which lasted for many years. Among other features, America was self-sufficient in virtually all raw materials, particularly including petroleum. She ran Balance of Payments surpluses and carefully controlled federal expenditures. In fact, for the entire ten-year period from 1950-60, the National debt grew by only $28 billion, and that included fighting the entire Korean Conflict. In seven different years between 1947 and 1960, the U.S. government ran budgetary surpluses.

By the 2000's, the situation had reversed itself and, in my view, the changes were predominantly toward weaknesses. America devolved from the world's greatest creditor nation into its largest debtor nation. Oil imports grew at an uncontrollable rate, eventually leading America toward mammoth Balance of Trade deficits as opposed to previous surpluses. Foreign nations built up large holdings of American government debt, giving them de facto say in how the country was run. Manufacturing industries closed, one after another, making the nation dependent upon foreign goods. In addition, monetary aggregates such as the M-series (M1, M2 and M3) grew at previously unacceptable rates.

Given the additional fact that the basis for much of the consumer-driven economy was an out-of-control residential real estate market, which I believed was being priced far above any historic basis of real value, it appeared eminently predictable that conditions were ripe for trouble.

Daily Bell: Did you feel as if you were whistling in the dark?

Melman: Not at all. During my years in consumer credit and mortgage lending management, I learned powerful, logical lessons in common sense credit evaluations which have served me well through the decades. One of those rules was that sound lending policies must be followed in order to hold credit quality risk to acceptable levels. Those policies included requiring borrowers to have sound credit histories, good records of income, a clearly demonstrated ability to repay the loan as well as good collateral protection at realistic valuations. During the early 2000's, I saw one such concept after another violated in the most reckless manner - and yet mortgage insurance companies like MBIA were rating packages of poor quality loans as being of "AAA" quality when it came to safety of principal. Those loans were then sold as reliable credit instruments to a gullible public - by the hundreds of billions of dollars worth. There was no question in my mind that many of these packages had to blow up in their holders' faces - with potentially devastating consequences.

I also had two anecdotal pieces of information which made a lasting impression. If you remember, during the ".com" stock frenzy of 1997-2000, stock investment clubs were started by the thousands, everyone wanted to invest in hi-tech shares, huge numbers of people yearned to become investment brokers and an attitude of virtual frenzy took hold as conventional standards of investment valuation were tossed out the window as being, somehow, no longer relevant. Needless to point out, that particular market collapsed with a giant "thud." Well, by about mid-2006, I got the same impression about the residential real estate market in the USA and elsewhere, and those two pieces of anecdotal information simply reinforced that sense of out-of-control frenzy in real estate activity.

In the first case, a female relative in her early thirties called me and asked for help in filling out a complex application for a real estate brokerage license. She admitted she knew nothing about real estate, but "everyone was making a killing" selling real estate and she wanted in on the action.

In the second case, I was watching a newscast on a leading American channel and a young man from the San Francisco Bay area was being interviewed. He had just bought a relatively small bungalow in the Napa Valley wine country area for over $600,000! Since he was a working man making a relatively average wage, it was natural for the newsperson to ask, "...how are you going to make the payments on this house?" I never forgot the man's reply. He said that all he had to do was borrow, beg, or use credit card lines of credit to keep things together for one year, and then he would sell the house for at least one million dollars and pocket the profits before moving on to his next project.

Using these two incidents combined with sound economic data, I decided that there was a tremendous likelihood that the "No Greater Fool" rule was about to come into effect, you know, the one where you finally run out of buyers willing to pay stupendous prices, and that it was going to come into effect quickly. That is exactly what happened.

Daily Bell: How come free-market thinkers like yourself get it when the great mass of academic and governmental economists seem to have missed the signs?

Melman: I truly believe it has to do with looking at the reality of what is really happening versus looking at events through the rose-colored glasses of what we wished for. Also, I believe there is a bit of luck involved as well. Please allow me to explain.

During the past half-century at least, most of us, regrettably, have been raised in families and communities that truly believe in the ability of government to resolve societal problems. Such thinking is deeply imbued into our education systems, in the media, among our religious leaders and truly dominates the world of political discourse. An offshoot of this type of thinking is that corporations and free markets are inherently evil and must be controlled.

I was personally reared in Winnipeg, Manitoba, Canada in the 1950s and 60s under such circumstances and carried that manner of thinking into my adult life. Then, two things of great importance occurred which forever changed my outlook on life.

First, I took up serious running, eventually completing several marathon-length events. It is impossible to conduct a serious training schedule if you attempt to avoid reality. It simply cannot be done. However, of even greater importance was that I trained with a man who was a vice-president of Universal Studios in Burbank, California. He loved to talk economics, and when he realized I shared his interests in both economics and running, he provided me with copies of numerous newsletters - all of which were written from a free market advocacy point of view. They truly opened my mind to a manner of thinking that seemed sparklingly clear and real.

Second, I met another man who had a major impact on my life. He was one of the earliest members of the Libertarian Party and through his introductions I met several other Libertarian luminaries such as the late Professor Murray Rothbard, Professor John Hospers and the first official Libertarian Presidential candidate, Roger McBride. Of even greater importance, he and I engaged in numerous lengthy discussions about economic history, particularly including the Austrian School of Economics. These discussions led to my study of several authors and their works, particularly including Ludwig Von Mises' "Human Action"; Murray Rothbard's "Man, Economy and State" as well as Ayn Rand's novels "The Fountainhead" and "Atlas Shrugged." Those studies led to my reading other important works by writers such as Von Hayek, Frederic Bastiat, Andrew Dickson White, Rose Wilder Lane, along with works from the Founding Fathers of America - and my favorite among them is Thomas Paine.

In fact, Paine wrote a simple thought which truly expresses an answer to your question. We who believe in free markets and individual liberty speak a different language and use differing thought processes from those who still exist within the socialist mythology which guides so much of what passes for public action. Of course, his comment referred to those who were then caught up in the spirit of a free America as opposed to those who continued to believe in life under George III's "benevolent monarchy" of Great Britain. What he wrote was,

"...We see with other eyes; we hear with other ears; and think with other thoughts than those we formerly used."

Daily Bell: Why did central banks drive rates down so low when it is obvious to free market thinkers like yourself what would happen?

Melman: Perhaps the roots of such actions lie in the wake of the Great Depression. Many economic studies of that era came to the conclusion that the government should have done more to prevent that lengthy calamity. In fact, one of the most noted scholars who studied the Depression years extensively was none other than the present Federal Reserve Chief, Ben Bernanke. Their ideas were reinforced by the influential writings of John Maynard Keynes who was a strong advocate of government planning, government regulation, and stimulation of economic activity via lowering of interest rates.

Keynes writings stressed points of view that were the opposite of Austrian economists such as Von Hayek, Mises and Rothbard. Unfortunately, the point of view advocated by Keynes became dominant and even such "conservative" leaders like Richard Nixon boasted that they were Keynesians at heart. In his book, "Radicals for Capitalism", author Brian Doherty noted that during the decades following World War II, "...a war still raged over the nature of government and of economic management. Keynes was still winning and Hayek was still losing - and America was on Keynes' side."

The answer to your question relates to the continuing influence of Keynesian thought and the fact that so many of our most publicly renowned university professors found their intellectual roots in the political Left. They simply believe their own dogma, in my opinion, despite clear factual evidence to the contrary - and that is what they continue to teach their students.

Daily Bell: Do you believe that the measures taken by central bankers have ameliorated the crisis?

Melman: Not at all. They may have succeeded in postponing some degree of economic pain for a while, but I believe the costs associated with recent governmental actions will ultimately lead to the infliction of even greater pain than if they had left matters to the free market to resolve - and I also believe that the incredible levels of money creation and debt growth associated with all the "rescues" and "stimulations" open the door to the potential for genuine hyperinflation.

It was my privilege to present a paper entitled "On the road to hyperinflation???" in Calgary this past April. Quoting from the transcript of that presentation, after reviewing the dire circumstances which had afflicted so many of late, I noted that,

"All of this is leading to growing demands for the government to "DO SOMETHING" while states such as California and New York are going broke. Demands are rising to rebuild the infrastructure, to buy out failed assets and to lessen the pain for millions of homeowners. I have printed Barak Obama's Inaugural Address and it is startling to see what he is promising. Included in his promised programs are those devoted to create jobs; rebuild the infrastructure; create or insure medical services for everyone; revamp the education system; provide for stable retirement for everyone - and the list goes on. It is difficult to locate any important area of social life where glowing promises of government assistance have not been made.

One fear I have is that expectations have been built so high that there may be social consequences if these 'rewards' cannot be provided as pledged.

As it relates to our theme of potential hyperinflation, looking ahead we see enormous, escalating expenditures to honor those pledges, resulting in continued annual budgetary deficits of $2 trillion or more and money supply growth far beyond normal control. We also see the American national debt growing rapidly toward 15 or 16 trillion dollars within the next couple of years. When we put all of this together, the great question is: "Will confidence in the government's ability to manage the economic society break?"

I do not believe the myriad of measures taken by central bankers have solved the crisis. The best I will give them is we might have a short term "pop" in the economy, but that in itself will sew the seeds of higher inflation, rising interest rates coupled with collapsing long term debt values, growing Balance of Trade deficits, higher petroleum prices - all of which, in my opinion, will serve to send the economy crashing into an even deeper spiral.

Daily Bell: Is the current stock market move a so-called suckers rally?

Melman: I believe it is. In fact, this was the specific subject dealt with in my "Melman Minute" of May 6, 2009 during which I compared the present rally to that of November 1929 - May 1930 during which the Dow recovered about sixty percent of its previous losses. I also noted that the prevailing mentality at that time was similar to that of the present era:

"In other words, so far the recovery from the early March bottom, impressive though it may look, is still far less than half the comparable recovery from November 1929 through early May 1930 - and that one was followed by the most devastating, continual pattern of selling waves in market history up to the present era.

Even the psychological background was similar. In the previous period, the Hoover Administration made aggressive moves to counter the initial effects of the Depression and people had confidence that these measures would improve the country's economic performance. In fact, some of these 'stimulative' measures were so aggressive that in the 1932 campaign, Governor Roosevelt and the Democratic Party adopted a platform calling for "a reduction of federal expenditures and a balanced budget" and "a sound currency." (University of San Francisco study of 1932 election).

Today, we also have governments in power which have adopted perhaps the most aggressive stimulative measures in American history and the public is awaiting the improvements 'certain' to come from infrastructure programs, restoration of the credit systems, etc.; and the result has been a rally similar in tone, if not yet in duration, to the 1929-30 episode.

But there is a dire similarity which, in our opinion, is not yet receiving adequate news coverage. Declines of over fifty percent in securities markets are rare birds indeed. In the last 85 years of market history, there have been only two! While the debacle of 1971 through late 1974 came close, only the 1929-32 episode and the recent declines qualify. We would suggest that they represent something greater than a normal, run-of-the-mill recession and, if history does indeed repeat itself, this would also suggest that the final bottom is not at hand, but rather some time in the future."

Those thoughts still sound accurate to me.

Daily Bell: Is the Obama administration on the right track with its efforts at stimulation?

Melman: From both economic and social points of view, I believe the answer to that question is a resounding "NO". Thanks to Obama's early actions, which we fear are being mirrored in many other nations, individuals are clearly losing their sense of privacy and their ability to live their lives as they choose.

The myriad of government financings, interventions and colossal creation of money on an epic scale, in our opinion, are endangering the very economic underpinnings of the United States of America.

Daily Bell: When will the free market take its course without interference?

Melman: At present, virtually every position of real political power is held by people to whom unbridled economic freedom is anathema. They will fight tooth and nail to retain their powers and they have the authority to wield government force, if necessary, to retain those powers. In addition, there are millions of recipients of government largesse in one form or another and most of them hold the belief that the last thing they want is unrestricted, free-market capitalism.

In addition, anything resembling a genuine commitment by the American government to truly free markets began to wane seriously by the time of Woodrow Wilson and virtually vanished in the years following the Eisenhower Administrations. So many distortions, so many instruments of governmental interference, have been built into the system, that any move to restore genuine, unfettered free-market capitalism, desirable as it truly is on a philosophical level, could "kill the patient" because it has become so weakened over time.

Daily Bell: What is going to happen to the dollar in the near term?

Melman: There is no question in my mind that the U.S. government is pursuing policies which are weakening the fundamental backing of the U.S. currency and 'should' lead to its downfall. However, it must be remembered that other nations are engaging in precisely the same type of activities. For example, Britain seems to be leaving no stone unturned in its desires to re-liquefy their entire economy via the release of newly-created Pounds. We just heard that the Eurocurrency may now be subjected to "quantitative easing", despite all the promises of just a few years ago to manage that currency in a sound and stable manner. Australia and even Canada have announced they are going down the same path - and so, it becomes a question of which currency is falling the fastest against objective standards of value.

However, the Dollar Index (DXY) chart does give us some points to watch. The recent rally peaked out at near '90' on that index and there is clear support between 78 and 83. A decisive breakout above or below either of those ranges could point the way toward the direction of the next major move. At present, we believe the chart looks like it 'wants' to go lower, but we will wait for the market to give us a clear indication by its own performance.

Daily Bell: Are we going to end up without the dollar?

Melman: I don't believe so, at least not for the near future. The Greenback remains the reserve currency of the planet and is also the measure of monetary value for nation after nation. For example, in Zimbabwe, the people laugh at their own currency but are willing to trade in Dollars. Even the smallest villages in Mexico will allow you to convert pesos into dollars or vice versa. Even the criminal element of the international drug trade settles its 'merchandise' transactions in dollars.

Daily Bell: Is there going to be a new global currency?

Melman: There has obviously been talk of dissatisfaction with the outlook for the US Dollar, particularly from Chinese authorities and one of the speculations is that they indeed favor the creation of a new currency, particularly a value-based one, such as backing by a basket of commodities, or, of course, metallic values especially including huge quantities of easily-stored base metals.

However, I don't believe such a currency will be introduced for some time as there would have to be time-consuming and complex negotiations before sufficient participants in the global economy would agree. It should be remembered that more than forty years passed between initial discussions of a European Economic Community, accompanied by a new currency, and their actual formation.

I do believe that the number of people holding precious metals and, where legally allowable, transacting business via gold and silver settlements, will increase over time, but any actual transformation from fiat currencies into ones officially backed by gold and silver appears unlikely for some considerable time to come.

Daily Bell: Where are precious metals headed?

Melman: When I look at the technical chart for gold, it is apparent that the $1,000 - $1,030 level presents real resistance, but once gold breaks above that level, there could be a spectacular rally as anyone who might be 'short' would almost be forced to cover their positions. At present, gold looks like it 'wants' to move higher, but there have been many false starts over the past year and a goodly number of traders remain on the sidelines.

However, I believe there is a much more powerful factor at work which I interpret to be in gold's favor and that is the potential for a complete disillusionment about America's long-term financial viability. If actual doubts in that direction begin to take hold among the body public, and I believe there is a rising possibility of that happening, then gold could take off in a spectacular manner - and do it quickly. Also, any dramatic weakening of the U.S. Dollar in international currency markets would likely result in a commensurate rise in gold and, for reasons discussed elsewhere in this interview, I believe the chances for such a weakening are growing stronger over time.

I am well aware that my own published personal forecast is for $2,000 gold by the end of this year and I remain firm in that prediction.
Should gold move higher inside a powerful bull market, history has shown that silver frequently moves much faster and therefore is quite capable of making outsized gains relative to gold. For example, during the bull market of 1976-80, gold went from about $105 to near $850 - or about 8:1 while silver went from just under $2.00 per ounce to over $50, a move of better than 25:1.

Daily Bell: You predicted gold at US$1,500 in 2008. What happened?

Melman: That forecast was based on the expectation that the economy would founder and the government would rush to the rescue with hugely expensive stimulative programs. In that direction, I was dead on, but as I noted in my January 2009 column for ICMJ's Prospecting and MINING Journal, I did not foresee an important development...

"What we did not anticipate was the crushing decline in raw materials prices, as exemplified by "Dr. Copper", so named because it typically represents the fundamental economic background. Copper plunged horrendously during the second half of last year, accompanied by nickel, zinc and lead - which in turn caused huge declines in those junior mining shares involved in the search for and production of those metals."
The same also turned out to be true of foodstuffs and the petroleum complex as well. If you recall, there were riots and demonstrations against the cost of these items well into mid-2008 - and then they suddenly subsided.

Daily Bell: Is bad news about food, water and energy a kind of scare tactic to increase control and create artificial scarcity - and thus additional profits.

Melman: Actually, I am not in agreement with that statement for two reasons, particularly as it regards foodstuffs.

In the first case, if there was some sort of trading cabal that held such power and influence, they would not have allowed the price of soybeans, wheat, corn and other foodstuff items to have collapsed in such a severe manner as has occurred during the past six months.
More importantly, I believe the case for long-term higher food prices is valid. The number of people on earth is growing (from about 2.5 billion people in 1950 to about 6.6 billion today) while developing further production out of available lands is becoming more difficult. Also, the available acreage for agriculture is dropping steadily as urban areas around the world swallow up formerly fertile land. These trends, over time, should increase demand while diminishing supply, and that, according to free market principles, should lead to higher market prices.

Daily Bell: Will this century see another power rise to challenge the United States?

Melman: There is an old saying, "He who has the gold makes the rules." Another way of saying the same thing is that economic power and political power have historically gone hand in hand - and the nation that continues to accumulate economic power is China. They are gradually buying up quality enterprises, particularly those relating to natural resource development, around the world.

Despite some serious problems, they are advancing toward a position where they may indeed be able to challenge the USA in terms of global supremacy.

There has also been talk of another power, also involving China, in the form of a bloc including China, Russia, Venezuela and Iran. China is the dominant goods producing nation on earth and the other three are among the largest petroleum exporting nations. America is vulnerable in both directions, which would give such a bloc enormous potential power should they choose to use it.

Daily Bell: Is the United States doomed to be a fading power?

Melman: In my opinion, it has already traveled a long way down that path because it has lost the ability to "call its own shots."

As mentioned earlier, following WWII, America was self-sufficient and economically powerful. It was independently strong, was a creditor nation that owned investments around the globe and the U.S. Dollar was the unquestioned currency of value on earth.

Just fifty years ago, the USA was the world's largest exporter of petroleum. However, by late in the first decade of the twenty-first century, America imported most of its oil from many nations, including past or present 'unfriendlies' such as Venezuela, Nigeria, Iran and Russia. Without imported oil, America could not function and so these nations all have direct influence on American policies or actions.

America has become the world's largest debtor nation and countries such as China, Russia and Japan now hold enormous quantities of U.S. government debt paper. This gives them the ability to threaten America with the destruction of the U.S. dollar, should those nations decide, separately or simultaneously, to sell those vast holdings into global debt markets.

Thanks to the collapse of many American manufacturing plants, they no longer manufacture their own entertainment units, tools, many of their autos, clothes, shoes, appliances, computers and a host of other items. Instead, they are reliant upon imported goods to stock their retail shelves - thus giving away much of the independence they once knew as a self-contained economic entity.

These trends are all powerful and they are all moving in the direction of making the USA more vulnerable to foreign pressures and influences.

Daily Bell: What has been the impact of the Internet in your opinion?

Melman: It has been perhaps the most important mechanism for the dispersal of information that has ever been invented. From my personal point of view, it has made the case for freedom, both personal and financial, accessible to individuals without any prior consent or cooperation from government, education or social 'authorities'.

It has also had the beneficial effect of letting public authority figures know that any misconduct on their part will no longer be hidden from public view, but will become common knowledge within hours. The "Daily Bell" gave us a great example in their publication of information relating to the sorry performance of the lady from the Federal Reserve during congressional hearings of a few days ago.

Daily Bell: Can you focus on investing in particular, regarding the Internet?

Melman: I believe the Internet has become the most useful and powerful weapon for investors. The array of information which is now available on Internet is unprecedented and is also usually presented in an objective manner, allowing the investor to make his/her own decision. Some of this information is free, some costly and, again, the investor is free to choose exactly how to proceed with acquiring the desired level of information.

As it relates to mining company information, virtually every public company has their own website where the investor can gain information, literally within minutes, about the company's properties, its finances, its management, its relations with regulatory bodies, its development programs and a host of other information such as government document filings, assay reports, resource estimates, etc. In former years, this information was only available at conventions or via 'snail mail' which might take several days to be received.

It is also well worth noting that investors also have an array of technical charting services at their immediate disposal, displaying actual trading minute-by-minute - or spanning decades. These tools are invaluable, and were never available at all prior to our world of computerization.

Daily Bell: Is there a chance of hyper-inflation?

Melman: Please allow me to return to the transcript of my "On the road to hyperinflation???" presentation, where that question was answered directly.

"Two years ago, we might have said a one percent chance. Last year we might have offered a three or four percent chance. Now, I believe there may be a fifteen to twenty percent chance that we could see a genuine breakdown in public confidence regarding the ability of the U.S. government to control its finances, and such a breakdown has been a key ingredient of past hyperinflations."

Daily Bell: Why has central banking survived?

Melman: The answer to this one is relatively simple, in my opinion. Central banking is an instrument of those who believe in greater controls over business, over monetary creation and over society at large. As long as the leadership of all major political parties is in agreement and manages to convince the general public in the 'economically advanced' nations that the concept of returning to currencies of value issued by private banking as a source of money is unworkable and even unthinkable - as is now the case - we will continue to have central banks which appear likely to expand their intrusions into both economic matters and individual lives without limits.

Daily Bell: What are some of the most important issues pertaining to free-markets in your opinion?

Melman: The biggest issue to my way of thinking is the expansion of government domination into growing areas of the lives of the citizenry of America and other nations. Without trying to take a partisan political position, I can state with complete honesty that the philosophical direction taken so far by the Obama Administration, combined with Democratic Party controls on virtually every 'power lever' in American politics, opens the door to measures which I fear could diminish and perhaps even completely overthrow the entire history of economic and personal liberty which has been the hallmark of the USA for more than two centuries.

In just three months, the US government now owns significant portions of several major banks, has representatives sitting on the boards of major auto companies, is moving to control the entire health insurance system of the nation, has dictated salaries and bonuses to be paid to executives of private companies, arranged for the termination of 'unwanted' executives of private companies, is moving to control the mortgage industry, the student loan industry, the credit card industry and, perhaps most alarming of all, has been negotiating - such as during the recent G-20 meetings - for the creation of super-powerful multi-national international agencies which will have legal authority over individual nations when it comes to banking and monetary policies.

I believe that virtually al these measures will serve to hamper the operating efficiency of free markets as new bodies of laws, regulations and directives are piled on top of the already existing mountains. This could easily cause declines in production efficiency, increased end product costs and huge new distortions in marketplaces, which will then have to be "corrected" by more government interventions.

The whole process must be stopped, but the inherent difficulty is that those who profit from the present system are now those who control all the positions of power.

Daily Bell: What endeavors are you involved in that you want to point out to our audience. What's most important to you that you would like our audience to be aware of and support?

Melman: The one remaining important goal I have in life is advancing the cause of economic and human liberty. I believe they are one and the same thing, for without economic liberty allied with true property rights; there can be no human freedom.

Where possible, I include thoughts on this subject on my website and in my other writings. I will also be devoting considerable space to the subject in my upcoming book (see below) since I believe it is the abandonment of true property rights and genuine free market principles that sits at the heart of the enormous economic and societal troubles now engulfing our planet.

Most importantly, I am using whatever public relations influence I posses to direct people to studying the ongoing literature of freedom, most particularly including accessing websites such as the "Daily Bell" along with others that present Austrian economic thought such as the Von Mises Institute, the Ayn Rand Institute and the Cato Institute.

The "other side" has an array of information and power at their disposal and it must be fought. Our only true weapon IS ACCURATE AND UNDERSTANDABLE INFORMATION.

At age 67, the spreading of that information has become my primary goal.

Daily Bell: What are the most important - seminal -- works of yours that you would encourage everyone to read? Where can they be found?

Melman: I believe the true value of my works can be found in their continuity of content. I have been writing the column, "Melman on Gold and Silver" for "ICMJ's Prospecting and MINING Journal" (formerly "California Mining Journal") every month since late 1985, a monthly column entitled "Speculations" for "Resource World" Magazine for the past four or five years and I have been contributing a current market and economic commentary called "Melman Minutes" to my website, www.themelmanreport.com on a 3-5 entries per week basis for more than two years. In addition, there is a section on our site entitled "Archives" where some previous written commentaries may be found.

It is also worth noting that I am nearing completion of a book based on my writings during the development and actuality of the recent economic crisis. Publication is expected within the next few months.

Daily Bell: Thanks so much. Wonderful insights. We recommend that readers visit the Melman Report and consider learning more about your work, newsletter and upcoming book.

After Thoughts with Scott Smith

"ScottLeonard Melman has given us an eloquent and thoughtful interview. Read Melman's answers and reflect on the quality of his analysis and the power of his insight. Then go and read what passes for economic commentary in most newspapers and magazines in American and Britain. It really is sad, and what is sadder is that the more government-oriented and Keynesian you are, the more quotable you become. You may even be elevated to a top advisor to the leaders of the state if you are sufficiently bothered by the private sector and firm enough about the additional powers that central banks and government ought to assume.

So if you are a free-market thinker, reading someone like Melman is a bit like drinking water from a cool fountain on a hot day. It soothes and is healthy for you. There is no false pretense here, only sincerity, firmness and singleness of purpose. Melman has not wasted a minute of his life accumulating a perspective that is NOT honest and trustworthy. At a time when it feels as if we are living through the rise of the Greek sophists once more, where black is white, up is down and those who lie are rewarded, while those who tell the truth are excoriated, Melman lights a lamp and holds it up to the reality of what persists.

What is that? The current economic mechanism. No, central banking does not work. Gold and silver are money, not paper bills with nothing behind them. Fiat money causes exaggerated business cycles and eventually too much money causes price inflation, then tightening and further centralization of money, power and privilege.

If there is one area where we have a slight difference of opinion with Melman, it is in the idea of scarcity. We tend to believe that scarcity is a manipulation. If left up to the market, there would no be scarcity for the commonest of goods, in our opinion, especially commodities, energy and food. But it seems it is rarely up to the market. When dealing with these fundamentals items, a great deal of money is at stake, billions even trillions. There are plenty of reasons for manipulation of all sorts.

It has to do with the dominant social themes we often write about. These are launched by the monetary elite and provide reasons for scarcity. Control the supply chain and ensure scarcity - and the profits roll in. This is another reason to get central bankers out of the money business. Scarcity becomes a lot harder to develop and maintain when you don't control the money mechanism itself.

Melman may disagree with us on some of these points, but on fundamental issues we are aligned - as are our readers, we believe. We certainly can't say that when it comes to the mainstream press and the economists that ply their trade in its pages.