

Silver, gold and uranium are Howard Ruff's picks to profit in inflationary times ahead

Howard Ruff, publisher of the Ruff Times, sees inflation ahead for the U.S. as it moves towards a more socialist style of government and picks gold, silver and uranium as investments sectors of interest. Interview with The Gold Report.

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VANCOUVER, BC -

Howard Ruff, who has observed the markets, the economy and government through three serious recessions and witnessed the rise and fall of the dot-com and real estate bubbles, entered the world of precious metals when Robert Preston's *How to Prepare for the Coming Crash* caught his eye in the early '70s. Shortly thereafter, he founded *The Ruff Times* (a financial newsletter that has served some 600,000 subscribers over the years). Howard talks about what he sees down the road and what people can do to prepare themselves.

The Gold Report: You have written quite a bit about the U.S. government's growing debt and unfunded liabilities, heading toward an even more aggressive printing of money and inflation. How convinced are you that this is the only outcome?

Howard Ruff: I am basically staking my reputation on it. I guess I can't do any more than that. I am convinced that we're moving into a socialist age, and the Obama Administration is deliberately trying to create European socialism here in America. All of their objectives require creating money. Until we have a new administration with a new philosophy—which isn't going to be printing all this money—I think inflation is in our future.

TGR: Could a new administration even change the course? Is it as easy as that?

HR: One of the problems is that many of the things that Obama's managing to ram through Congress are irreversible, and it will be very difficult. Once you've voted in something like our big healthcare plan and people start depending on it, it's next to impossible to eliminate. Consequently, for the first time in my 34 years of publishing, I'm worried that we may not be able to recover the momentum we had before, and I'm very much worried that maybe we're facing an irreversible phenomenon.

TGR: Do you see this phenomenon is unique to the United States?

HR: I frankly think it's a worldwide phenomenon. The United States is a little late coming to the party, but has joined the party big time and has now assumed leadership.

TGR: If you're convinced that momentum is carrying us down the road to socialism and that it's happening around the world, project that out 10 to 20 years for us. What ultimately happens?

HR: First, I'm not assuming that reversing this momentum is impossible; I'm just saying it's unlikely, and historically once you start building momentum of spending money and paying people to join government programs and get all kinds of gifts from Santa Claus in Washington, it is unlikely to be reversed. As a financial advisor, my job is to help my constituents make money, and my constituents are not on Wall Street or Pennsylvania Avenue. They're on Main Street. And so my job is to help them figure out what to do with their money in these difficult times. Because I am an optimist, I am convinced that no matter how bad things look, some opportunities are out there somewhere. There's a silver lining in all these clouds.

I know I can't tell the government what to do, even if we changed the administration in the next elections. But in the meantime I can help people know what to do with their resources so that they will suffer the least damage or even prosper and make a lot of money from the environment around us by becoming mavericks. A maverick is a bovine that's left the herd and is probably lonely out there by himself for a while, but the herd will be turned to hamburger, and the maverick will make big money if he knows what to do.

TGR: Let's talk a little bit about knowing what to do and some of your advice. In *How to Prosper in the Age of Obamanomics*, your recently published book, you are pretty enthusiastic for gold as a hedge against the devaluing U.S. dollar.

HR: Will Rogers said, "Invest in inflation; it's the only thing that's going up." As we move into an inflationary socialist environment, bear in mind that there's never been an example when the end result of socialism was not inflation. I remember being in Russia during the Gorbachev years, when using price controls to try to stamp out inflation merely created shortages. We were on a bus going to a museum, and all of a sudden we had to stop because people were blocking the road, rushing across the street. A rumor was out that a store had some goods, and everybody was carrying an empty gunny sack. They didn't know what they might find, but they wanted it. They knew that they could use it or trade it or sell it.

TGR: So what do you recommend for the Main Street maverick who wants to prosper?

HR: First I have to make sure that I'm recommending things that the average person can do. And aren't full of pitfalls. For example, I like gold very much, but I don't like gold futures, because the average person can lose in that game. For example, once when I decided to buy some gold futures, I got caught in a downdraft. Gold dropped around 30% in a few days. It was a temporary phenomenon, but it wiped out everything I had in the futures market. So I don't want people to do that; I want them to buy the actual bullion or coins and take them home and hold them. That's the first thing that I recommend.

Then there are derivatives of gold and silver, which are mostly mining shares. I like them as a category. I like some better than others, especially if they're based in North America, because they're not as vulnerable to expropriation. So I concentrate my investments in mining stocks on companies that are based in the U.S. and Canada.

TGR: You recommend buying gold bullion and coins. How about silver?

HR: I like silver a lot better than gold. I think you will make two or three times more money in silver than gold.

TGR: Is that because of the price today or is it a general phenomenon?

HR: It's general. The first time I recommended gold and silver was back in the '70s, and we made twice or three

times more money in silver than in gold. I want people to buy silver for several reasons. When people start trying to beat inflation by investing in precious metals, it's a lot easier to buy silver because it's a lot cheaper. The average investor can buy some of that rather than buying gold. Also, because gold is so much more expensive, it doesn't have a lot of utility. It's like buying \$1,000 bills. So as a hedge against inflation, I think people are a lot better off in silver.

TGR: Do you follow the gold/silver ratio?

HR: I follow it as it's an important measurement of relative money, but I am basing my decisions on history, and history tells me that silver will outperform gold. That may not be the case from day to day or over a particular short time period, but that's where the money will be made over the long haul.

TGR: Do you worry about the government confiscating gold as it did in the past?

HR: A little bit, but not much. When Roosevelt confiscated gold, we were on the gold standard and gold was considered real money. The government confiscated the gold and then promptly raised the price once they felt they had all the gold they could get. But for some years now, they have been telling us that gold is not money, merely another commodity, and consequently they don't have the same interest in it they had back then.

So I don't think it's likely that they would confiscate it, but if you're worried about that, the best way to deal with it would be to buy semi-numismatic coins, where most of the value is based on bullion but they also have some numismatic value and scarcity value. The government cannot seize numismatic coins, so they would be immune to that sort of thing.

TGR: Let's talk a little bit about the mining shares. You focus on North America companies, but within that sphere you have producer, explorer and developer segments. Can you give us some idea which of these categories you prefer or how should investors view these three categories?

HR: I think you ought to have a little bit of each of them. The more conservative is the big producers, and they will be outperformed by the development companies, and they will be outperformed by the exploration companies. Finally, the one that will outperform them last is probably the holes in the ground surrounded by liars. That happened last time when people started looking for big returns. That's not what I would do, but that's what I think a lot of people will do and the marketplace will reflect it.

But mainly, I want to make sure I am diversified across that spectrum. It would be silly to say I think that the producing companies will be the best way to make money because I don't know if that's true. One thing I've learned is how little I really know, and I've been doing this for 34 years. But every day I seem to find something that surprises me. And there's a whole lot I don't know, so I'm just making sure I've covered the waterfront.

TGR: Is it true that you're also somewhat enthusiastic about uranium?

HR: I am very much. Uranium mining interests me because there's going to be demand. There are enough nuclear plants either under construction or on the drawing boards that there's only half enough uranium above ground to service their needs. Again, the most conservative uranium investment will be the big producers, followed by the development companies that have found some uranium and are making deals with companies to finance their operations, followed-again-by the exploration companies and then the holes in the ground surrounded by liars.

TGR: Except for the liars, can you give us some examples of some uranium companies that fall into the producer, developer and explorer categories?

HR: Cameco Corp. (TSX:CCO) is one that comes to mind. Incidentally, whether it's uranium, gold or silver mining, there is always resistance to mining because it requires a lot of water, and it's hard on the environment.

TGR: That brings up an interesting point. You like to focus on North American mining companies. Are you concerned that environmentalists or the government could reverse some of the mining opportunities?

HR: Yes, but eventually, the public will realize we need those resources. And my opinion is that the public will prevail.

TGR: So you recommend diversification among producers, explorers and developers?

HR: Not just that. There are some other things I like. Another area that is viable is oil. I like oil very much, but so many oil companies are in foreign areas where they can be expropriated. If you remember reading about the Gold Rush in California, a lot of prospectors lost everything they had, but those who manufactured picks and shovels and pans did very well. So I think the way to prosper and benefit risk-free from the rising price of oil is investing in the companies that make and service the oil rigs, because they are American companies for the most part and are not as vulnerable to expropriation. Schlumberger Ltd. (NYSE:SLB) would be one example.

I think inflation will drive up the price of oil again, and inflation is already a problem. My personal opinion is that two to three years ago, when oil was up to \$145 a barrel, it ran up in an exaggerated reaction to the weakening of the dollar. It wasn't scarcity of oil or increasing demand, but shrinking value of the unit of account-the dollar.

TGR: So you see gold and perhaps oil equipment suppliers as hedges against inflation?

HR: Whether they buy gold or silver or oil or oil service companies, I think one of the most important things the average American household can do with its money is prepare for the day when inflation will be generalized. If the store sells any commodity that you buy on a regular basis, and you find it on sale, buy a case and store it. Stock up on commodities that you use and get a storage unit or make sure you have a storage room for important commodities.

I'd like to have about six months worth of whatever I need, and I am not just talking about food. I'm talking about diapers or soap or whatever, and do everything you can to be self-sufficient. I think one day one of my prized possessions will be the garden in my backyard. That way you can buy at today's relatively lower prices and consume at tomorrow's higher prices. It's not only a way to ensure you will have whatever commodity it is that you know you're going to need, but it's also a form of investment. So, that's one of the first things to do.

TGR: And what else?

HR: Another thing is to get out of debt. Even though it's theoretically a good idea to have debt and pay it off with a cheap dollars; that's theory. Then the next thing to do is buy gold and silver coins because someday they might be used as currency. There's a very good possibility of that, because it's happened so many times throughout history. That's one reason why I like coins- bullion type coins-very much.

TGR: You mention in your book a possibility of getting into hyperinflation in the U.S.

HR: We're on course for it. Once inflation starts, sometimes it does not stop short of destruction of the currency. The world is littered with dead paper currencies; you can be up to your knees in dead paper currencies. There is a possibility that we could destroy the currency by making so many demands on it and increasing the amount of currency we've created, which this administration seems to be doing.

I never thought I would be talking about dollars in terms of trillions. By creating these trillions of dollars, they're beginning to show us what has happened in every major inflation since the invention of the printing press. So my personal opinion—and it's only an opinion, not a forecast—is that inflation will get totally out of control. When it does, we'll have something like what we found in the '70s, when some prices were increasing two or three times a day as inflation picked up. That was darned near hyperinflation, but fortunately, Reagan and Volcker were able to reverse it without totally tubing the economy.

TGR: Some people who are thinking we're going to run into hyperinflation project one of two scenarios. One, that the U.S. dollar will no longer be the world reserve currency and two, that we will return to the gold standard. Do you agree with either of those projections?

HR: The only way we're going to get to the gold standard is when the current currency collapses and no longer is useful and we're searching around for some kind of gold-backed currency. But darned if I know what form it will take.

Howard Ruff, who has been publishing The Ruff Times (www.rufftimes.com) since 1975, is the author of How to Prosper During the Coming Bad Years (1979), Survive and Win in the Inflationary Eighties (1981), Making Money (1984), How to Prosper During the Coming Bad Years in the 21st Century (2008) and most recently, How to Prosper in the Age of Obamanomics: A Ruff Plan for Hard Times Ahead. When he was a young man, rather than take advantage of a full-ride scholarship to the prestigious Curtis School of Music in Philadelphia that might have led to the Broadway career he'd imagined, Howard volunteered for a Mormon church mission that took him to Washington D.C. That sparked his interest in government, economics and politics and led, over the many years that followed to fame and fortune -plus a measure of notoriety and financial failure to keep him humble.