1. Definition: ***Gresham's Law***

A monetary principle stating that "bad money drives out good." In currency valuation, Gresham's Law states that if a new coin ("bad money") is assigned the same face value as an older coin containing a higher amount of precious metal ("good money"), then the new coin will be used in circulation while the old coin will be hoarded and will disappear from circulation.

http://www.investopedia.com/terms/g/greshams-law.asp

By definition, gold and silver are money.
Greenspan himself recently said that gold is superior to all fiat currencies including the USD.

2. The LBMA is trading digital or fiat gold (unallocated gold) that they state accounts for the vast majority of spot gold trading.

The LBMA represents 85% of global daily gold trading volume and the LBMA's (and LPPM) daily pricing is, according to the LBMA, the basis for "virtually all transactions in gold, silver, platinum and palladium".

By trading 'bad money' (unallocated gold and silver), the LBMA is guaranteeing its own demise as the 'good money' (i.e. gold and silver physical bars) will disappear from the exchange.

The markets flow and choose a path to solve problems and the markets will flow around the LBMA and leave it stranded as it is a vehicle that has been used to short-circuit market pricing of gold and silver.

We can see from our discussion last week that the LBMA has an estimated open interest position (claims) of 400M to 600M oz of gold and 3.5 to 5.0 billion oz of silver. Completely unsustainable as the impossibility of delivery into these positions is known to the market.

	Daily Net Clearing Volume Posted by LBMA	Actual Total Daily Trading Volume (daily turnover) is 10x clearing volume	Open Interest (market claims for metal) at 2x trading volume	Open Interest (market claims for metal) at 3x trading volume	Global Visible Stockpiles of Refined Metal (for gold: official central bank stockpiles)	Annual Global Mine Production
Gold	20.7 M oz	207 M oz	414 M oz	621 M oz	1.2 B oz	90 M oz
Silver	172 M oz	1.72 B oz	3.4 B oz	5.1 B oz	0.9 B oz	0.8 B oz

3. Dubai intends to open spot gold trading by the end of March 2015

http://gulfnews.com/business/markets/dgcx-aims-to-start-spot-gold-contract-by-the-end-of-first-quarter-1.1453407

Goal of the new trading is to " set it as a benchmark Loco Dubai price for all stakeholders in China, India, and

Africa etc. "

Dubai wishes to develop benchmark gold pricing for Asia and Africa.

Other physical exchanges in Singapore, Hong Kong, Shanghai, Moscow, etc. are going to rapidly move around LBMA pricing and make the LBMA an historic artifact.

4. Some commentators say that the BRICs hold a nuclear bomb on the West which will detonate if they move to a sound money (gold) system

In reality, the LBMA and COMEX are nuclear bombs that are guaranteed to detonate because they are used to distort markets (and have been used to fuel decades of financial bubbles) and according to Gresham's Law, will by definition fail as good money leaves these exchanges.

5. We have seen complete market failure before.

Kuwait's "Souk al-Manakh" also dubbed the Kuwait Camel Market.

In the early 1980s the KCM market did a round trip from $5 billion to $100 billion in market cap and back again - at its peak it had the third highest total market capitalization in the world.

Used leverage to explode the value of the Camel Market to astronomical heights (think the open interest in the LBMA).

"Adding fuel to the fire was the type of informal margin financing through the use of postdated checks, which were accepted as a cash equivalent, as per Kuwaiti custom. This type of personal credit didn't require a bank balance; the "receiver hopes that there will be one when the due date rolls around."... ...As the Souk al-Manakh market soared to incredible new heights, many speculators became willing to issue postdated checks for double or triple a stock's purchase price, confident that the share prices would rise by that much by the time they had to pay. (1) An informal futures market arose in postdated checks as investors, upon receiving their shares, used them as collateral to borrow even more money for stock speculation. ... By September 1982, the Ministry of Finance ordered all dubious checks to be turned in for clearance, tallying the value of worthless checks at $91 billion. "

http://www.thebubblebubble.com/souk-al-manakh/

In the end, it was crickets at the Kuwait Camel Market. That was all that was left and this is what the LBMA is heading for.

" It did not take a trigger to burst this bubble; it simply crested sometime in the dreadful heat of the Middle East's summer. Its decline was so discontinuous it cannot be called a crash. There were simply no bids. "

http://www.gold-eagle.com/article/memories-souk-al-manakh