

**Two Interviews**

**I'm planning on some commentary tomorrow or the next day but I thought I might post two interviews I did recently, one in text form and the other audio. The first is with Jim Cook, President of Investment Rarities, Inc.**

**Cook:** A few years ago we talked about the likelihood of \$200 silver. Do you still think that is possible?

**Butler:** Sure. Remember, that projection was made when we were in the single digits and before we climbed many times in the price. However, it's still a go.

**Cook:** You talk a lot about a shortage in silver. Is the evidence of this still strong?

**Butler:** If you define shortage as a delay in shipments, especially to the industrial users, the evidence is compelling that we may be very close.

**Cook:** Won't increased mining production take care of the problem?

**Butler:** We've had increases in mine production throughout the last decade and the potential problem remains. Supply is only half of the equation.

**Cook:** How big a factor is retail demand?

**Butler:** Very big on a long-term cumulative basis, less important on a short

term basis.

**Cook:** You have often mentioned panic buying by industrial users when the shortage hits. Apparently they are getting all the silver they need. If there is a shortage as you claim why hasn't it impacted them?

**Butler:** Obviously, there is no full-blown shortage currently. The question is whether it will come. When it comes, it will be obvious to all and it will be too late to take advantage of it. The trick is to anticipate.

**Cook:** What happens in an industrial buying panic?

**Butler:** We melt up in price because as each new user tries to build inventory, it leaves less for the next user.

**Cook:** Does the paper trading on COMEX still control the price?

**Butler:** For sure, but that control will be less in the future.

**Cook:** What will change that?

**Butler:** The rush towards physical. COMEX is designed as a paper derivatives exchange and is not structured for a rush on physical silver.

**Cook:** What is JPMorgan, the big short, doing now?

**Butler:** Overall it is reducing its silver short position, but recently has been increasing it. Ask me after the next COT report.

**Cook:** What price would silver be at without them in the picture?

**Butler:** Double, at least, but it depends upon what other factors it might set off.

**Cook:** Will the new position limits on silver begin to impact the price?

**Butler:** Yes, and I'm sure it already has, both up and down as big players react and influence the market. The main thing is that it will be good in the long term

as it promises to end the silver manipulation.

**Cook:** What do you say to people who bought silver at \$45.00 an ounce?

**Butler:** I guess the same thing that was told to those who happened to buy at previous tops of \$8, \$12 and \$20. Silver wasn't above \$45 for a long period of time, so there can't be great numbers who hold silver at that average price. Probably the best thing to do is to take advantage of the lower price and average down.

**Cook:** Silver always seems to follow gold. A while back you wrote that gold and silver would get a divorce and silver would fly on its own. Why hasn't that happened?

**Butler:** Because they've had a 5000 year marriage and the longer you are married, it's harder to get divorced. But given silver's industrial consumption profile, they are incompatible and the marriage is doomed.

**Cook:** Are you saying that someday silver will leave gold behind?

**Butler:** Exactly. In addition to there being less silver bullion in the world than gold bullion by a factor of three, silver can and will experience a user buying panic at some point, something not likely to occur in gold as there is little industrial consumption in gold.

**Cook:** People should buy silver rather than gold?

**Butler:** To me, that's the easiest decision possible. Buying any precious metal for the first time may be a decision to ponder, but once the decision to buy is made, buying silver instead of gold is easy if you study the facts objectively.

**Cook:** Is there any chance of a future short squeeze?

**Butler:** Sure, JPMorgan closed out a lot of shorts already, but have plenty to go,

as do other entities.

**Cook:** Why hasn't any big hedge fund gotten into silver?

**Butler:** I don't have a good answer to that, other than they haven't done their homework. I'm not trying to be a wise-guy, but neither did they buy before it went up ten-fold in price.

**Cook:** What makes you think investment demand for physical silver will increase?

**Butler:** Because the amount of money that could potentially buy silver has grown dramatically and the investment merits for silver have similarly grown.

**Cook:** You have predicted an explosion in silver prices. Is that still in the mix?

**Butler:** More than ever. If you study the history of epic price explosions, you'll see the really big moves in price come after prices had already risen a lot. Explosions come after big gains have already occurred.

**Cook:** Care to put a time frame on this?

**Butler:** Not a short term time frame.

**Cook:** What percentage of a person's net worth should be in silver?

**Butler:** The conventional answer is 5% to 10% of a total portfolio, but if someone has done their homework, I don't see why it couldn't be more. It certainly is for me.

**Cook:** Do you think people should have their silver in their possession?

**Butler:** Yes. That is always the best circumstance and is one of the real advantages in silver. You can hold it in your personal possession and eliminate any middle man or financial institution going out of business. Silver is an asset

that is no one else's liability. If someone comes to own more silver than he can realistically store personally, then care must be given to how it is professionally stored.

**Cook:** What about silver mining shares?

**Butler:** On paper, they should do well as silver rises in price. However, there are all sorts of specific risks that are not present in owning the metal directly. Certainly, I sleep better telling people to buy the metal.

**Cook:** What about silver futures or other types of leverage?

**Butler:** That's really risky for the average person and I would strongly advise against it.

**Cook:** A lot of people have silver stored at their brokerage firm or at banks or mints outside the country. Any thoughts?

**Butler:** Unless you have the serial numbers (on 1000 ounce bars) and the right to immediate delivery of those same bars, you are taking unnecessary risks.

**Cook:** If the price does explode as you predict are there going to be problems for people who want to then get the silver into their possession?

**Butler:** I would count on it being a problem. That's why you want to take precautions beforehand. If it sounds too good to be true, then it probably is.

**Cook:** The CFTC just announced the silver investigation they started in 2008, at your urging, is still ongoing. Any thoughts on this?

**Butler:** First, I would like to thank all those who took the time to write in, at my urging, because that's what got the investigation rolling. Nothing could be more important than determining whether a market has been manipulated.

**Cook:** What impact could a resolution of the silver investigation have on the

future price of silver?

**Butler:** If the Commission finds that there has been a manipulation as I contend and then moves against it, it should set the price free and allow it to climb quickly and sharply higher.

**Cook:** The whole body of knowledge that drives the current silver conversation on the internet and elsewhere originated with you. A lot of today's silver commentators and their organizations seem determined to deprive you of credit. Why is that?

**Butler:** I don't have a good answer.

**Cook:** You wrote that the MF Global collapse caused the price of silver and other commodities to decline on the Monday and Tuesday following the news. Any new thoughts on MF Global?

**Butler:** Subsequent data did confirm that positions were liquidated in the immediate aftermath of the MF Global bankruptcy, which suggests the silver market is basically washed out and ready to move higher.

**Cook:** Gary Gensler the CFTC head is taking some heat. Any advice for him?

**Butler:** The heat is coming from