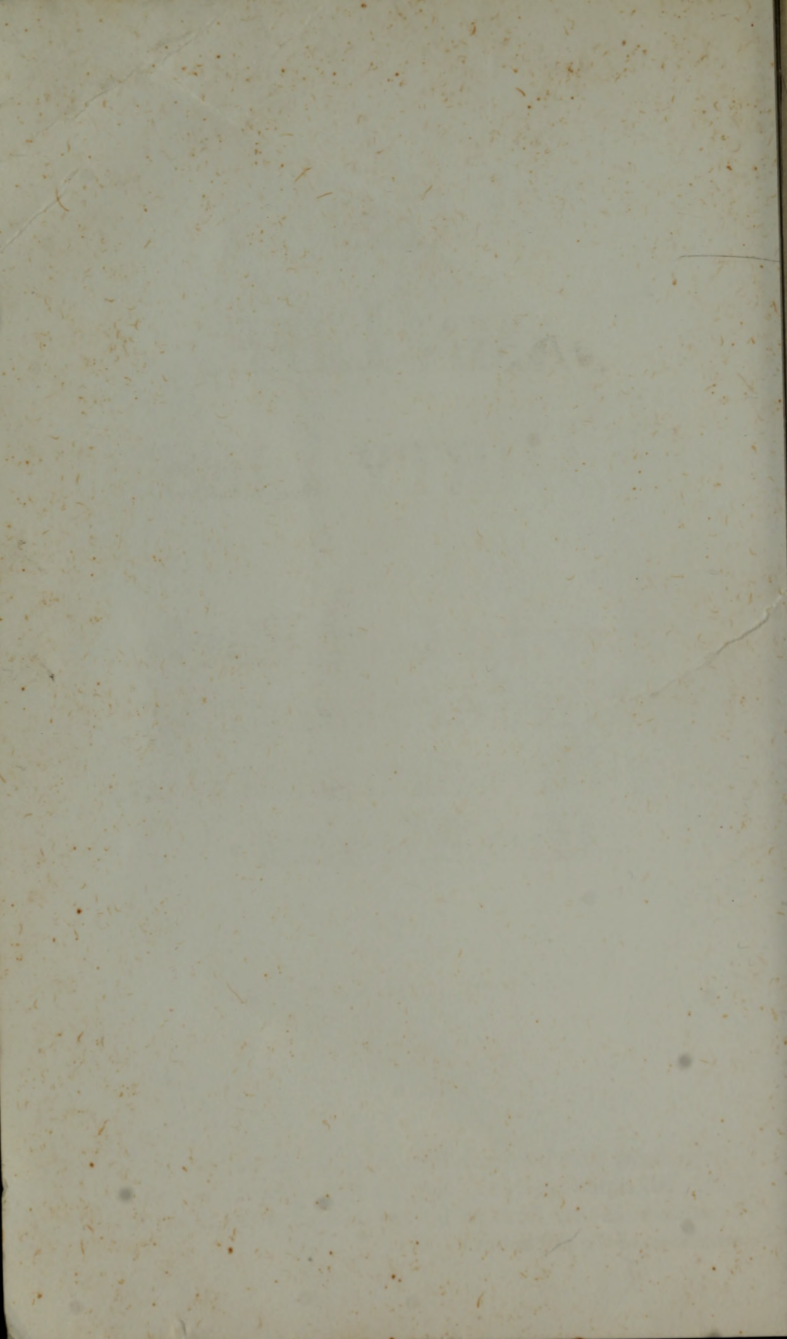


LIES, DAMN LIES & DIRTY LIES

**HOW TO
GET RICH BY
UNDERSTANDING
BIG GOVERNMENT
&
THE MEDIA**

Douglas Casey

Best-selling Author of Crisis Investing for The Rest of the 1990's



LIES, DAMN LIES, & DIRTY LIES

**How to Get Rich
by Understanding
Big Government &
the Media**

by Douglas R. Casey

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Congressman

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AUTHOR'S NOTE

I firmly believe that everything you've ever wanted can be yours. The investment strategy you will discover in this book makes it possible. I know because I have used the same strategy myself to make millions of dollars—and to make my own life fun and exciting.

Make no mistake, the rest of the '90s will be grim in many ways for many people. But before the decade ends, we will see the creation of a whole new class of investment millionaires. The same crisis that threatens the life savings of millions of people also offers lifetime investment opportunities to a few. I sincerely hope you will be one of them.

Doug Casey, 1995

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Chapter One

The Polo Bum School of Hard Knocks

How Fortunes are Made

I don't have a "rags-to-riches" story. The fact is, I've always had money.

My father made a fortune back in the 1940s, when he became one of the biggest landowners in Washington, D.C. (he was also an advisor to F.D.R.). He taught me his investing strategy, and I've used it to make a considerable fortune of my own — I won't say how much, but let me put it this way: If I were to retire tomorrow, I would be comfortable for the next 300 years.

Don't get the wrong idea...I'm not trying to brag. I'm telling you this because I made my fortune — and my father made his — using the same investing strategy I'm about to introduce to you in the following pages.

This book is not about complex market formulas. It's not about money managers with the "magic touch" or brokers with "inside information." It's about how real market profits are made. The market strategy this book explains is simple. In short, it's this: Instead of reacting to market events as most other investors do, I want you to understand exactly what's behind them.

This strategy — the strategy that makes

insightful, informed investing possible — looks like contrary investing to most people. That is how people who don't know any better describe what I am doing. But what I am really doing is applying a consistent, simple logic to investment markets, one that allows me to get the investment benefits of contrarianism, without having to wonder what the contrary position really is.

I'll explain this technique in detail, including how my father used it in real estate and how it enables you to profit from the shallowness and wrongheadedness of the media. I'll also show you how it greatly lowers your real risk while focusing your investments where they'll reap the kind of rewards you normally get only from high-risk situations. And how to avoid taking a big loss along with other investors when major shifts of direction occur in the markets. But before we get started, let me give you a little background...

Keeping Ahead of the Kennedys

These days, I'm what you would call a "Polo Bum." I love to play polo the way other people love to play golf or tennis or ski in Aspen. And when I'm not looking after my investments, I spend a lot of time traveling around the world playing polo.

That means I get to spend a lot of time in places like Palm Beach, home of the famous Palm Beach Polo Club. I hang out a lot with the "trust-fund" set. But I'm not here just for

the fun of it. To see what I mean, you have to understand what the people in Palm Beach are like. I'm willing to bet you have a pretty good idea already.

You see, Palm Beach is an unreal world. This is fantasy island. The people here are disconnected from reality. This is the kind of place where people like Teddy Kennedy come to blow their family fortunes...to get drunk and stumble around without their pants on. In Palm Beach, this kind of behavior is nothing more than cocktail party chatter.

But that's not what interests me. The chatter I'm looking for is the kind that reveals what the Palm Beach crowd is investing in. You see, the "trust-fund" set loves to talk about everything and anything. After all, what else do they have to do? And with all that time on their hands, you can imagine what they talk about...

What They Talk About in Palm Beach

Eavesdrop for half an hour and you'll get an earful. It doesn't take long to find out what the "trust-fund" set thinks about a lot of things — including what they think about investing. The strange thing is — as much money as they have — it's often the thing they know the least about. And that's precisely why I listen carefully to everything they say.

You see, the trust-funders never earned their money. Many have never had a job or even seen a paycheck. They wake up when

they want. They go wherever they want. And when they need money, they simply call the trust department of their bank. More often than not, the people who actually made the fortunes are long gone — and the secrets of making money are gone with them.

The money itself is in the hands of professional money managers or ultra-conservative trust departments at banks. Why? Because the “trust-fund” beneficiaries have no idea how to invest.

What is true of other investors is even more true for these people. Most investors don't have or understand the information needed to make profitable investments. Most investors are too far removed from the original information source. The people of Palm Beach are even farther removed.

You can almost bet that any “hot” investment they talk about in Palm Beach is already risky and over-priced. The “inside” information they have is already out-of-date. Or completely misunderstood.

The point is, the typical market information that reaches investors is useless. It has already been filtered through so many channels that it's no longer current or accurate. It's like playing the children's game of “Whisper Down the Lane.”

Investing information starts with CEOs behind closed doors, government officials who write public policy, and reporters and anchormen who manipulate, package, and

often create the news. Then it makes its way past the SEC and the pencils of a thousand accountants. After it's been sufficiently manipulated, information trickles down to brokers, money managers, and bankers.

Those who get to the information first have everything they need to make a fortune. But by the time market information has made its way down the chain, it has been completely devalued and distorted. Still, it hasn't reached the "trust-fund" set.

You see, these people never have a real understanding of what's going on. They end up lacking the kind of critical intelligence necessary to separate fact from fantasy...myth from reality.

You can see the effects of this many times in the history of the markets. Even fairly recent history. Over and over again, people at the end of the information chain pay too much for their investments and take an inevitable loss as investment trends shift direction. That was the case in the late '60s, when pre-inflationary "easy money" government policies helped drive the Nifty Fifty to levels that seemed absurd. Nifty Fifty stocks were all the rage — and the "trust-fund" crowd was happy to pay premium prices.

But then reality set in. By 1974, almost all of these stocks crashed — 20 years later, many of them still haven't recovered...big stocks like Xerox, Polaroid, Univac, U.S. Steel — to name a few.

The same thing happened in the late 1970s, with gold. Inflation sent gold prices through the roof. The news didn't reach Palm Beach until prices were already near the top. When the '80s rolled around, all the smart investors had shifted their attention to stocks and bonds.

But in Palm Beach, they were sitting around in the bistros of Worth Avenue — Palm Beach's main drag — and talking about buying Krugerrands and gold stocks.

A few years later — long after the rise in stock and bond prices had already begun — the Palm Beach crowd started talking about investing in stocks. Even when the stock market was dangerously over-inflated, they were still talking about stocks... bonds... mutual funds.

Right up until the crash of '87, the Palm Beach set talked stocks. Then, the market fell 508 points in October. All of a sudden, stocks were bad. Of course, shrewd investors were buying again. But it wasn't until stocks were once again over-valued in '93 that the trust-fund set found them appealing.

What's worse, they thought they learned a valuable lesson from the '87 crash — don't worry about correction, the market will bounce back. You can depend on it. Of course, nothing could be further from the truth.

Guess what Palm Beach is talking about now. That's right. Stocks and bonds. Even though fundamental market conditions have clearly shifted, the people of Palm Beach still

pass their afternoons sipping iced cappuccino and dropping the names of high-profile mutual funds. In the evening, over white wine and grilled swordfish, they wonder when bond prices will bounce back.

Fortunately for the Palm Beach crowd, it's just talk. They never actually act on all this misguided market speculation. Instead, they pay the people at the bank to worry about their investments. But a lot of other investors *do* act — on exactly the same kind of misguided beliefs about the market.

The Mistake Most Investors Make

The average investor at the tail end of the information chain finds it almost impossible not to follow the crowd. It's like being a compulsive gambler. The desire to win overcomes the gambler's ability to recognize dangerous risk. The higher the stakes, the more the gambler wants to be "in on the action." So, after every small gain, he puts more and more of his money on the line. Inevitably, the tables turn and the gambler loses everything.

Investors have a lot on the line. In 1993, they dumped a staggering \$130 billion into mutual funds. That's twice as much as they invested in 1992...and 10 times as much as they invested in 1990! By the end of 1993, mutual funds held over \$2 trillion in assets — talk about putting all your eggs in one basket!

And now, with the market essentially

stagnant (save occasional blips), this \$2 trillion glut is on the chopping block.

Americans haven't been this vulnerable in 21 years. Yet most investors regard their mutual fund investments as "safe." Even though the market is *still* overpriced. Mutual funds are in more danger now than they were even before the crash of 1987.

In the following pages, I'll tell you about a safe, high-performance alternative to mutual funds. I'll also introduce you to a proven investment strategy that consistently outperforms conventional strategies by 44%...and the most important investment to avoid over the coming year.

Over the 14 years I have been investing, the strategy you're about to read about has been good to me. I've used it to make as much as 1,000% returns on the Dow...650% on silver...215% on gold...over 2,000% on mining stocks. I'm holding one mining stock right now that has gone up 923% since I first recommended it in 1992 — and it still has room to grow (see Chapter Eleven). I have no doubt that this strategy can work just as well for you, as you'll soon see...

How to Outperform Average Investment Advice

Multibillionaire J. Paul Getty divulged the simple secret of his phenomenal success in his autobiography, *How to Be Rich*: "Buy when

everyone else is selling, and hold until everyone else is buying. This is more than just a catchy slogan. It is the very essence of successful investment." In other words, "buy low, sell high."

The trouble with "buy low, sell high" and most other investing advice is that it doesn't tell investors the specific facts they need to know. Without accurate information, it's impossible for any investor, no matter how brilliant, to make profitable investing decisions.

But that leads you to another problem. "Information" is everywhere. You're constantly barraged with new and conflicting "facts" by television...newspapers... government reports...brokers...even by your next-door neighbors.

So how do you tell the good information from the bad? How do you tell what's relevant and what's not? That's what this book is for. And since market trends are what make or break most investors, let's take a look at big government — where most market trends begin...

everywhere that nothing and could not be done
else in history. The same thing is a mistake

WILLIAM H. HARRIS

invested in a new school building
1881

It is true that the new school building
was at an interesting moment in its history
and that the school building was at an interesting
moment in its history.

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Chapter Two

A Thousand Clowns in Washington

"An election is nothing more than an advance auction of stolen goods."

—Ambrose Bierce

Have you ever been to Washington? Have you seen how politicians operate? If so, you know what a circus the federal government really is. In this century, Washington has been dominated by many of the same people who sip cocktails in Palm Beach. The Kennedys... DuPonts... Gores... Rockefellers... Roosevelts... people who have never earned an honest dollar. Whose whole lives have been devoted to squandering their family fortunes. They've all gone to Washington so they can squander your money too.

It's the perfect place for them. People who know nothing about money preside over the biggest budget in the world...creating the senseless and often surreal financial policies of the federal government. But make no mistake about it. These jokers are wild. And understanding the effect they have on your money and the economy is the key to wealth.

Don't get the wrong idea. I'm not speaking

of corruption, bribes and sweetheart contracts... those are peanuts compared to the real money.

The real money is made by investing. Not the random, hit-or-miss, flip-a-coin investing that most people do. But specific targeted investing based on an accurate understanding of why prices are moving and where they're headed.

It's exactly this kind of targeted, fully informed strategy that helped me make a 215% profit in the gold market from 1978 to 1980...650% on silver...2,000% on mining stocks...and again in 1993, when I recommended mining stocks now up 260%...595%...and 923%. It's the same kind of approach that helped me earn 1,400% profit on a particularly profitable cellular company.

And it's the same kind of approach I used to pick the winning investments I'm recommending to readers right now. I'll tell you more about these in Chapters Six through Twelve.

But before I do, let me tell you a story...

How I Learned the Secret of LOSING Money

It all started in the 1950s.

It was the age of crew cuts, dungarees, and apple pie...all-American patriotism was in full swing. As a result everyone was buying U.S. Savings Bonds. At the time I was still in

grammar school. And I was just like all the rest. I remember swelling my chest with pride, taking all my savings, and buying a U.S. Savings Bond of my very own.

Everyone patted me on the back and said I was very "sensible." An investment in U.S. Savings Bonds was easy money, they said. Just buy them and wait.

Who would have thought anything could go wrong? After all, bonds were insured by the U.S. government — the strongest institution on earth. But, 41 years ago, I never guessed inflation would come along and wipe out my gains.

In an ideal, non-inflationary world, my 1952 \$1,000 U.S. savings bond would be worth \$3,026 today. But after 42 years of inflation, \$1,000 set aside in 1952 is worth only about \$600 today — even after more than four decades of compound interest. That's a *loss* of 40%!

How I Finally Learned the Secret of MAKING Money

While everyone was naively buying U.S. Savings Bonds, my father had a different approach. He ignored the headlines and the popular consensus...he never put a penny into U.S. Savings Bonds. Instead, he invested in what nobody else wanted back then — real estate.

Most people thought he had lost his mind. Why, they asked, hold real estate with no

return on your investment when the government will guarantee you a 4% return? But things change. And if you don't prepare yourself for these changes, you're bound to lose out. What most people back then weren't prepared for were changes in government policy...changes geared for a massive expansion of federal power. What nobody told us was that this policy change also meant long-term fixed-return investments would soon be obsolete...about as worthless as discarded lottery tickets.

My father, on the other hand, saw change on the horizon and he took advantage of it in a big way. He bought up farmland in Gaithersburg, Maryland, a rural area near Washington, DC. Before the '50s, it was selling for as little as \$50 an acre, so he bought as much as he could afford. It wasn't long before he was the largest single landowner in Montgomery County.

A few years later, the expansion of the government came at us like a freight train — inflation started up and U.S. Savings Bonds got trampled. That's how I learned the secret of losing money. Fortunately, I learned about the other side of the coin at exactly the same time.

As I said, government expansion and inflation trampled U.S. Savings Bonds. But it also caused a slew of bureaucrats and big money to descend upon our nation's capital. Property values around D.C. shot into the

clouds — especially the property owned and developed by my father. The going price rose as high as \$50,000 per acre. My father made a fortune.

In fact, he became one of the richest men in America — eventually amassing a \$200 million estate. And all because he understood what most other investors did not: Politics is the key to wealth.

You see, politicians constantly create all kinds of quick-fix policies that wreak havoc in the marketplace. They create inflation and consumer prices shoot up. They raise interest rates and the stock market plummets.

It's all the average investor can do to keep up. As soon as an individual lines up what seems like a good investment position, politicians enact a wrong-headed economic policy that knocks the individual investor out of place.

These days, government is nothing more than a protection racket for career politicians. Politics constantly creates convenient ideological lies to survive...about the state of the economy or the real cost of government programs...or the real effect of government meddling...or even the real motives of politicians and bureaucrats.

What Every Politician Learned From Hitler and Mussolini

Have you ever seen those old, black-and-white news clips of Hitler leading thousands

of Germans in a “Heil Hitler” salute? Or legions of Hitler Youth goose-stepping through the streets of Berlin?

At one time, Hitler was a vagrant sleeping on the floors of Austrian coffeehouses. By 1933, he was the self-appointed dictator of the 2nd largest economy in the world — which he turned into a cruel police-state that eventually presided over the extermination of 6 million European Jews.

How did such a twisted man get such a firm grip on the minds and hearts of the German people? The same way Mussolini took over Italy in 1922. They shared the same secret agenda — to win power. To get what they wanted, all they had to do was create a banner and get the people to march behind it. Politicians today use the same technique to get elected and then stay in office.

Money Secrets of the Election Cycle

The primary motivation of all politics is the lust for power. Sure, Clinton’s team promised during the elections to dramatically cut spending, pay down debt, raise ethical standards to a higher level (ha!) and restore the financial integrity of America’s money system. That’s exactly what voters wanted to hear — so they put Clinton in the White House.

He could take the bold action he promised, decisive action to reduce government spending, cut taxes, and reduce the deficit. This action could protect the economy and the value of the

dollar and U.S. bonds. But it would mean less power for Clinton and his associates. Fewer programs to start up. Fewer government jobs and favors to hand out. Less money to spend.

My point is this: Politics has its own financial agenda. It's not unknowable. Not random. Not even mysterious. This is the same agenda politicians and governments have followed for the last 2,000 years. And today, that agenda is more influential than ever before because government is bigger than ever before.

Anyone who is serious about building or protecting wealth must understand the hidden link between politics and money. When you do, it's as though you've won the lottery. Your future is secure. Your fortune is merely a matter of time.

Bill and Hillary's Real Agenda

So far, Clinton's presidency has produced little more than a cornucopia of favors, giveaways, and rip-offs — all intended to reward and pacify the special interests that support him politically. For every dollar of "cuts" he proposes, he wants up to \$10 in additional spending. What's more, now that the Republicans have the upper hand in Congress, Clinton is going to push his agenda even harder. But the only thing he'll achieve is something Washington has always been good at — gridlock. Who can doubt the results

will be ruinous?

All that talk about the economy was just campaign talk. His real agenda has always been political. His goal is not to make the country stronger and freer, but to forge a new political coalition, based on the time-honored spoils system. Americans are paying more taxes. The debt is rising. Eventually, inflation will choke the economy. There will be fewer new jobs. And rising interest rates will torpedo the stock and bond markets.

The fact is, Bill and Hillary aren't really interested in what happens in the long-term to your investments and to the economy. They're only interested in reviving Bill's flagging popularity rating. This is even more true now that Congress has changed hands. The way Clinton sees things, his current policies are his best bet to keep power. For investors who don't realize this, the next few years could be a disaster.

But for those who know what Clinton and the other politicians are up to — and who understand why — the next few years could be a bonanza. Let me show you what I mean...

The Surest Way to Make Money

The markets may be unpredictable. But politicians are not. And investing according to the effects of their actions is the surest way to make money with very little risk.

It was a sure thing, for example, that inflation would take off in the 1970s. Because

Lyndon Johnson tried to fight a war in Vietnam and a war on poverty here at home — without raising taxes. And Nixon removed the dollar's link to gold.

I was still in my twenties in the early '70s. But I could read the handwriting on the wall as well as anyone. I watched my investments in gold mining companies jump from 400% to 2,000% as the price of gold climbed to \$850.

Then, when Reagan took over in 1980, interest rates hit 18% and stocks were trading at 7 times earnings. Even then, most people were still mired in the last decade...buying gold, commodities, silver, and all the "Top Ten" investments of the '70s. But you didn't have to be a genius to see that stocks would boom as interest rates came down.

At the time, the Dow was at 777. I told my readers it would hit 3,000 by 1990. I was off by only a quarter of a point. The point is, in a world of uncertainty, you can always count on Washington to do the wrong thing. And you can make a lot of money by investing accordingly.

How Politics Creates Investment Opportunities

Remember the "oil crisis" of the '70s? A classic case of politics in action. Also a fantastic investment opportunity if you were able to pull yourself out of the media muck on the subject and see what was really happening. Oil had been selling for as little as \$2 to \$3 a

gallon in '71. This was the same time that the government's inflation of the '60s and '70s was beginning to catch up to it.

Naturally, the Arabs and oil companies, who had a valuable commodity in the ground, were not eager to continue turning it over to Americans in exchange for paper dollars. Greenbacks were losing value, oil was not. Then, the natural business cycle of the oil companies combined with the natural stupidity of politicians to produce shortages. As inflation increased Jimmy Carter refused to allow gas prices to rise to clear the marketplace. Instead, consumers waited in line for gas — grumbling about the “shortage” of oil — which, of course, was a total fiction of government and media hype.

At this point, most people were convinced that oil prices were headed for the moon. Top economists were projecting oil at \$80 a barrel within a few years. The “shortage” was thought to be a fact of life. Jimmy Carter, Congress, the media, the public, academic researchers, nearly everyone agreed — the world was running out of oil. Oil stocks were bid up to absurd levels, and the price of oil hit a peak of \$35 a barrel by 1980.

Making money was easy. All you had to do was be able to see that the “shortage” — reported as fact by the government and the media to investors — was nothing but a fantasy. This, coupled with a modest understanding of the business cycle, would have produced huge profits.

In '71, oil was cheap. No one wanted it. You had to be a "contrarian" to buy oil stocks. Of course, it was bound to rise sharply as the wave of '70s inflation raised all commodity prices. Which it did, making a fortune for those who got in early. For instance, I told my readers to invest in 23 different oil stocks. Those that did tripled the value of their investments in just 24 months.

And in 1990, oil was far too expensive again, driven to \$41 a barrel by a typical media-boosted mania surrounding the Gulf War. Again, you had to be a "contrarian" to sell your oil stocks...or, if you really wanted to make money, you went short. Yet those who did once again made fortunes when the black goo plummeted.

Today, oil is down again. Many oil stocks are excellent investments. For the names of these companies, see Chapter Seven.

For now, the point I'm making here is that price movements follow predictable patterns, based on how government and media work together to influence the crowd. The point I will make later is that this is not merely a "buy low, sell high" recommendation, but a much more reliable insight into how things work — an insight that can save you a lot of grief...and help you make a fortune...in the years ahead.

The Next Big Government-Created Profit Opportunity

As you can see, a deeper understanding of

how government works — and how it influences the markets — can be very profitable. So what will be the next source of government-created opportunity? Debt.

Look at it this way...whenever the government decides on a certain policy, billions of dollars will be made (or lost) as a result. One out of every three dollars in our economy is spent by government. This makes government by far the largest industry...the largest employer...and the largest single actor on the financial stage.

Even more important, government directly controls the money...prints and distributes the currency, establishes monetary policy, heavily regulates banks and other financial businesses...practically dictating the success or failure of every investment decision you make. Government is the primary source of income for millions of employees, and millions more welfare recipients, disabled people, and retirees — hundreds of millions altogether. And the U.S. federal government is the largest debtor in the entire world. In fact it's the largest debtor in the *history* of the world.

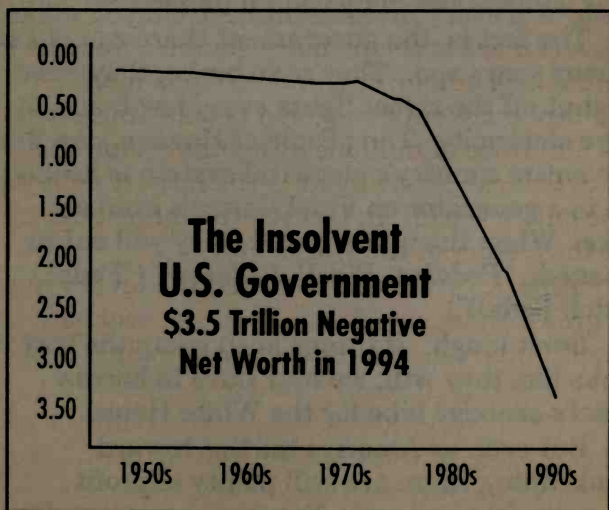
America's debt has reached the level where it grows on its own faster than the economy itself. Interest on outstanding principal is still compounding at nearly double-digit rates.

"Don't worry about it," say the Pollyannas, "we're going to work our way out of debt." But how can you pay off your debts when your expenses are going up and your income is going

down? And your credit line is already maxed out?

The answer — Clinton's answer — is going to undermine almost every market most investors today consider "safe." It's also going to provide an enormous investment opportunity for the very wise. A lifetime investment opportunity. The kind of thing that only comes along once every four decades. I'll show you what I mean in Chapter Eleven.

For now, know that the government controls the general trend of prices. And this fact determines where your money ought to be to grow safely. Plus, it leads to a great number of very special opportunities — ways for insiders to make a lot of money.



Pedal, Bill! Pedal!

As you can see on page 23, the government sector already has a negative net worth of more than \$3.5 trillion! We're plunging headlong towards bankruptcy. And, regardless of whether Clinton or Gingrich is calling the shots before the '96 election, there's not much that anyone — least of all a politician — can do to stop this trend.

If you want an idea of what it will be like to live in a country with a bankrupt government, take a look at Cuba. I was down there last February and I met with Castro. He seemed to be a likable fellow. But Cuba is a basketcase. Why else would so many Cubans hop on rafts made of toothpicks to brave shark-infested seas, storms and dehydration under a 90° sun?

The fact is, the government there ran out of money years ago. They're so broke, they have to shut off the street lights every few hours to save electricity. The people of Havana joke that the entire country's electrical system is hooked up to a generator on Fidel Castro's exercise bike. When the lights go out, they yell out in Spanish, "*Pedalea, Fidel! Pedalea!*" ("Pedal, Fidel! Pedal!")

Don't laugh. If things keep going the way it looks like they will, we may have to borrow Fidel's exercise bike for the White House.

But even as America hurtles toward bankruptcy, there are still plenty of profit opportunities around. To take advantage of

them, all you need is a deeper insight about the political agenda and how it affects markets.

I'll tell you how you can always have the kind of "inside" government information you need. But first, let's talk about another force that manipulates the markets — one that's almost as influential as big government: the media...

Chapter Three

Prisoners of the News

The media has almost as much influence over the markets as government does. Ask yourself...what's the first thing rebels do when they launch a coup d'etat? They take over the TV stations. Why? For the same reason Ross Perot pays for half-hour infomercials all about himself. For the same reason political candidates appear in mud-slinging campaign commercials. Or kiss babies for the benefit of newspaper photographers.

Government uses the media — especially television — because it is the best way to manipulate public opinion.

Government and the media feed off each other. They join forces to seize control over what the public thinks and does. And they do it by exploiting the perceived reality. They find out what the crowd wants to hear. Then they find the best way to package it and sell it back to us in the form of sound bites, commercials, news clips, headlines, and "special reports."

The point is, most people absorb only the story the media wants them to absorb. Investors are no different. Investors often think they know where markets are headed. But more likely, they only know what they've read in the papers or seen on TV. At best, most

investors only have a distorted understanding of what's really going on.

The fact is, most investors are prisoners of the news. They have no market information to go on except for what they get from television, the radio, newspapers, or — often — secondhand information from neighbors.

Investors often ask each other, "What's the market doing?" — as though hourly changes in the Dow held the key to success. Instead of figuring out what is really behind the news, they simply react. Even changes in the weather cause a flurry of buying and selling!

But unless you're a professional trader, it's a mistake to try to catch every bump and slide in the markets. You'll be wrong as often as you are right...and you'll pay a fortune in commissions. You're much better off investing in longer-term trends.

What Not To Believe

Most of what you get from mainstream media is hollow and superficial. You can always count on them to get the facts wrong. Sometimes, the media just doesn't understand the story they're reporting. Other times, they distort the facts on purpose.

Television is probably the worst offender. When a story is hot, no television producer wants to let it slip away. When television producers don't have a hot story to latch on to, they rewrite an old one...or they make one up. For instance, how many times have we been

subjected to different versions of the Amy Fisher/Joey Buttafuoco story? The Tanya and Nancy Kerrigan drama? O.J. Simpson updates? Or do you remember when an NBC news crew rigged a GM pickup truck to blow up on camera? Viewers watched in horror as the truck crashed and the gas tank exploded. The voice-over confirmed how dangerous GM's "Side-Saddle" gas tanks could be. But what NBC didn't show viewers were the news-hungry journalists putting dynamite in the tank to get the effect they were after. And it worked. The public loves a good scandal. This is the kind of thing people want to believe.

Television in particular and the media in general do not report on reality. They report on perceived reality. They say whatever they think most people want to hear.

The media handles stories about the markets with the same degree of accuracy. They talk about fantastic profits when the market is clearly near the top. And they go on and on about tragic losses when the market has already hit rock bottom, scaring investors out of some fantastic bargains.

The trouble is, the media lacks any historical perspective. You can always count on them to project current events well into the future. Whatever the hottest current trend is, the media talks about it as though it will continue to happen forever.

Today's stock market is a perfect example. Even after several seesaw adjustments, prices

are still dangerously high. History says that a bear market is here, or just around the corner. But you wouldn't know that from watching the news.

Today's media coverage gives a whole new meaning to the term "bad news." At the same time, understanding how the media works can be a boon to your investments. This insight about the media has been just as profitable for me as knowing the truth about big government.

No question about it, the media is a powerful tool for those who know how to use it...

How a Newspaper Mogul Made a Fortune by Starting the Spanish-American War

Do you remember how the media jumped on Senator Joseph McCarthy's black-list bandwagon back in the 1950s? For McCarthy, the "red scare" was a great way to get publicity. And votes. For the press, it was a great way to sell newspapers...even though the hysteria it created destroyed hundreds of careers and reputations.

Or how about William Randolph Hearst and the Spanish-American War? In the late 1890s, Hearst's New York newspaper, the Journal, almost single-handedly started the Spanish-American War.

In 1898, a mysterious explosion sank the U.S.S. Maine and killed 260 American men off the coast of Cuba. Everyone from the captain of the Maine to President McKinley suspected

that the explosion was an accident, caused by a coal bunker on the ship that caught fire.

At the time, relations between the U.S. and Spanish-occupied Cuba were tense. But when Spain's captain-general in Havana heard the news, he burst into tears and sent a team of his own officers to express regret and organize help.

But Hearst knew a good story when he saw one. He told a newspaper artist, "You supply the pictures, I'll supply the war." On February 17, two days after the accident, the front page of the Journal declared, "The Warship Maine Was Split in Two by an Enemy's Secret Infernal Machine." On February 18, the headline read, "The Whole Country Thrills With War Fever."

Every day of the following week, the Journal averaged more than eight pages on the Maine. Before long, Americans were screaming for war. But that's not all. They were also buying a lot of newspapers. Before the accident, the Journal's circulation was 416,885. By February 18th, circulation had more than doubled — to 1,036,140!

The U.S. Navy never could figure out what sank the Maine. But America still went to war with the Spanish. And Hearst made a fortune.

The point is, you can't trust the media to get the story right. But you can trust the general public — most investors included — to get duped almost every time. Why? Because most investors know as little about how the media works as they know about government's

hidden agenda. It's these investors who get burned when markets change direction. By falling in step with politicians and the media, most investors are sitting ducks for financial disaster.

What most investors don't realize is that the news can help you with your investments. You just have to know how to use it to your advantage.

How to Make Money by Knowing the Truth About Big Government and the Media

Big government and the media are a lot alike. Both rely on a commonly held, self-serving, and fundamentally flawed world view. Both represent centralized forms of distribution and control. Both love crises and manias — in fact, both help create them. What's more, they profit from extending them.

The fact is, the media...especially television...is what most people use to form their views of the world. Politicians take advantage of this fact every day. Whenever they want to find out what is on voters' minds, they simply switch on the television. Whatever themes they run across most, they use to write public policy.

What does that mean to you as an investor? It's good news because it guarantees a near-perfect investing environment. Most other investors will make superficial and short-sighted investing decisions based on what little

information they have from the media. They will overlook whole markets, leaving you an opportunity to snap up great investments at bargain prices.

Likewise, when other investors finally catch on to the investments you bought long ago, they'll bid prices through the roof. And as prices get closer to the top, you'll be among the few who recognize when it's time to take your profits and walk.

The fact is, people do not lose money by seeing the world as it is. They lose money by seeing the world as they would like it to be...or as they have been told it should be by the government and the media. Profits are made by developing a deeper understanding of what's really going on and investing your money in the resulting long-term reality.

How and Why the Media Creates Panic

It's human nature to pick sides. We do it almost immediately, regardless of how much information we have. The media knows this and they make money from it any way they can.

This whole process is part of a vicious cycle. Once the public hears a popular opinion echoed by the media, most people are even more convinced that they're right — even though they never take the time to confirm the facts. Naturally, the next market report shows the most successfully identified trends getting even stronger...and the whole process starts all over

again. Pretty soon, you have a mania on your hands.

When this happens on a political level, people suffer serious consequences. Like the Spanish Inquisition and the Crusades, where religious fervor inspired the torture and murder of thousands of people. Or one of the most tragic events of this century — when a nationalistic mania inspired Germans to see European Jews as a dangerous threat that had to be eliminated.

Likewise, when a mania happens in the markets, you find stocks with P/E ratios over 30 and investors who sink their entire futures into overpriced bonds and mutual funds.

When Ignorance Is Bliss...

Given that there is so much information available, and so much of it is bad or irrelevant, it's almost tempting to ignore it completely. You might be tempted to throw out your television. Not buy the newspaper. Not listen to the radio. But, for your own sake, resist the urge. Here's why...

With few exceptions, being informed is the only way to succeed. And it's the only way to make any money in the markets.

I will say this: Once in awhile, not knowing the truth can work out just fine. For example, back in the beginning of World War I, the Germans looked like they were going to roll over the French and British to capture Paris. The Russians, with their huge supply of manpower, were viewed as possible saviors.

A rumor developed that an army of Cossacks had landed in Northern Britain and was marching south for eventual transfer to the Western front in France. Newspapers reported the story as fact. Eyewitnesses reported seeing the Cossacks marching by. The morale of the troops in France was lifted, and the story persisted for months.

French citizens reported seeing Cossacks boarding trains...moving platoons over forest roads. With every word, the French troops were invigorated in their battle against the Germans. Of course, no Russian troops ever did land in Britain or France.

Even though the French succeeded in holding off the enemy, the risk of losing was always there. And for investors who play the markets armed only with delusions, the risk of losing is also always there.

Wouldn't you rather invest knowing you were prepared for possible shifts in the market? Wouldn't you rather make money without having to worry that, any day now, everything you've worked for could be completely wiped out?

That's the power of information — and of understanding how information affects your investments. It's also the basis of my investing strategy — to see markets and individual investments from an unbiased, objective perspective. By way of illustration, let's try another "Wall Street" example.

Wall Street, The Movie: The Truth About Gekko-Mania

Remember the movie *Wall Street*? It's the story of a yuppie named Bud Fox who becomes a protégé to corporate raider Gordon Gekko.

Fox learns a lot while working for Gekko. And he makes a lot of money. But Fox starts to feel like he sold out. He starts to believe that making money Gekko's way is immoral. By the movie's end, Fox has undergone a "heroic" struggle. He breaks free of Gekko, meets total financial ruin, and is somehow "saved."

Gekko, on the other hand, isn't so lucky. He goes bankrupt, gets busted for insider trading, and goes to jail.

The critics loved this movie. So did the general public. And the people who hand out Oscars. They especially loved to hate Gordon Gekko. In fact, Gekko became a token symbol for all that was wrong with the '80s. But the trouble is, Gekko never really did anything illegal.

No question Gekko is a real jerk. He cheats on his wife, he's materialistic, and he never gives a sucker an even break. But this isn't a movie about why it's wrong to act like a jerk. This is a movie about making money in the stock market. According to Hollywood, that's a disgusting thing to do.

To be perfectly honest, I wouldn't want Gekko to date my sister. But despite what the popular opinion might be I have a word or two

to say in Gekko's defense.

First, Gekko's main crime is supposed to be using "inside information." But, Gekko is never really guilty of anything more than simply doing his homework. He has no "inside information." He's just good at finding out what he needs to know to make money.

Second, Gekko's despicable philosophy is supposedly summed up in his famous "Greed is good" speech. The screenwriters wanted such naked ambition to make us sick to our stomachs. But for the life of me, I can't see it.

In his speech, Gekko calls money "concentrated life." He explains that money represents all good things one ever hopes to have and provide. And since life, love, and money are good, so is the desire — "greed" — to have as much of them as possible.

I'm not trying to change anyone's mind about Gordon Gekko. The point is, there's nothing wrong with providing for your family or doing what you can to enjoy life. Too many people — including investors — are tricked into making snap judgments that ultimately do them harm. The media sells stories by packaging them in hype. They don't care whether or not the hype gives an accurate representation of the truth. They just want to sell stories. And the best way to sell stories is by stirring up people's emotions.

The trouble is, many investors have a hard time distinguishing the hype from the facts. So typical investors get emotional about market

issues they don't fully understand. They end up basing their investment strategy on little more than gut reactions. But that's no way to invest. When you are trying to decide what to do with your money, your emotions can be your worst enemy.

What you need is an investment strategy that can help you eliminate the worry and panic so common among other investors. You know as well as I do that it's hard to make money when you're nervous and frightened. You're too easily stampeded into making a mistake. So relax. When you really understand what is going on you *will* make money. Because you won't get caught up in market manias. You'll be able to take a step back, remove yourself from the pandemonium, and get a clear picture of what's really going on.

At the very least, you can get through the rest of the Clinton years without a loss. In fact, if what I expect comes true, you could double — *or even quadruple* — your net worth before the '96 elections.

Chapter Four

Consistently Beat Wall Street Favorites by 44%

Not too long ago, Professor Avner Arbel, a finance professor from Cornell University, and Paul Strebel, a finance professor from the University of New York completed a 10-year study of the U.S. stock market.

Their study examined the success rate of “neglected” stocks versus the success rate of Wall Street’s most “popular” stocks. “Neglected” stocks are typically those stocks ignored by mutual funds...brokerage houses...and the front pages of financial journals. By no coincidence, these were also the type of stocks favored by legends like J. Paul Getty, Bernard Baruch, and J.P. Morgan.

The result? Neglected stocks did far better on a far more consistent basis than almost any selection of more popular stocks. In fact, the neglected stocks did 44% better than Wall Street’s most popular stocks!

Even after Arbel and Strebel added a risk adjustment factor, neglected stocks still outperformed Wall Street’s “hottest” companies. In other words, if you’re looking for high-performance, low-risk investments, the lesser-known “neglected” stocks are the perfect place to start. As simple as that sounds, a lot of

investors have a hard time getting this strategy to work because they have a hard time overcoming the typical frenzy of the markets.

Guarantee Your Investment Safety

You should know that this simple strategy has uncovered some incredible investment opportunities... including 100% profits in Latin America...500% profits in Japan...and more than 1,400% profits in cellular phones...385% in gold companies just in the last 7 months!

The fact is when the crowd is on a buying spree, prices go up. When the crowd panics, prices go down. And regardless of which direction the market is headed, you can bet that somewhere an amateur investor is getting burned.

Anybody who tells you he is 100% positive about which way any market is going is either arrogant, ignorant, or confused. But that doesn't mean you shouldn't try to intelligently study the facts. Think of it this way...

When you understand what politicians are really doing, you will find it easy to anticipate government's next move. When you understand what the media is really doing, you will find it easier to tell the difference between marketing hype and reality. Understand both, and you are guaranteed to make better investments. Why? Because you'll

be able to anticipate what other investors will do next.

This skill is more important now than ever. Today's stock market is in the throes of a bona fide mania. Stocks are still grossly overpriced by any standard. The bond market is still an accident waiting to happen. And when it does, most investors are going to panic. Take note...“most” investors are going to panic. But not all. As you read this, a handful of sharp investors are perfectly positioned to take substantial profits over the next six years. To see what I mean read on...

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Chapter Five

300% Profits — on Stock Market “Dogs”

It's no small feat to be a great “contrarian”. It requires a deep understanding of government's secret agenda... clear thinking unbiased by the media... courage to go against the crowd... intelligence to find the bargain investments... and the discipline to stick with those investments until they rise.

So if contrary investing is so difficult to master, why do so many investors want to be contrarians? Because the rewards are so much greater than those gained with the conventional investing approach.

John Templeton, who recently sold his company for \$900 million, made his first million with contrary investing. At the beginning of World War II, Templeton had no more money than most other investors. And the stock market was at a low of 92.9. A lot of stocks were still down after the attack on Pearl Harbor. Many others still hadn't recovered from the Crash of '29.

Most investors were at a loss (literally, in some cases) as to their next investment move. But Templeton recognized the time for what it was...a great profit opportunity. He borrowed money from his employer and bought 100

shares of every stock under \$1 available on the American and New York Stock Exchanges.

Most people thought he had lost his money *and* his marbles. As far as they could tell, Templeton had loaded up on a lot of rotten prospects. At least 1/3 of the companies were mired in bankruptcy proceedings.

But just 4 years later, they had quadrupled in value!

How Nathan Rothschild “Won” the Battle of Waterloo

History is full of contrary-investing success stories...like the story of Nathan Rothschild and the Battle of Waterloo. Rothschild was the head of one of England's most prominent banking families in the early 1800s. The key to his success was contrary investing. He used a powerful information network to take advantage of the frenzy of the crowd.

On July 9, 1815, Nathan Rothschild got word via carrier pigeon that England had defeated Napoleon at Waterloo. He knew the rest of England wouldn't find out about the victory at Waterloo until a Royal messenger arrived the following afternoon. And his deeper understanding of how markets work told him that the news would cause the London stock market to skyrocket.

The next morning, Rothschild sent his sons to the stock exchange. He told them to sell shares conspicuously. When other investors

saw the Rothschilds selling, they panicked. They dumped shares left and right, driving down the value of stocks.

That's when Nathan Rothschild stepped in. Stock prices had hit rock-bottom and Rothschild bought everything he could get his hands on. By high noon, news arrived about the British victory at Waterloo. As Rothschild expected, stock prices took off...and Nathan Rothschild walked away with most of the spoils.

Today's Most Dangerous Financial Illusion

The strategy Rothschild used...and that great investing legends over time have also used...was well documented back in 1895. French psychologist Dr. Gustave LeBon studied the differences between people's perceptions and reality in a book called *The Crowd*. Dr. LeBon explained why manias are so common, saying, “A crowd thinks in images, and the image itself calls up a series of other images which have no logical connection with the first...[therefore] crowds have a hard time distinguishing between reality and illusion.” His findings apply as much today as they did 1895.

The common belief that stock prices will continue to rise is today's most dangerous financial illusion.

You see, the majority of the investment

crowd monitor their investments through a distorted telescope. Instead of seeing market realities, they see market conditions as they want them to be.

Today's average stock market investor is the perfect example. There's a big difference between how he sees today's market and how it really is. Let me show you what I mean...

The Invisible Bear Market

This past summer, investors dumped 9.2 billion new dollars a month into stock funds. Why? Because they convinced themselves the market had just hit another plateau. After all, the lesson they've learned over the past 12 years is that the market always goes up eventually.

This mistaken belief is furthered by the fact that the Dow is at the same approximate levels now that it was at the beginning of 1994, just before it reached its all time high.

But this in itself is an illusion. Take a look at this recent test of 2,780 stocks -- all of which are trading at over \$5 per share...

In the test, Donald Kass -- a director of research at a major securities firm -- compared the price of each stock at the beginning of August 1994 with its highest price before Jan. 31, 1994 (when the Dow hit its peak). Even though the overall Dow hovered around the same approximate levels, 75% of the individual stocks examined had fallen from their original

highs. What's more, 47% were down at least 30% and 37% were down at least 40%.

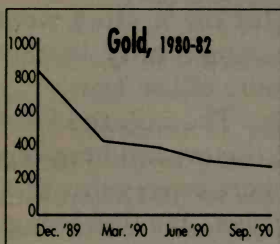
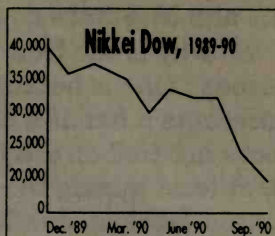
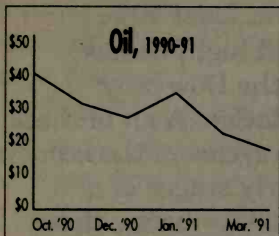
So why is the Dow still high? A few reasons. One is because the Dow only represents a handful of stocks. A lot of these stocks are tied directly to cycles in the economy. So, at least during the early stages of a Clinton-fabricated inflationary boom, these stocks do well.

For instance, Caterpillar Inc.'s stock went up 21%. Here's the underlying reality, though. Caterpillar accounts for more of the Dow's value than any other stock. The inflated Dow average doesn't represent the overall long-term trend. It represents the short-term gains of a few very large star companies. It's like being in school -- there are always one or two star students who throw off the class average on the final exam.

Another reason is that the Dow is dominated by big companies. These are the stocks the mutual fund managers dote on. Fund managers almost exclusively favor these big name stocks for one very important reason - they know if they have to sell in a hurry, it won't be hard to find a buyer.

And buy people will. Even though every contrarian indicator says the market has hit the top, you can be certain that most investors will still be buying right up to the last minute before the collapse. How can you tell? This is where the real history lessons come in handy...

Big Losses from Buying at the Top



The prices of these three investments were all driven up by market manias and then suffered a major decline. At the top, investors were pouring in money like there was no tomorrow. For a few of them, there wasn't.

The prices of these three investments were all driven up by market manias and then suffered a major decline. At the top, investors were pouring in money like there was no tomorrow. For a few of them, there wasn't.

The Time-Tested Truth About Big Percentage Gains

The fact is, big percentage gains in any market are not made at the end!

Simple, right? Even obvious. Yet investors forget this lesson time and time again. Look what happened in 1962. Investors got burned when they dumped their money into technology

stocks. Or what about 1968, when the crowd put their faith in “go-go” money managers like Fred Mates, Fred Carr, and Gerry Tsai?

Thousands of investors lost fortunes when it turned out that the portfolios Mates, Carr, Tsai, and a few others had put together were wildly speculative. Investors were completely unprepared when the market bubble burst in 1968. In fact, the 30 top speculative stocks lost \$47 billion alone — three times as much money as was lost by the entire market in the crash of 1929!

Just a year or two later, it happened again...when investors started loading up on “Nifty Fifty” stocks. As late as 1972, investors were still buying, only to get creamed in the bear market of 1973. It’s the same as when investors bought gold at its ridiculous top in 1981. Or when they loaded up on mutual funds and new-issue stocks in 1993.

Likewise, investing in today’s Wall Street is a high-risk, low-return proposition. As you’ll see in Chapter Seven, all signs point to a major downward spiral. Yet investors still believe in the stock market. Why? Because most investors know nothing about market manias. They wouldn’t recognize one if they tripped over it...

Chapter Six

Profile of a Market Mania

Opportunity in the Midst of Panic

“Madness is rare in individuals but in groups, parties, and nations, it is the rule.”

—Friedrich Nietzsche

Investors have the same human tendencies all people share. That includes holding onto the belief that everything that worked well in the past will work well in the future. There's no doubt about it...the human animal resists almost anything new or different, often at the expense of incredible opportunity.

That's why so few people had the foresight to buy American automobile stocks at the beginning of the century...or stocks in 1932 — when the Dow was all the way down to 41 (the market doubled by 1933 and has gone up over 9,400% since then).

It's why few people thought to buy gold or gold mining stocks when gold was \$270. Or silver when it was \$6.50. I told my readers to buy both. Those that did made 215% on gold and 650% on silver. My mining stocks went up as much as 2,000%. But other investors didn't

warm up to gold until it was over \$800. They didn't touch silver until it went over \$50.

Nobody wanted oil stocks when oil was going for \$3-\$4 per barrel back in 1973. I found 23 oil stocks that year. These stocks tripled in value over the next 24 months. The point is, those who jumped on this lifetime buying opportunity — or a dozen others just like it — made millions.

By the same token, those investors who stayed away not only missed out on a potential fortune, they actually lost money. Their fear of anything new also kept them from getting out of markets that were overpriced. For instance, they continued to buy gold at \$835 in 1980...and oil at \$35. And they continue to buy into the Dow even as market conditions shift toward collapse. These are all lifetime selling opportunities that most investors miss — or will miss. Because that's what happens in the heat of a market mania.

What a Market Mania Looks Like

Every market mania has two major phases. First, there's the "manic" phase... that's when investors are wildly bidding up prices. Then there's the "panic" phase...when investors are so frightened they will dump their investments at any price. That's the simplified version. When you look closer, the pattern becomes even more familiar.

First, demand rises and high prices follow. As prices rise, investors go deeper and deeper

into debt. The cost of buying on credit is outpaced by the rise in prices. So investors take advantage of cheap credit to keep participating in the mania.

Then, where knowledge is lacking, imagination fills the gaps. More and more amateur investors are lulled into the market by "glory-stories" on the nightly news and self-serving optimistic reports issued by the government. This stage has a double effect — as more and more people jump into the market, other amateur investors are convinced to jump in.

Next it's lies, lies, lies. Many investors are hungry for profits, but don't know what to do to get them. Unscrupulous market operators start drooling like cats in a canary store. Shady, deceptive deals are everywhere. Companies lie about earnings. Mutual funds lure in investors with slick annual reports. And those are just the legal activities.

Meanwhile, as demand increases, suppliers try harder to keep pace. They churn out as much as they can of whatever the public is after...new mutual funds...corporate bonds...new stock offerings. The more they make, the more they can sell...until they get too ambitious and start making too much. Supplies surpass demand and prices start to level off.

Finally the bell starts ringing...but nobody listens. The market reaches a serious danger point. Warnings are issued by a growing

number of experts (almost always contrarians). The warnings get more pronounced as risk increases. But the majority of investors usually mistake the warning bell for the sound of a bell ringing on a cash register.

Suddenly, panic seizes the market. Prices go into a steep decline...like a warplane with its wings blown off. Almost every investor loses money — except the contrarians. Why? Because they already took their profits before prices turned sour. But rather than say “I told you so,” they're busy snapping up premium investments now available at bargain prices.

As you might imagine, for most investors, market manias ultimately lead to big losses. But for those who understand how manias happen, they see nothing but fantastic opportunity.

The fact is, no matter what the majority of investors are doing, opportunity exists somewhere. When one market is *overpriced*, another market is *underpriced*. There's only so much investment capital available. People can't afford to invest in every market at once. So, while others are dumping their money in the over-priced market, you can go out and snap up the bargains in the neglected market. This is a cycle that repeats over and over again. And what's about to happen in today's market is no exception.

History Repeats... and Repeats... and Repeats...

Benjamin Graham, who dominated the investing world for the first half of the 20th century, once observed that the Dow performs best and offers the least amount of risk when its overall price/earnings ratio is no greater than 15 to 1. His theory became a standard investing guideline. Most recently, it tested positive again when the ratio for the Dow just before the crash in 1987 swelled above 21 to 1.

Today the ratio is at 18.6 to 1. Stock prices have risen more than 380% since 1982. And now, conditions have clearly shifted. The bear market is here –if not just around the corner. And yet, most investors think the party is still on. This is clearly a mania of historic proportions. Compare today's market with the following...

■ During Holland's famous "Tulipmania" of 1634, the value of a single bulb shot up 5,900%. But in 1637, a sudden increase in tulip bulb supplies sent prices plunging by 93% over the next 10 months.

■ France's "Mississippi Bubble" of 1719 saw share prices skyrocketed 6,200%. By the beginning of 1720, total outstanding shares were worth 80 times all the gold and silver in France! But when John Law's bogus trading company couldn't come up with real profits, the

stock value plunged 99% in just a few months.

■ In 1719, during Great Britain's "South Sea Bubble," stocks went up 1,000% in 18 months. Then the pound sterling fell in value, a credit crunch followed, and South Sea Company stock fell 84%.

■ From 1921 to 1929, the Dow went up 486%. Then it fell over the next 33 months by nearly 90%.

■ In Japan, a stock market mania carried prices from 1965 to 1989 up 3,720% — the subsequent plunge was 69%.

■ The Taiwanese stock bubble, from 1986 to 1990, lifted shares by 1,168%. A 12-month bear market followed and prices collapsed by 80%.

■ Hong Kong stocks lost 90% of their value in the 20-month bear market that started in 1974.

■ In Mexico, stocks rose 785% in 30 months — from 1978 to 1981. The 18-month bear market that followed destroyed 73% of overall share values.

■ America's "Nifty Fifty" disaster took place over the late 1960s and early 1970s.

American investing firms started a bidding war over the top 50 U.S. stocks. But one year later, the bear market of 1973 arrived. Avon's price fell 87%...Disney, down 86%...Polaroid, down 91%...MGIC, down 94%. Many of these stocks still haven't recovered!

Manias like these are inevitable. There's not much anyone can do to stop them. But once you discover how to use market manias to your advantage, you'll see that they're nothing to worry about. In fact, they can make you rich.

The Secret to Making Money

You see, most investors only make money in the middle of a bull market — in the “manic” phase. All investors have to do is call up a mutual fund...buy some blue chip stocks...buy a few bonds. But it's the “panic” phase of a mania that really kills them. That's when prices suddenly start dropping. Most investors are caught completely unprepared and a lot of money is lost. It's terrible to watch when it happens to your friends.

Contrary investing insights protect you from the threat of a bear market because you never pay too much for an investment. You make profits because you're more likely to sell your investments while they are still high priced...which gives you even more capital to invest the next time.

The secret to making this process work is recognizing a mania while it's in progress. In the “panic” phase, prices plummet. As you can

expect, most investors are scared to death of getting back into the market. That's when you swoop in to find the real bargains (and there'll be plenty of them)...investments that are dead center in the path of rising prices and in a great position to make even bigger gains down the road.

Then, in the "manic" phase that inevitably follows, you can watch the value of your bargain investments skyrocket. You won't have to do a thing — other investors will bid up prices and you can sit back and relax.

You see, there's one element no investing strategy can ignore...and that's time. Profit opportunities have a limited shelf life. If you want to find opportunities still in their prime, you will always need to know which phase the market is in. You need to have the information that will tell you where it's headed...and when it will get there.

For example, today's market is at the tail-end of one of the most dramatic manias of the 20th century. A lot of investors are about to lose a lot of money...a small handful are about to make a fortune. Which side of the fence will you be on?

Chapter Seven

What Happens When The Dow Drops 62%?

Take note: a tree can only grow so high. Those who are betting this 12-year bull market for stocks has a lot more growth left are playing the financial equivalent of Russian roulette with an automatic pistol.

The fact is, never in the entire history of investing has a market this overvalued experienced a significant boom. What's more, there have been 15 separate occasions during this century when the market has plunged over 25%. On average, these 25% drops have occurred once every 6.3 years.

Only one other bull market this century has lasted longer — the bull market of 1958-1973. And, from start to finish, that bull market took 15 years to rise 141%. The 1982-1994 bull market matched that gain in only 4 years — and then went on to rise another 112%! That's one of the main reasons why the bull market is finished — the biggest gains are already under the bridge. Now the stage is set for a major collapse.

So far, the slips have been only minor adjustments — the correction has barely begun. Yet. But suppose it arrived tomorrow afternoon. A 25% drop — remember it's happened 15 times during this century —

would knock almost 1000 points off the Dow. But, as I'll show you in a second, it's more likely that the Dow will plunge as much as 62%!

Hard to believe? I would say so. But remember how hard it was for most investors to believe what I predicted back in 1982 — that a Dow of 777 would go to 3000 by the end of the decade — a 286% gain. Likewise, imagine how hard it was for “Nifty Fifty” investors in 1972 to believe that the value of some of their investments would drop by 70%...80%...and even more by the end of 1973. Nonetheless, it happened.

Could a 62% collapse happen? You bet. Regardless of what the politicians want you to believe, grand-scale inflation of consumer prices is right around the corner. What you can expect will be even worse than what we saw during the Carter administration.

The fact is, inflation is still Clinton's best weapon against towering U.S. debt. And right behind high inflation are higher interest rates...rates that will eventually go higher than the insanely high rates of 1982, when you couldn't get a car loan for less than 15%.

Every rise of 1% in the interest rate will cut a \$35 billion chunk out of America's corporate profits. Over the last four years, U.S. corporations have already posted a net worth decline of over \$700 billion. Meanwhile, a 0.25% short-term rate hike in early February 1994 made the Dow fall by 96 points in a single

afternoon. More rate hikes have had a similar effect — over 500 points lost in the first three months of 1994. But that didn't faze Alan Greenspan. In fact, he's actually gotten bolder.

And this is just the beginning. Corporate earnings will plunge even further as higher interest rates make it harder for consumers to spend money. As corporate America starts to lose profits, inflated stock prices will fall to more realistic levels.

Since 1900, the Dow has averaged 14 times earnings. It now stands at 18.6 times earnings. If the market falls to its traditional level of 14 times earnings, it would mean a 24% drop — or a Dow of approximately 2800!

In the last serious bear market — 1973-74 — the Dow fell to an all-time low of 6.2 times earnings. If that were to happen today, the Dow could plummet over 2550 points!

You may think this is just an academic word of caution, but it's not. The bell does ring when markets top out. And it's ringing loud right now. If I were yelling at the top of my lungs, I couldn't possibly say the following loud enough...

Today's Situation Demands Immediate Action!

We are way overdue for a severe bear market. Mutual funds in particular could lose half their value in the coming months. A lot of stocks...like the medical and tobacco favorites...have already crashed and burned. If

there was ever a lifetime selling opportunity, this is it.

The scary part is, most investors have no idea how serious the situation has become. They're so used to rising prices that they have no idea how devastating a full-fledged bear market can be. That wouldn't be so bad if these investors had savvy money managers who could protect them. But most money managers are just as lost.

The average age of professional money managers is about 30. Millions of dollars are in the hands of people who were still in high school when the market took off in 1982. What's more, today's money managers were only in 4th grade during the 1973-74 bear market! They have never managed money during a period of sustained declining prices. When today's prices start to decline, as they inevitably will, the big-shot money managers will have no idea what to do. But wait. It gets worse...

How Fund Managers Are Paid To Increase Risk

Do you know how much the average fund manager made 10 years ago? About \$140,000. Today's average salary is more than double — \$314,000.

Why the big jump?

The industry changed the way fund managers earn bonuses. Money management companies directly linked their managers'

annual salaries to target performance levels for the fund. They saw this as the best way to stay competitive with the 5,000 other funds on the market.

But guess how the fund manager hits these targets. As he usually sees it, there's only one option — buying high-risk investments.

This is the only chance he has to make a substantial impact in a short amount of time. Granted, the poor people who put their money into the fund stand to lose a bundle. But what does he care? He doesn't lose commission on the downside. Besides, on average, the manager stands to gain a \$130,000 bonus. The prize is too tempting to pass up.

Of course, the way things are going, it doesn't look like fund managers are going to forego their big bonuses any time soon.

Blinded By The Light: The \$9.2 Billion Over-Extension

Investors today are more duped than ever. Despite all the risks, they've actually accelerated their mutual fund investing.

Look at July 1994, for example. Investors put \$9.2 billion new dollars into stock funds — an increase of 19.5% over June. And this number does not include reinvested dividends.

Has all this new investment been rewarded with increased stock performance? Not necessarily. But you can bet that it's done wonders for the monthly sales figures for major fund companies. Take a look...

...State Street Management in Boston posted a 10% sales gain...Janus Funds in Denver, a 15% sales gain...T.Rowe Price in Baltimore, a 55% sales gain...Fidelity Investments of Boston — the largest mutual fund company in the U.S. — a 25% sales gain...

Remember, these are monthly sales figures, not performance figures. Fidelity alone had net sales of \$750 million. And that's just for August 1994, up from \$600 million in July. What's really disturbing is the fact that mutual funds now hold over 42% of Americans' gross savings. We haven't been this vulnerable in 21 years...

When Will the Bubble Pop?

Most stock prices continue to float at the same approximate levels, while big stocks like IBM and Philip Morris get torpedoed. Nobody can say exactly when the bubble will pop, but it's definitely going to be sooner rather than later.

How soon? The chart on the next page is a snapshot of the market's wobbly heartbeat through the 1st quarter of 1994.

The line in the chart represents what analysts call the advance-decline line (AD line). Each point on the line shows the number of stocks advancing in a given day minus the number of stocks declining. In other words, if 1,200 stocks go up in price and 900 stocks go down, the AD point would stand at 300. The difference is called "breadth."



When the number of losers outpace the number of winners several days in a row, that's a bad sign for the market. I should mention that even if the Dow has gone up, it doesn't mean the AD ratio didn't come out negative. In fact, the AD line tends to peak some time before overall market prices start to fall. As you can see on the chart, this bull market's "heartbeat" peaked in October 1993. It has not returned to this level since — not even during the Dow's run at 4000.

Can You Afford to Wait For a Stock Market Recovery?

Don't be fooled by what happened in 1987.

Investors who had their first serious losses in the '87 crash think it only takes a month or two for markets to recover. But the market recovery after 1987 was a freak occurrence.

A more likely scenario is what happened after the bear market of 1973-74. Twenty years

later, many stocks still haven't recovered. Or what about the market crash of 1929 — overall price levels didn't recover until 1954!

Prices may go up again soon...or they may take years, even decades. The question is, can you afford to wait? Suppose it takes 25 years for the market to recover. Wouldn't it make more sense to take your stock market profits now and park your money in another market that's set to boom?

Think of it this way...many investors have 100% of their available investing dollars in mutual funds, hoping for a return of about 10%. Meanwhile, there are neglected investments available right now with a realistic potential for at least 100% growth.

Instead of having 100% of your money invested in a potential 10% return, wouldn't it make a lot more sense to have only 10% of your money invested with a potential for a 100% return? In some cases, even a 300% or 500% return? Especially considering that an inevitable rise of interest rates could send the 10% investments reeling and, at the same time, help drive the 100% return investments through the ceiling.

An Easy Stock Market Alternative

One way to directly profit from the coming market collapse is short-selling. Only a handful of people ever "short." It's almost as if short-selling went against human nature. And maybe it does.

You see, most investors are always bulls. They put their money where they think enterprises will grow and prosper. That means the overwhelming majority of people in the stock market are buyers.

But there is a lot of money to be made on the short side. Prices go down as well as up. You can make money in either direction. Why wait for a rising market to make a profit? The fact is, it's often easier to make money by selling stocks rather than buying them. That's true when the market as a whole is sliding. And it's true, too, when you find a company that's collapsing no matter what's going on in the general market.

Right now, I see tremendous opportunities in both areas. I expect a huge drop in the Dow. A lot of companies are nothing more than accidents waiting to happen. These mismanaged, over-extended, debt-burdened behemoths are certain to collapse. It's just a matter of time.

One short opportunity is over-speculated technology stocks. We've already seen IBM and Apple take the fall. Whose next? Don't look now, but microchip manufacturers Intel and Motorola have locked horns. The price-slashing war that has followed will dampen earnings for the whole industry. What's more, rising interest rates will slow computer sales. The companies that will really suffer are the peripheral manufacturers. Overpriced companies like U.S. Surgical (trading at 86

times earnings)...America Online (97 times earnings)...and Presstek (190 times earnings!). These are all excellent “short” opportunities. Others include the outrageously priced “glory stocks” of 1993... stocks like Snapple...Starbucks...3DO... and Broadband Technologies. These stocks entered the market frenzy in 1993 at ridiculously high levels. In the mania that followed, they continued to rise. But they don’t have the earnings to support their share prices. Starbucks is trading at 72 times earnings. Earlier this year Snapple had a P/E of 67. Now it’s down to 26. But that’s still too high. (Ask yourself — would you pay \$260,000 for an ice-tea stand that only netted you \$10,000 a year?)

You don’t have to stop at short selling individual companies. You can also short entire markets. For instance, I told my readers to sell short the Japanese stock market back in July ’89 — when the Nikkei Dow had just climbed past 34,000. My readers and I were among the first to buy Nikkei Dow puts. Since then, the market has fallen as low as 14,400 — for the short-sellers who got in early, this drop has meant fabulous profits of more than 500%!

Double Your Money Over the Next Two Years

Finding a good buy in today’s stock market is like trying to hail a New York taxi during a thunderstorm — practically impossible. But you can still buy stocks now that you won’t

have to panic about later. I recommend you sell any high-risk, overvalued stocks you might have and use the profits to buy lesser-known stocks with greater profit potential and less risk.

Natural resource stocks will be especially good in the coming years. I have recommended some to my readers that have already gone up 260%...595%...923%*.

Oil is a good bet. Oil prices are the lowest they've been — in real, inflation-adjusted terms — for the past 20 years. Right now in *Crisis Investing* — my monthly newsletter — I'm telling readers to buy Unit Corp, Arch Petroleum, and Atlantis Resources. These last three well established companies have 75%-80% of their resources in natural gas and the rest in oil. These are excellent buys that all stand to gain when energy prices rise over the next few years. Arch Petroleum alone is already up 474%.

Some other companies I'm recommending include Berry Petroleum, Benson Petroleum, Discovery West, Bearcat Exploration, Stampede, and International Petroleum. These last three are more speculative with a high upside potential.

The company that stands to make you the most money when oil prices rise is Berry Petroleum. Berry is well-established, undervalued, and has large reserves. Of

* I'll tell you more about these in Chapter 8

course, it would be hard for you to lose money on any of these companies. In fact, there's a good chance you could *double your money* over the next two years.

Then again, the profits in oil stocks are peanuts compared to what I foresee for a few select gold mining stocks — which will do well almost regardless of whether a bull market for gold is around the corner.

In chapter eight, I'll tell you the names of the mining stocks that are going to thrive. Meanwhile, I also discuss these and some other great investments in greater detail in a special report called *Lifetime Investment Opportunities*, which I put together exclusively for my readers. It's free and it's full of some very promising, lifetime buying opportunities. For details on how to get a copy, see page 113. But before you, do...read on for some lifetime investment opportunities that deserve your attention right now.

Chapter Eight

Lifetime Opportunities *\$78.1 Million for a Loaf of Bread*

When French Impressionism first got started, the established art community hated it.

Painter Auguste Renoir was called a crackpot. He had trouble giving his paintings away. He finally traded most of them to a local baker for bread.

The baker was so ashamed of the paintings he hid them in his attic. Almost a century later, a single one of those paintings sold at Sotheby's for \$78.1 million.

Another impressionist, Cezanne, suffered a similar fate. He died without a penny to his name. But in early May of 1993, his *Still Life with Apples* sold for \$28.6 million!

Van Gogh also died poor. He sold only one painting — to his brother Theo. Almost 100 years later, in the height of a 1987 spending frenzy, Van Gogh's *Blue Irises* sold for \$52.3 million to a Japanese investor.

And in 1990, Van Gogh's *Doctor Gachet* sold at Christie's for \$82.5 million. That's an increase in value of \$825,000 per year. I'm not saying you should go looking for starving artists or inventors to support.

The point is, giving in to the conventional

opinion almost always forces you to miss opportunities.

It feels good to be "in" with the crowd...but it can be very costly. Most investors lose money because they hold onto overpriced investments too long...the crowd has convinced them that prices will keep going up. And the same investors miss great buying opportunities because the crowd doesn't know a bargain when it sees one.

The goal of a good contrary investing strategy is to help you recognize both kinds of opportunity. For example...

Lifetime Selling Opportunity: Overpriced U.S. Stocks

Today, large-cap stocks are selling for more than twice as much as small-cap stocks. This is exactly the opposite of the norm — smaller companies can grow much faster than bigger ones. Why the reversal? Blame mutual funds, pension funds, and celebrity money managers. They do the largest volume of trading and they almost exclusively buy big-name stocks.

The flock of tagalong investors think this means that big-name stocks are the safest bets. But the truth is, this is the same kind of company that got creamed in the bear market of 1973-74...and again in the crash of 1987.

And the very stocks owned by the institutions are going to do even worse when prices start dropping this time around. If you're holding large-cap stocks now, your

money is at extreme risk. Large-cap stocks are earmarked for collapse.

**Lifetime Buying Opportunity:
Global Diversification With Profits of
100%, 200%, and 500%**

Twenty years ago, New York had the biggest and most profitable stock market in the world. But no more. Today, other markets offer greater profitability and more safety. Some foreign investments are the safest, most profitable investments you can make.

A lower dollar is highly likely over the next 12 to 24 months (see Chapter Eleven). That means you need to diversify your portfolio globally to get value for your money.

If you're already investing in foreign shares and funds, you know how big the profits can be. My readers and I have made a lot of money in foreign investments.

For instance, I told *Crisis Investing* readers to invest in the Hong Kong, Belgian, and Spanish stock markets back in 1985 when they were all trading at half book value. Since then, each one has gone through the roof. Now, of course, these popular markets are overvalued.

I have a few select places in mind where you can still be among the first to invest...and the best part is, you can buy the best overseas stocks at much lower price/earnings ratios than those in the U.S. And you can buy better, safer and much more profitable overseas stocks than other Americans are buying.

Let me caution you. So much money is flooding into markets like Malaysia and Hong Kong that investments there are no longer at safe, bargain levels. The hottest country funds — Malaysia, Korea, Thailand — are all caught up in a mania of their own. A lot of money will be lost by naive investors rushing into these stocks — as the funds lose as much as half their value. That's why the overseas markets I'm recommending have a much lower profile...places like Venezuela, Ecuador, and Indonesia.

For instance, most investors have avoided South Africa in the last few years. But I've been telling my readers to buy Diamond Field Resources a mining company in Kimberly, South Africa. It's up 720% since I first recommended in April 1993. This is a stock that's likely to go a lot higher. And that's not all.

Suppose I told you about a handful of mining companies that were sitting on gold deposits so huge (not just millions of ounces, but scores of millions of ounces), that the region in which these companies are located will soon be viewed by the investment world as the "next South Africa."

The region is located in Venezuela, in a gold camp called Kilometer 88 — the epicenter of the Guyana Shield. The Guyana Shield is a band of greenstone rock which, over the last two billion years, has absorbed vast amounts of virtually all the earth's elements—including

gold. Knowledge of gold in the shield is nothing new. More than a century ago, Venezuela was one of the world's leading gold producers. But in recent years, xenophobia and socialism have kept modern operations out.

But the political situation has changed and Venezuela has opened its doors to mining companies. If you like to make money, you're going to love the opportunities I've found there. In fact, let me make a prediction. If you don't take a slug of cash and diversify among at least a dozen of these while they're trading for pennies, you'll be asking yourself why when the prices start approaching their old highs — which is almost inevitable. One of my favorites is Carson Gold (CQG.V).

CQG.V owns the largest position (22,000 hectares) and some of the best land in the Kilometer 88 region. I have met CQG.V's management team and it's easily one of the best around. Since I first recommended CQG.V, it has gone up 260%. And, as the next bull market for gold gets airborne, I easily foresee CQG.V going much higher.

Another Kilometer 88 company that made money for my readers is Venezuelan Goldfields (VENGF). After I first wrote about VENGF in *Crisis Investing* back in 1992, it went up 923%. But as VENGF got more popular, I told my readers to be more cautious. I recommended they sell if VENGF approached \$13. It did and the smart investors got out. VENGF eventually went back down to bargain levels.

They still own a rich 10,000 hectare property in the Guyana Shield region. What's more, they have an interest in the proven 40-million-ounce Lihir deposit in New Guinea — which should be in production no later than 1996 — and another 10-million-ounce deposit on the Mt. Kare property, also in New Guinea.

The point is, I don't buy stocks overseas just because they're foreign. I buy them for the same reason I buy stocks in the U.S. That is, I look for the same things: low prices and a special out-of-fashion angle that puts them in a position to profit.

You never make money by looking where everyone else is looking. That's why if you were to look at my passport you'd see a lot of stamps that wouldn't look too familiar. Every year, I average about 150,000 miles in the air looking for unrealized profit opportunities. In the next couple of months I'll be traveling to Guyana, Namibia, and the Philippines.

I've made a lot of money from neglected overseas markets in the past. And I intend to do the same in the future.

Lifetime Selling Opportunity: Mutual Fund Mania

The mutual fund market is way overdue for trouble. Buying levels were recently at their most insane heights in history. It's scary enough that mutual funds do as much as 90% of all the buying and selling on Wall Street. What's even more frightening is the dizzying

rate of growth in their share of the market over the last few years.

Consider these numbers...

It took 16 years after 1954 for the funds' share of the market to roughly double. This was soon followed by the worst bear market Americans had seen since the 1929 crash.

From 1981, it took 6 years for the funds' share of the market to double — which it did just before the 1987 crash.

Now, in the four years after the correction of 1990, mutual funds have once again doubled their share of the market. If history proves correct, this is yet another reason to believe that the market is due for some serious trouble.

At the end of 1993, mutual funds held a record \$2 trillion of investors' savings. This is absolutely incredible. Most of these poor investors have no idea what they are doing. Apparently, none of the people working for the mutual fund companies even took the time to explain to these people how mutual funds work.

A recent SEC survey showed that as many as 30% of mutual fund investors polled thought their investments were insured by banks. 41% thought bank-managed funds were backed by bank assets. And an incredible 49% thought the government had insured all funds sold by stock brokers!

People this uninformed have to work up a lot of nerve to get in the stock market. And it takes them a long time to do it...long enough

that they end up buying just before the market is about to peak. That's a strong signal to people like you and me that we should get out while we still have the chance. Once again, the bell is ringing.

Lifetime Buying Opportunity: Turn \$10,000 into \$2 Million

Here is an excellent, long-term, "set and forget" addition to your portfolio. It's called the Allied Capital Fund and it definitely merits your attention. Essentially, it's a closed-end venture capital fund that makes loans to smaller but established companies, frequently guaranteed by the borrower's principals.

In addition to 10% to 14% interest rates, the fund typically receives warrants on the common stock as a bonus (the right to purchase stock at a set price). This is the way to win in the world of venture capital — increasing profitability while keeping the risk as low as possible.

For 30 years, this fund has piled up big profits. The managers look at about 8,000 deals a year and only get involved with 10 or 15. A \$10,000 investment made in 1960 would be worth \$2 million today, for a 27% annually compounded rate of return!

Can They Keep It Up?

The only worry I have is that some day the fund may be too big, like the Magellan Fund is now — far too big to avoid tripping over its own feet.

But Allied has a policy of paying substantial dividends from ordinary income, as well as capital gains. That policy has kept total assets down to a manageable level. Because of this policy, and the fact that it's closed-ended, I believe Allied will continue to pay hefty returns. Some other great closed-end funds I have recommended include the Allmon Trust and BGR Precious Metals.

Lifetime Selling Opportunity: U.S. Bonds and the U.S. Dollar

Who says they don't ring a bell at the top of a market? In October 1993, Disney introduced a 100-year bond with a yield of 7.5%. Why anyone would want a 100-year bond is mind-boggling. Since then, the bond market has dropped approximately 2%. In today's terms, that's already an enormous loss. And historically, that's nothing compared to what could happen.

The dollar has lost 80% of its value since 1967 alone. Until recently, interest rates were at a historic low. Companies have accumulated the highest debt levels since the mid '80s. Credit risks — and the risk of defaults — are rising faster than a thermometer dipped in hot lava.

With conditions as they are, that makes a 30-year speculation too risky. And it makes Disney's 100 years of speculation absolutely "goofy." Yet Disney managed to float \$300 million worth of paper at these outrageous terms — twice the amount they had planned originally.

The fact is, today's bonds are a triple-threat to your money. First of all, they are denominated in dollars, and the dollar has a terrible outlook for the next few years (see Chapter 11). Second, bonds are a bet placed on interest rates...which Greenspan has already raised some and is itching to raise even higher. And third, bonds depend on the credit-worthiness of the issuers, which is at its lowest point in the last 14 years. Given these three factors alone, bonds are still overpriced.

Buying bonds now would be the equivalent of buying oil in 1972... gold in 1981... or real estate and stocks in 1987. I have no doubt bonds are going to be hit harder in the coming market collapse than any other sector of the financial market. The time for extreme caution has already passed... now it's time to sell, sell, sell.

Lifetime Buying Opportunity: Get Rich With the Best Insurance and Savings Policy in the World

Swiss annuities are still available to all Americans — and easier to take advantage of than ever before. Take a look at these benefits:

Safety — Your principal and interest are guaranteed by the Swiss. In 130 years of Swiss insurance history, not a single company has failed to meet its obligations or closed its doors. These companies are in much better shape than their US counterparts.

Value — Your money is held in super-safe Swiss government bonds, denominated in

Swiss francs. The Swiss franc has held its value better than any other currency in the world for the past 150 years. They currently earn more than their US equivalents. But if you wish to switch into US dollars, German marks, or ECUs, you have that option, too.

Liquidity — You can withdraw all funds at any time, with only a small handling fee the first year.

Tax-Free Privacy — You pay no Swiss withholding tax, as you would with a Swiss bank account. Also, unlike a bank account, you don't have to report your annuity to the IRS. All Swiss banking secrecy laws apply.

Judgment-Proof — You get an extra line of defense against sue-happy lawyers.

The U.S. government is cutting away at what few tax deferrals and shelters remain — this is one of the best because of the unique advantages I've listed. But it's critical that you act now. I tell all my readers exactly how to act on this opportunity in *Crisis Investing*. You can find out too by following the steps on page 108.

One More Lifetime Buying Opportunity: A Mutual Fund Unlike Any Other

There are more than 20,000 stocks available. And over 4300 mutual funds. You would think that, with so many stocks available, it would be easier to find an open-ended fund with a little diversity. But the typical open-ended mutual fund only invests in a subset of the top 500 stocks.

I've said it before and I'll say it again — on the whole, open-ended mutual funds are doomed. The same market fever that pushed mutual funds into the limelight is going to turn on them with a vengeance. When the market starts to slide, mutual funds will be the first investments to get dumped.

Closed-end funds like Allied Capital and BGR Precious Metals are an excellent alternative. But there is one open-ended mutual fund that offers excellent opportunity... especially in light of the coming bear market.

It's called — appropriately enough — the Robertson Stevens Contrarian Fund. It's loaded to the gills with short sales and growth gold stocks...investments of the same high-performance quality that I recommend in my newsletter. It's rare to find an open-ended fund that's this defensive in such an unsettled marketplace. Or one that's in such an excellent position for the long term.

Make no mistake...the world of investing is at a critical turning point. The way to make money for the rest of the decade will be very different from what most investors are used to. The investments you've just read about will make the most money over the coming years.

In Chapter Twelve, I'll show you how to find more investments that are just as promising as those above. But first, let me give you another example of how contrary investing pays off...in a market that most investors have already given up on as "dead".

Chapter Nine

Is Real Estate Really Dead?

“Taboo” Profits for the rest of the '90s

How many of your friends talk about making a fortune in real estate right now? Sure, at the cocktail parties, there's a lot of talk about stocks, bonds, and mutual funds.

But real estate? Hardly. That subject has been almost taboo since 1990, when the real estate market first started to collapse. But the fact is, today real estate may be one of the most underpriced tangible assets available.

Don't get me wrong. Not all real estate markets are underpriced.

For instance, profits in this market won't be made the way my father made his fortune in the 1940s and '50s — by buying farmland around major cities and waiting for suburbs to spring up.

Likewise, real estate fortunes won't be made the way they were in the '80s — when developers and insurance companies were making a bundle building monoliths of glass and steel in midtown Manhattan and downtown Chicago, or beachfront condos just outside L.A.

But even while large parts of the U.S. real estate market are in the heart of a major meltdown, this still may be the best time in the past 25 years to buy real estate. I'll show you why (and where) in just a moment, but before I do let me make it absolutely clear to you where not to buy...

Where Not to Buy Real Estate

The secret to making money on all other types of investments also applies to property — buy your investment when nobody else wants it, then wait until they do.

This is how my father made his fortune, by buying real estate around D.C. and waiting for government expansion to take its toll. And when it happened, my father's acres of farmland turned into prime property practically overnight.

But you can see the catch already. How do you predict which property investors will be clamoring for in the years to come? This is where solid information and experience really pay off.

In my father's case, he didn't make his money just by buying cheap real estate. He made it by foreseeing an enormous, post-war government expansion.

Of course, that trend is over now. In fact, it's almost completely reversed. Today, prices are collapsing fastest are the places with the most government per square inch. Let me show you what I mean...

The Death of the American City

Nowhere is the current condition of U.S. real estate — and the effects of government meddling — more apparent than in the heart of the American city.

So far, commercial real estate prices have dropped as much as 50% from their peaks. And they still have a long way to fall. Meanwhile, city residents who can afford to have already packed their bags (more later on where they're headed). New buildings sit empty for months at a time.

Why? Several reasons — the bulk of which can be blamed on government mismanagement.

As can be expected, politicians have spent the large part of the last ten years cooking up various ploys to stay in office. The end result was a decade of false signals sent to developers and financial institutions.

In particular, a lot of overdevelopment was driven by changes in the tax code...pre-election, short-term inflationary booms...and overall, a tangle of short-sighted policies that will eventually be liquidated through large-scale bankruptcies of those developers unfortunate enough to have played along.

There's also the fact that many city residents and businesses want to get away from urban decay and crime. Thanks to poor use of tax dollars, conditions in the big cities are coming to resemble those in the Third World. You don't drive around in Bogota or Rio with a gold watch on your wrist, because someone may

try to cut off your arm to liberate it; life is moving in that direction in New York and L.A.

What will happen at the climax of the bust? Probably something like what happened to the Empire State Building. It was built during a similar boom in the 1920s. Thirty years later, in the real estate bust of the mid '50s, it traded hands for only one-third of its original construction costs. Which will leave the investors who still have money left wondering what the next source of real estate profits will be...

Predictable Real Estate Profits

Chances are, the average investor won't be able to gauge the bottom of the real estate market in already developed sectors. The best analogy would be the guy who stands under a bank safe plummeting from 60 stories above. He has his arms wide open ready to catch the safe. The results are predictable.

One thing is certain. If there's a recovery, it will be slow. And very different from the past. Companies are decentralizing. The corporate dinosaurs are downsizing. It's no longer necessary for them to buy up whole buildings or even floors of buildings.

Meanwhile, the smaller organizations that grow will be happy with smaller buildings, leaving the megatowers of the old mass economy to decay.

One businessman I know just bought two buildings in the heart of a major metropolitan

district. These aren't just any buildings. They're in the historical district. In both, the walls are covered with carved antique paneling. The ceilings and walls are adorned with paintings and plaster casts of vines and leaves. Crystal chandeliers hang in at least eight of the rooms. Tiffany skylights hang over the stairwell.

Both buildings were priced at \$1.2 million. Without more than a week's haggling, he picked up both for under \$400,000 each. If what I foresee about the coming depression is right, you should get accustomed to stories like this. It's going to be the trend for at least the rest of the '90s.

Of course, there's another part of the trend you should be aware of too, one that could hit you closer to home...literally.

The Death of the Suburbs

It's no secret that suburban real estate is in trouble. The same government created problems that are strangling the cities are driving down property prices in the suburbs. It's part of the reason I have been one of the world's foremost real estate bears for the last decade.

But most people don't want to hear the bearish argument for real estate, since by far their largest asset is their house. For the average American family, a house is much more than a home — it's their main investment, the harbor of their memories, and

part of the family legacy they want to pass on to their children.

But in the suburbs, the bearish argument has to be made. Suburbs have developed most of the same problems of the old downtown areas...crime, pollution, and high taxes...plus some new ones of their own: the need to drive a car to get anywhere, crowded roads, and round-trip commutes of up to two to three hours. The suburbs have actually become the worst of all worlds, offering the disadvantages of both country and city and the advantages of neither.

What's the Solution?

You've no doubt noticed how, in the past, the rich have always cultivated thriving enclaves near major cities. L.A. has Beverly Hills...Miami has Palm Beach...New York has the Hamptons...Chicago has Lake Shore Drive. As the cities became less safe and less clean, the rich isolated themselves in places close enough to the city to work but removed enough to enjoy.

But as cities continue to expand, these enclaves don't do it anymore. The problems of the cities are too close by. The solution, then, is to find out where the rich are headed next. They won't be moving to other parts of the suburbs or back into the cities — all the original problems would still be there. They won't be moving to Kansas or Iowa. Farmland will be used for growing crops and the prices will fluctuate accordingly.

So where will they go? The development of enabling technologies — cellular phones, fax, laptop computers — makes proximity to the city more unnecessary than ever. That's why, when the rich started fleeing California after the L.A. riots, they headed for places like Oregon, Washington, Nevada, Utah, Colorado, Arizona, Montana, and Wyoming. In the coming years, people who can afford to will pay a premium to move to areas that are at once beautiful, mellow, cultured, and safe.

Outside the U.S., you should look for places that are beautiful and relatively unspoiled. For example, Poland has plenty of rundown countryside castles available for around \$10,000. And in southern Spain — where the climate is almost identical to southern California — property prices are among the lowest in Europe. Smart money that buys large tracts of land just off the coast will do as well as those who bought large tracts of land in southern California in the '50s.

Emerging technologies also make remote places like Australia a possibility — where property can often be had for as little as \$1 an acre. Some of the best buys are going to come from a place where few people would ever think of looking: in the Third World.

You might cringe at the idea of buying acres in places like Zambia, Tanzania, Kenya, and Zaire. But how different are places like these from, say, South America of a decade or ago? I know one gentleman who owns a magnificent

house in Santiago, Chile.

It's an elegant house, fully furnished, with a tennis court and pool. During the worst of the political distress, he would have sold it for \$25,000. But he couldn't find any buyers. Today it's probably worth about \$500,000. The same house placed in California, at the top of the market in 1989, would have been worth several million.

My point is, the best way to insulate yourself from population pressures, or profit from them, is to acquire a good-sized block of land. In the long run, what separates the haves from the have-nots, and the upper from the lower classes, is the ownership of tangible assets. No matter how devastated the economy is, prime property will continue to have value. This won't necessarily be true of currency.

On page 109, you can find out how to get a free copy of a special report called *Lifetime Investment Opportunities*. It will give you more detail about real estate bargains and profit opportunities to come — including how and where to buy 10,000 acres of prime beachfront property for next to nothing. And how and where to retire in luxury — twenty years before you thought possible.

For now, read on to find out about another contrary investing opportunity — one with potential profits in excess of \$20,000,000.

Chapter Ten

How to Get Your Own Monopoly for Peanuts

My readers and I made a fortune on the following contrary investing insight...just by recognizing the hidden link between governments, the media, and investing.

It started about a decade ago, when nobody knew what cellular telephones were. Still, those who had heard about cellular phones realized the industry was going to be a bonanza.

The technology that made the cellular industry possible — computer microchips — was the same technology behind the booming personal computer industry. What's more, the advances in microchip technology were already doubling cellular capabilities every 18-24 months.

As in any new industry, there were a number of cellular phone companies claiming leadership. But with technology advancing so quickly, only a few companies could keep pace. The cellular field was becoming very competitive, and it was impossible to tell which companies would succeed and which would fail.

Most investors had no idea what was going on. So they did nothing. Others bought stock in one or more of several small cellular companies.

But buying stock in a single cellular company would be little better than a gamble on a Vegas slot machine. And buying a whole basket of cellular company stocks ran the risk of having the good picks dragged down by investments in the inevitable industry losers.

Smart contrary investment strategy told me I shouldn't buy any of the cellular stocks. Why? Because there was a far more lucrative and safe way to make big profits on the cellular industry...one that hinged on a little-known policy taking shaping in Washington, D.C.

Cashing in on a Billion-Dollar Government Giveaway

Turns out, the FCC regulates the radio wave spectrum. Cellular communications use the radio waves. So, the FCC was going to decide who had the rights to use the cellular frequencies. And instead of auctioning off these radio frequency rights to the companies in the business, they were going to hold a lottery and give them away to private citizens!

The bureaucrats had decided to give away something worth millions — maybe even billions — of dollars. All you had to do was to enter the lottery. If you won, you'd be given a monopoly concession on cellular radio frequencies for a given area. And most people never heard a word about it.

The few media people who understood what was going on whined that the whole thing was a "giveaway to the rich," which it was.

My attitude was, let the press complain. I decided to get in line for the lottery. So when the time came to give out the cellular franchises, you can bet that I and many of my newsletter readers were at the front of the line.

And guess what happened. I was given a cellular franchise for a town in Mississippi which, at the time it was granted, I estimated to be worth about \$20,000,000.

How's that for an investment of about \$1,000 in filing fees? What's more, the value of this investment keeps rising — the cellular industry is expanding far beyond original expectations. An AT&T survey in 1986 predicted there would only be 900,000 cellular users by the year 2000. At the end of 1993, there were already 14 million...and the customer base is still growing.

I estimate that altogether my readers won cellular rights with a value of more than \$100,000,000 today — and that's a conservative estimate. Of course, not every investor realized in time how profitable this cellular license lottery would be. But don't worry. As one opportunity fades, others will appear. For example...

The Safest Way to Cover Your Bets

The fate of today's market is, for the most part, sealed — as you'll see in the next chapter. But it always makes sense to hedge your bets. A good "hedge" strategy almost always offers

part, sealed — as you'll see in the next chapter. But it always makes sense to hedge your bets. A good "hedge" strategy almost always offers lower risk and higher potential than pure long or short positions. Here's one that will make money regardless of which way the market is headed.

The idea is to pick out very cheap stocks or commodities to buy, and very dear ones to sell simultaneously. This will protect you from general market moves. Buy and sell respectively equal dollar amounts of each and wait for the inevitable, without caring whether the market in general booms or busts.

The best place to look for hedge stocks is in the more volatile areas of the market. That's where market shifts will be the most dramatic. Given the fact that more than \$15 billion per month has been flowing into mutual funds, management company stocks are a perfect place to start.

The undervalued management company I have been recommending to my readers is United Services Group (USVSP). As of this writing, United Services manages approximately \$650 million. Their assets are growing at about \$3 million daily. But their stock is currently selling at a discount, due to a scandal involving old managers.

The future looks bright for United Services. They have a new management team and more streamlined operations. What's more, over half of their assets are in two gold

funds. When the gold bull market takes off (as it will), I foresee \$50-\$100 million flowing into United Service's gold funds per week. At \$3.25, United Services is selling at about half of its real value. I'm telling my newsletter readers to buy and hold.

On the flip side, I'm telling my readers to go short on another management company, Franklin Resources (BEN). Franklin is the company that bought Sir John Templeton's fund group for \$913 million. Franklin stock is currently trading for about \$38 and is set to take a dive — thanks to three indisputable facts.

First, Franklin has a \$500 million debt burden left over from buying the Templeton Group. In a down market, their shrinking asset base will make this debt almost impossible to bear. Second, most of their assets are in bonds which are already in the throes of a serious meltdown. And third, Sir John Templeton is a master contrary investor — if he is unloading his fund group, there must be a reason (i.e. the collapse of the mutual fund market). My hunch is that Franklin Resources just picked up a \$913 million lemon. I'm telling *Crisis Investing* readers to short Franklin stock.

If you want more low-risk, high-profit investments like this, take a look at my special report on *Lifetime Investment Opportunities* — you can send for a free copy — see page 109 to find out how. If you want to stay on top of the mutual fund market's imminent collapse, read

Mutual Fund Blowout — which you can also get free just by completing the form on page 117.

Chapter Eleven

Clinton Has Sealed the Fate of the Dollar

“It must be nice to belong to some legislative body and just pick money out of the air.”

—Will Rogers

I can vouch for the fact that a lot of investors are breathing easier since the mid-term elections. But as far as the dollar goes, don't let anyone kid you. The dollar's days were already numbered a long time ago.

The real numbers from Clinton's 1995 budget proposal have already revealed a frightening story. According to Clinton's team, total spending in fiscal 1995 will reach about \$1.518 trillion. Compare that with total spending for fiscal 1994 — \$1.484 trillion. Government spending is going to increase in '95 by over \$34 billion.

Yet Clinton still claims he's cutting government spending. His budget promises to reduce or eliminate \$4.8 billion worth of wasteful government programs. But Clinton is silent about the fact that his budget proposes “investment” outlays of an additional \$7.7 billion. That doesn't include a penny of the projected \$58 billion cost for health care reform.

It's obvious that the underlying reason for the inflationary cycle — excess government spending — is worse than ever. By conservative estimates, the national debt will reach \$6.56 trillion sometime in 1995. Interest expense alone will be about \$619 billion per year.

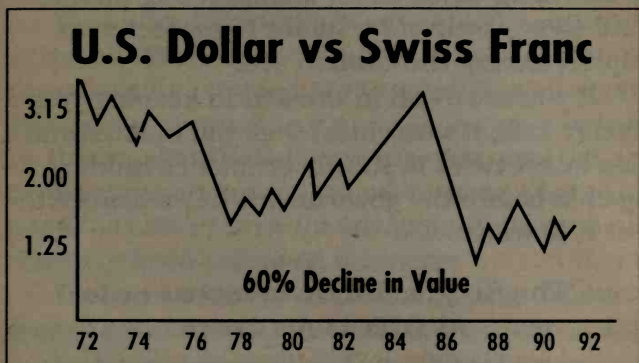
Increasing debt to finance government waste is no longer practical. The government's interest payments are eating up federal tax receipts. Within a year, interest payments alone will require more than 85% of all taxes collected.

If we keep going at the present rate, it will take only 24 months before all tax receipts are soaked up just to pay the interest. And that's if interest rates stay low. If interest rates return to double digits — as I think they will — total interest costs will exceed total tax receipts even sooner. Clearly debt levels must be reduced. Even the Clinton Administration believes this...especially because the higher the debt, the less political clout his administration will have.

Refinancing Your Debt — Washington-Style

With interest rates still low but threatening to rise, every debtor in America has thought of refinancing his debt. The government is no different. It's about to refinance its debt, too — rolling over notes and bonds at lower rates of interest.

But the government has another trick up its sleeve. As you can see in the following chart, during the 1970s, the value of the dollar fell by 60% against the Swiss franc. If it did the same thing in the 1990s, which a few people in the current administration could easily arrange, the Treasury could reduce the real value of its debt obligation by up to \$2.4 trillion.



Inflation always aids the debtor. And Washington is the biggest debtor in the world. That's why the inflation rate has already started inching upwards. Double-digit inflation of the 1970s kind is guaranteed to make a comeback in the not-too-distant future. The dollar is already headed the way of the Argentine peso. By the end of the decade, it will no longer be the world's reserve currency. Instead, the dollar will be worth substantially less than it is today — an unbacked liability issued by the world's biggest debtor.

Nobody wants to believe it. But inflation is coming. If you understand what this means for the world economy, you can use this insight to protect the money you have now...and to make a lot more money before the next presidential election rolls around.

Why tell you all this? Because Clinton has already sealed the fate of the dollar. Inflation is barreling down on an unsuspecting public. And this is your only chance to protect your capital during the Clinton era.

If you are at all interested in keeping your money safe, it's essential that you understand this latest twist in the government's hidden agenda before the government has a chance to put it to work.

The Single, Major Investment to AVOID at All Costs

If you look back at history, you will see that governments default on their debts all the time. All the great powers in world history sooner or later defaulted on their obligations — Rome, Germany, Great Britain, Russia, France. The U.S. won't be the first and it won't be the last.

When the costs of debt and inflation really hit home...when people are losing their jobs and their homes...when the stock market has been crushed... and real estate has lost 75% of its value — what will the government do?

Most likely there will be no direct default. Instead, the politicians will simply print enough extra money to prop up the insurance

companies, the banks, big business — and the federal government itself.

The default won't be direct, but it will be severe. When the stock market starts collapsing, most investors will flee stocks and jump into bonds. But they'll be jumping out of the frying pan and into the fire. Shortly after inflation rises, long-term interest rates will rise. In turn, bond prices will nose-dive.

And a lot of investors will get taken by surprise. Remember how, when real-estate prices were at the top of the market, real-estate developers found a way to do condo conversions by the boatload? Well, you can rest assured... corporate treasurers are now issuing a lot of paper — just in time for investors to take crashing bond prices on the neck.

Have you ever seen what happens to fresh green leaves of lettuce when they're left to wilt in the hot summer sun? They shrivel up in a matter of hours — and then practically disappear. Well, that's what will happen to the value of your dollars — your pension check, your Social Security check, and your bond certificates.

Ever since the Crash of '87, people have been buying up Treasury bonds as if they held the secret to eternal youth. "100% safe." "Government guaranteed." "A no-brainer investment." That's how you've heard T-bonds described.

It's one thing to buy T-bonds as a way to profit from falling interest rates. A couple of

years ago this strategy was almost risk-free. But as a long-term investment, T-bonds will be a disaster.

If You Own Treasury Bonds, Sell Them Now!

As I write this letter, U.S. Treasury bonds are the single most dangerous asset in most investors' portfolios. As a long-term investment, they are the **NUMBER ONE** thing to avoid. More people are going to lose more money in Treasury bonds than any investment in all of history. In the months ahead, the dollar will fall, interest rates will rise — and people will laugh at U.S. Treasury bonds. Besides, why bother with them when there are safer, better investments around?

The Ultimate "Just In Case" Position Is Now One Of The Most Promising Investments You Can Make

Over the past year, gold has fluctuated around \$400. Until recently, gold was a "just in case" position built on the assumption that the cycle of inflation would come back around and launch another gold bull market. Lower and lower interest rates made that seem like a long way off. But the trend has reversed. Now gold is one of the most promising investments you can make.

I'll show you why in just a moment. But first, let me give you a little necessary

background: in 1978, I practically begged readers to load up on gold and silver. Gold was selling for \$270 an ounce and silver was going for \$6.50. By 1980, gold shot up to \$850 an ounce, and silver nearly hit \$50.

Incredible profits were made. But at this point, many investors made a very serious mistake. They became "gold bugs" — even as gold approached \$800, many investors were still buying. But investors found out fast that there's nothing magic about any investment. Gold dropped from a high of \$850 in February of 1980 to \$450 in March. By 1982 it reached a low of \$298.

Many investors only remember gold as the investment that crashed in a month. But now, with the government ready to embrace inflation and higher interest rates all over again, gold is in an ideal position. At the moment, it's still cheap. But with every upward tick in interest rates, gold and gold stocks will get more expensive.

The U.S. Government Will Drive Up the Price of Gold

The U.S. government currently owns 261 million ounces of gold. If politicians were to redeem our \$4.2 trillion debt in gold, each ounce would be worth \$16,000! Realistically, that's not going to happen.

But it is likely — even probable — that the government will raise gold prices dramatically, just as Roosevelt did in 1933 and Nixon did in

1971. Gold is our government's major liquid asset.

I expect international governments to contribute to the price drive, too. As the dollar gets weaker, countries like Germany, Japan, and Great Britain will look for alternatives for holding reserves.

The major central banks won't look to other currencies. Most other currencies make even less sense than the dollar. Government banks will be looking for an asset that can't be mismanaged like stocks, defaulted on like bonds, or inflated away like currency...an asset that's also private, portable, and tangible...a perfect crisis hedge. Nothing fits the bill more perfectly than gold.

What's more, several years of low production have guaranteed that rising demand will far exceed existing supplies. In fact, existing supplies are already running low. Gold has the potential for a buying panic literally unparalleled in the history of the markets.

Gold Over \$1,000 Within Three Years

Once the market starts moving in earnest, don't be surprised if it goes over \$1,000 within the next three years. Likewise, you can expect gold stocks to go up as much as 25% in a single day, even though they have already tripled as a group from the absolute bottom.

This gold rally is still in its early stages.

Fluctuations in price have made mainstream investors slow to react. But the time to get in on this opportunity is right now.

As of this writing, the total market value of every gold stock in the world is half the value of Coca-Cola stock alone. But there are 35 gold-stock mutual funds. A few years ago, there were only two. When rising interest rates inject fear into the marketplace, investors will transfer billions of dollars from ordinary stock and bond funds into gold funds. Ordinary mutual funds have already started buying gold stocks as a hedge.

Double Your Money by Next Year

If you do no more than buy the senior gold stocks I recommend in my monthly newsletter *Crisis Investing*, I believe you will double your money by next year. I'm even more optimistic about some junior gold stocks I've found — they have even greater upside potential.

The gold stocks I recommended to my readers are already performing very well. In chapter eight, you read about Carson Gold, up more than 260%. Another one of my recent recommendations is Golden Star, up more than 595%.

Or how about the explosive mining stock I found on my last trip to Cuba. This is the kind of stock you want to own as a core position.

Until recently, you couldn't invest in Cuba. But, Cuba is on the ragged edge of starvation. And the only way for Castro to stave off total

collapse is to stimulate foreign investment. One of the best ways for you to get in on this is Miramar Mining (MAE.V). This Canada-based mining company has holdings around the world — including in Nevada. And they own a substantial amount of gold-rich, Cuban property. MAE.V has tripled in value since I first recommended it to *Crisis Investing* readers. But its real value is still 10 times more than the current price. Let me explain...

Cuba has some of the richest nickel deposits in the world. In addition, the island is packed with copper and gold — as the Russians proved years ago by punching the island full of drill-holes. In fact, Russian engineers made several attempts to mine the reserves themselves but they simply didn't have the know-how or the equipment.

There are three other mining companies in Cuba right now, but only MAE.V has properties on the island that not only contain both copper and gold, but are ready to mine. Since MAE.V offers substantial employment and cash flow to Cuba, Castro is guaranteed to treat the company well. As I write this, MAE.V is selling for under C\$7. Within this cycle, I fully expect it to go to C\$20 — a 500% rise.

Are these the kinds of profits you would like to make? Are you wondering where to find investments like these for yourself? You could count on luck...but I don't recommend it. There's a far better, safer, and more reliable answer...one I think you'll like very much.

Chapter Twelve

How the Lucky 'Get Lucky'

As someone once put it, it's amazing how lucky I get when I work 16 hours a day. To tell the truth, there's nothing very exciting or glamorous about what makes my investment strategy work. It means poring over annual reports, cash-flow analysis, public offerings — the fine print in mutual fund brochures, annual reports, and the full gamut of corporate documents.

And that's just the beginning. Then I go out into the real world, visit factories, meet with company boards, get to know the people behind the numbers. I talk to customers factory, workers, miners — everyone even remotely connected with the fate of a prospective investment. These are the people who are going to help me make money from future events, the troops who will help win the battle for safe, high-level profits in a very unsafe world. From the lowest-level clerk to the highest-level executive, I make sure my money — and yours — will be in good hands.

What the "Smart Money" Is Doing Now

In *Crisis Investing* you'll discover exactly where the "contrarian" players are moving

their money. And you'll see why you should be following their lead, instead of the tired investment strategies so adored by the general public.

For example, I predicted last year, "Gold will rise in 1993 — moving up slowly at first, and then rapidly during the latter part of the year." When I made that prediction, gold was at \$330. Soon afterward, gold started to climb. It broke \$400 and eventually hit \$414 — right on schedule. Now, gold is positioned to rise even higher. The right strategy could increase your profits many times over, as I'll show you in my free special report *Gold!* I'll show you how to get a free copy in just a moment. But first, let me tell you about two other free special reports...

The first is called *Better Than Bonds*. It reveals some more of my favorite current stock selections, including a "government-guaranteed" investment that could rise as much as 500%!

The second — perhaps the best report I have ever offered — is called *Lifetime Investment Opportunities*. It strips bare the grave financial crisis facing America. Then it reveals how this same crisis will create several fortune-making opportunities in the coming few years, including...

■ A class of stocks that will have appreciated over 1,000% by 1995

■ Why the next bull market in gold could

be the last one ever

■ How to get 8% in current yield while waiting for 100% capital gains

■ Why most mutual funds are headed for a 50% meltdown, while a handful of others will quadruple in value...plus certain funds you can buy for eighty cents on the dollar

■ How to be a short-seller who does well in a bull market and makes a killing in a bear market

■ Why the bear market in U.S. real estate will drag on for years, and which single class of property will boom — critical data if you own a house

■ How and where to buy 10,000 acres of prime beachfront property for next to nothing

■ What will happen next in Japan, and what it will mean to you

■ How and where to retire in luxury — twenty years before you may have dreamed it was possible

It took a lot of work to gather this many profit opportunities into one report. But don't worry. It couldn't be easier for you to get them for yourself...

Special Free Reports:

Yours Free

Just for Trying *Crisis Investing*

Send for 12 issues of *Crisis Investing* for

just \$97.50 (a savings of 50% off the regular subscription price of \$195) and I'll rush you...

Better Than Bonds

You can realize greater safety and yield than bonds...plus have an opportunity to reap an enormous profit. Contrary to what most people think, bonds are risky investments. This report tells you how you can get the income without risk that you need in today's volatile marketplace. What's more, you'll have an investment position which could bring you 10-to-1 profits.

Gold!

The current market situation is almost identical to the one that eventually sent gold through the roof in the late '70s and early '80s...and the next gold bull market is on its way. How high will gold reach? When will it make its most dramatic moves? You'll find 15 fundamental reasons that will help you answer these questions...and help you make a lot of money. This special report will help you understand the forces affecting the gold price — including the "Big Negative" — and help you predict its every move.

Lifetime Investment Opportunities

Things are about to change. Radically. When the eighties began, I identified

opportunities for the creation of a whole new class of millionaires. Once again, I predict that another class of millionaires will be created for the nineties — but they will make their money on totally different types of investments. And I discuss more than a dozen of them in this special report.

You can't lose. This is a no-risk, win-win situation. If you decide *Crisis Investing* is not for you, all you have to do is let me know. You'll receive a 100% refund up to three months, and a pro rata refund (for the unused portion of your subscription) after three months. And all the issues you have received and the special reports you receive are yours to keep regardless. More details in a moment. But first...

Subscribe for two years to *Crisis Investing* and you'll receive 24 issues, the three reports above, plus...

Mutual Fund Blowout

The greatest financial panic since the Great Depression is headed your way... in this shocking special report, I'll tell you why. I'll also tell you what to do to protect yourself. Right now, mutual funds buy over 90% of the stock traded on the NYSE... and they won't be able to keep it up much longer. Find out exactly what to do when they stop buying and start selling.

More Ways to Protect Yourself From the Coming Market Collapse

Right now, we've just passed a critical turning point. Interest rates had been edging down for a dozen years. Stocks have been rising. Gold and commodities have been falling. But that pattern has already changed. And it's about to make an even more dramatic shift. Interest rates are edging upwards. And it's inevitable that they will go even higher — especially with a \$400 to \$500 billion federal deficit.

Crisis Investing is the only major advisory service whose whole strategy is to help you simultaneously profit and protect yourself from the government actions and media manipulations.

Not many people will be able to take advantage of the opportunities inflation will bring. Only those who understand the hidden links between government policy, media distortions of the news, and the psychology of the markets will know how to make a significant profit.

You'll read about specific investments, high-potential speculative opportunities, tax-avoidance methods, and tactics for increasing your financial privacy, all of which take advantage of the foreseeable actions of big government...the market delusions created by the media...and the "herd" mentality that drives the markets.

**A Specially Priced, Risk-Free
Trial Offer and a 100%
Better than Money-Back Guarantee**

Try *Crisis Investing* for one year and I'll give you three free reports and 50% off the regular price of \$195 (for total cost of \$97.50). Try it for two years and get 55% off — or just \$175.50 — plus four free special reports.

Is that fair? What's more, for the entire length of your subscription, you will be protected by the following *100% Better than Money-Back Guarantee*:

If you're not completely satisfied for any reason, just let me know within the first 3 months after you start your subscription and you will receive a complete refund of your money. Thereafter, you can ask at any time for a pro-rated refund on all unmailed issues. Why "Better than Money-Back?" Because in addition to your refund, any materials you've received — including all your issues and free bonus reports — are yours to keep.

**The Longest-Running
Success Story**

For the record, I honestly feel that the future will turn out well. The longest-running success story is the "ascent of man" and I'm certain it will continue.

There will be problems to solve along the way — most of which will be caused by government intervention. But I predict a gradual, global movement toward a true free-market environment will offer the necessary cure. Invest wisely and the future will be an excellent place in which to live.

Make no mistake, in the near future most investors are hurtling toward impact with financial collapse.

In the last all-out economic collapse — the Great Depression — people starved in the midst of plenty. For those unprepared this time around, the suffering will be even worse. Preparation — and valuable information — will be your key to survival and, soon afterward, prosperity.

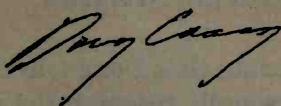
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Simply return the one of the trial-offer coupons that start on page 117 and I will see to it that your subscription starts as soon as possible.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Doug Casey', with a stylized, cursive script.

Douglas R. Casey

P.S. A Special Note — Your free special reports will help you understand and profit from powerful contrary investment opportunities. They will reveal the truth behind current economic tensions. They will also show you what a tight spot Bill Clinton is in — how this fact almost guarantees mild economic trends will veer out of control — and how the only politically affordable reaction will be to create devastating new inflationary trends.

Be among those who read these exclusive special reports — and profit from them — by taking advantage of this no-risk, no-obligation offer.

P.P.S. Don't forget — if you sign on for 24 issues, I'll also send you *Mutual Fund Blowout*. We're looking down the barrel of the greatest financial panic since the Great Depression. This free report may offer you your last chance to protect yourself. And here's more — if my publisher hears from you within *10 days*, you'll also get a free copy of *Winning Investments for the Rest of the '90s*. So don't delay!

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John Bozarth
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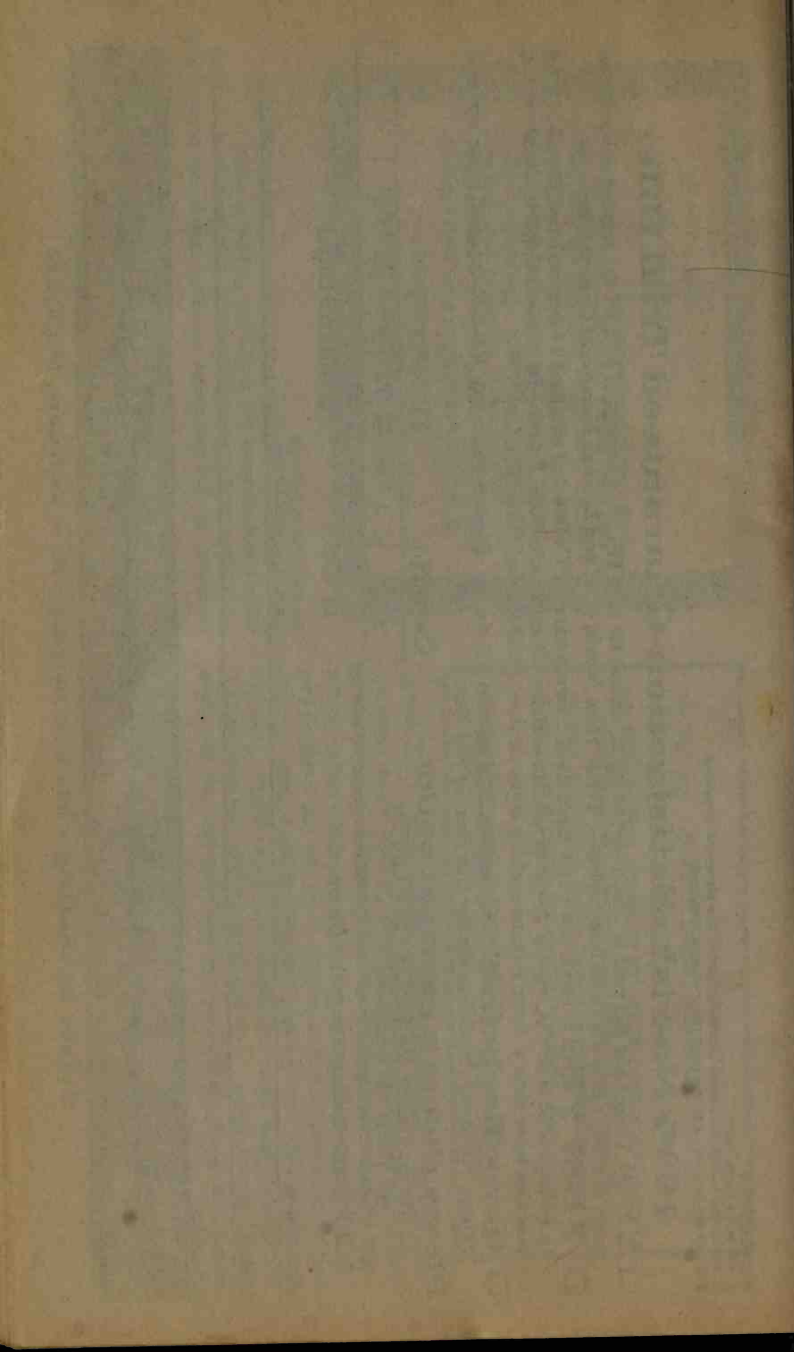
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MEET THE AUTHOR



Douglas R. Casey
*Best-selling author and
millionaire investor*

Doug Casey first focused his keen perspective on the international economic scene in the early 1970s.

In 1979, he wrote the best selling investment book of all time (29 weeks at the top of *The New York Times* best seller list). In 1980, his second best-seller predicted the raging bull market of the 1980s.

Casey has lived in or traveled to over 100 countries, and currently maintains residences in Hong Kong, Marbella, Palm Beach, and Aspen. He also serves on the board of Washington College, the 10th oldest college in the country.

Every year, Doug Casey delivers speeches and seminars to audiences around the world. He has appeared on hundreds of radio and television shows, including the *NBC News*, *Donahue*, and *Late Night With David Letterman*.

He has also been featured in *Forbes*, *Time*, *The Washington Post*, and *People* — not to mention frequent appearances in *Barron's* and *The Wall Street Journal*.

At the core of Doug Casey's success is a precision-gearred investment approach he has perfected over the past 14 years. I won't go into specific detail here... you'll find enough of that in the following pages.

But I will tell you that you're on your way to building a serious fortune... with profits like 200% on mutual funds... 250% to 1000% returns on small-cap stocks... or 1400% on a particular profitable cellular company. In Chapter 7 alone, Casey reveals an investment that could double your money over the next two years. In Chapter 11, he reveals another that could double your money by next year. And that's only the beginning.

“Doug Casey has never been wrong on one of his major predictions. His easy-to-follow game plan could make you a millionaire while others are barely keeping their heads above water.”

— **Simon & Schuster Publishers**

For the last 12 years, the best investment strategy was simply to buy and hold. But today that approach is financial suicide. Inside, world-class financier Doug Casey shows you how to make today's economy pay off, including...

- Two insidious forces behind almost every major shift of market prices... and how to use them to your advantage.

See Chapters 2 and 3.

- Three gold mining stocks are already up 260%... 595%... 855% and are in a perfect position to go even higher.

See page 105.

- 300% profits — on stock market dogs.

See page 43.

- What will happen when the Dow drops 62%?

See page 59.

- How to get your own monopoly for peanuts.

See page 91.

- The surest way to make money when inflation comes back.

See page 102.

- The decade's most dangerous myths — and greatest money-maker.

See Chapter 7.

- The single most important investment to avoid over the coming year.

See page 100.

- How to consistently beat Wall Street favorites by 44%.

See page 39.