

**Interview with Jim Cook □ August 17,  
2009**

**Q:** Are we on the verge of something big in silver?

**A:** Absolutely. The Commodity Futures Trading Commission appears to be moving towards implementing position limits on silver and other commodities.

**Q:** The news reports were on energy contracts. What does this have to do with silver?

**A:** The main attention is on oil and natural gas, but the position limits in silver are so out of line with all other commodities, that the Commission will have to address that disparity.

**Q:** What will it mean?

**A:** If they do everything it will change the face of the silver market forever. This is what I have been attempting to convey in my most recent articles, like □The Game Changer□ and □History in the Making.□

**Q:** You say, □if they do everything,□ what's everything?

**A:** Reduce the position limits in COMEX silver to 1500 contracts from 6000 and throw out the phony exemptions to that limit granted to

the big US banks.

**Q:** Would it have to be reduced all the way down to 1500 contracts to have an impact?

**A:** No. But that is the correct level.

**Q:** What would that do?

**A:** It will end the manipulation in silver and cause the price to soar.

**Q:** Sounds like a very big deal.

**A:** Very big.

**Q:** Is this the biggest thing to happen since you started studying silver twenty years ago?

**A:** Yes, I think so.

**Q:** Why could it lead to a price break out?

**A:** It has to do with the basic mechanics of how the manipulation has been conducted for 20 years. The big shorts have always been able to sell an unlimited amount of paper contracts to depress the price. If the CFTC takes away that ability, there will be no more price-capping.

**Q:** Can it really be that simple?

**A:** Absolutely.

**Q:** How come no one else is writing about this?

**A:** Maybe they can't see it. I've written on this issue for years.

**Q:** When did you first bring it up?

**A:** I have official responses from the COMEX, CFTC and the Chicago Board

of Trade dating from 1990.

**Q:** What did they have to say back then?

**A:** Thank you very much for your concerns, but please go away.

**Q:** So what makes you think it will be different this time?

**A:** This time, the issue is being raised, not just by me, but by the U.S. Senate and the new Chairman of the CFTC, Gary Gensler. That makes all the difference in the world.

**Q:** If they do it, are we talking about a short squeeze in the making?

**A:** The biggest short squeeze in history.

**Q:** Won't the big short hedge this risk?

**A:** They might have already hedged this risk. In fact, that's one of my pet theories.

**Q:** What do you mean?

**A:** Look, I never said the big short, who I think is JPMorgan, was stupid. I said they had a concentrated short position so big it could not be bought back without a big price impact. That doesn't mean that, given enough time, they couldn't buy back the position somewhere else, say on the OTC market.

**Q:** So that would mean no short-covering?

**A:** Not at all. It just means that JP Morgan has hedged its shorts with long positions elsewhere. In effect, they may have dumped the silver short position hot potato on someone else.

**Q:** What would be the consequences of that?

**A:** This is potentially even more bullish than if JP Morgan held the COMEX silver short position unhedged. The true holders of the short position would be much more likely to panic than Morgan.

**Q:** If concentrated short selling is forbidden what does it mean for the silver market

**A:** It means instead of just a few big short sellers, there would have to be many smaller traders to take their place. The only way to attract many smaller sellers would be to offer them a high enough price.

**Q:** Let's assume a price rise, wouldn't that cause investment buying to heat up?

**A:** Sure, that's what normally occurs in any investment asset, stocks,

bonds, real estate. That's part of human nature.

**Q:** Even now people are buying more silver, right?

**A:** According to just about every statistic I see.

**Q:** Have you seen the TV commercial running in China for silver?

**A:** Most definitely. My favorite part was the observation of how cheap silver was relative to gold.

**Q:** How significant is it that the Chinese public are allowed to buy silver and are being encouraged to do so?

**A:** Is that a trick question? The largest population on the face of the earth which was forbidden to own silver for 60 years is suddenly, not only allowed to own it, but is being actively encouraged by its government to do so. It's just another one of those bullish factors in silver that I couldn't dream up if I tried.

**Q:** You think the Chinese government is encouraging silver ownership?

**A:** Probably; no one runs TV commercials in China without government approval. Think how significant that is.

**Q:** Do they mine a lot of silver?

**A:** They're the third largest silver mining country and the fastest growing.

**Q:** Aren't they a big silver exporter?

**A:** Yes, the biggest but I have reason to believe they are restricting exports.

**Q:** Why would they do that?

**A:** Why export a valuable mineral to accumulate more paper reserves?

**Q:** Don't they refine a lot of silver?

**A:** They're the dominant world refiner of silver from concentrates, ores and scrap. They import it and turn it into bullion.

**Q:** If they keep more in China wouldn't that impact prices?

**A:** Any restriction would have a profound impact on price.

**Q:** If this your theory or do you have any evidence they might stop exporting?

**A:** I read in a private report they may be restricting silver exports. Think about it. They've been on a national resource buying binge. They hoarded their entire domestic gold production for five years. Why wouldn't they do the same with silver at these depressed prices? Keep it in China and have the masses own it.

**Q:** Any other countries hot on silver?

**A:** Who cares? Isn't China enough?

**Q:** Let's go back to the possibility of a pending price rise because of a change in the short selling rules. What happens with the industrial users?

**A:** That is the atomic bomb in the silver price equation. Investment demand is the wild card, in that it can explode without notice, but industrial user demand in a shortage is almost impossible to comprehend. In my daily conversations with Izzy, when we talk about user demand in a shortage, we both get kind of quiet

**Q:** What do you mean?

**A:** You have to let it sink in. You have to imagine many thousands of manufacturers all around the world, being told, at the same time, that there will be a delivery delay in a key ingredient necessary to their ongoing operations. That delay may cause you to shut down and lay off employees. And all because of an ingredient that makes up a small part of your total production costs. What would you do?

**Q:** I'd do whatever I could to get the key ingredient, right?

**A:** Of course you would. And not only that, you'd buy extra, so you wouldn't have to go through that again next month. And you would pay just about any price to get the ingredient. But the problem is that's exactly what every other user would do. And by every user rushing to buy extra, it makes the shortage worse.

**Q:** How does that end?

**A:** It must burn itself out at much higher levels. Prices must melt up to the point where everyone but the users stop buying, including investors. When you start thinking this through to its logical conclusion, as Izzy and I have done daily for more than 25 years, if you don't get quiet at the end, you're not thinking correctly.