

Today's Notes:

1. Pork and Sausages
2. There's No Stimulus Free Lunch

1. PORK AND SAUSAGES

"qu'ils mangent de la brioche."

Marie-Therese, the wife of Louis XIV said, "Let them eat cake." **It was a callous and ignorant statement.** The quote, attributed to Marie Antoinette, was uttered during one of the famines that occurred in France during the reign of her and her husband, Louis XVI. Upon learning that her people were suffering from widespread bread shortages, she is said to have replied, "Then let them eat cake." This callousness on the part of the monarchy is often referred to when studying the possible factors that may have led to the French Revolution.

Yesterday Senator Charles Schumer Democrat of New York, Chairman of the Joint Economic Committee uttered the following statement,

"And let me say this, to all of the chattering class, that so much focuses on those little, tiny — yes, porky — amendments: The American people really don't care."

It was a callous and ignorant statement by Senator Schumer.

I enclose a list of 37 of the items in the Pelosi / Snowe budget that President Obama implores Congress to approve using scare tactics on the average American. I cannot certify that each item listed below is "pork." However if you read the list you will have questions. These may be well-intentioned. However in this hour of potential "catastrophe" (to quote our president) each and every item must be financed by debt. Therefore it should be directed unequivocally at job creation or tax cuts. Why not declare a withholding tax holiday for the next two years? No chance; Congress always seeks power in spending taxpayer dollars. Canada's government is so much more sensible.

These items listed below total \$63 billion dollars. That is a small piece of the entire \$830 billion proposed budget – 8%. But to mom and pop in Kankakee \$63 billion is not "*tiny*." Senator Schumer has demeaned hard working / out-of-work Americans (13.9% U-6) for their angst and anger at the confusion and power play shenanigans in Washington. His statement is abhorrent. It is a crime for Speaker Pelosi to demand a larger plane to carry her back and forth to California at a cost to the taxpayer of \$5.7 million each year. If the auto and bank executives are expected to travel economically – then Speaker Pelosi should also travel on commercial flights – coach. That is the kind of leadership we need in Washington.

Wakeup, Senator Schumer. Your message yesterday sounded very much like that of Marie-Therese. You yourself admit they are, "*yes porky*." The American people in total are the chattering class. We are increasingly uneasy and learning quickly the games that

Washington plays. Perhaps this is no longer a Government “of the people, by the people and *FOR* the people.”

\$2 billion	earmark for FutureGen near zero emissions power plant in Mattoon, IL
\$39 billion	slush fund for “state fiscal stabilization” bailout
\$5.5 billion	making federal buildings “green” (including \$448 million for DHS HQ)
\$200 million	workplace safety in USDA facilities
\$275 million	flood prevention
\$65 million	watershed rehabilitation
\$200 million	public computer centers at community colleges and libraries
\$650 million	the DTV transition coupon program
\$307 million	constructing NIST office buildings
\$1 billion	administrative costs and construction of NOAA office buildings
\$100 million	constructing U.S. Marshalls office buildings
\$300 million	constructing FBI office buildings
\$800 million	constructing Federal Prison System buildings and facilities
\$10 million	to fight Mexican gunrunners
\$1.3 billion	NASA (including \$450 million for “science” at NASA)
\$100 million	clean up sites used in early U.S. atomic energy program
\$10 million	urban canals
\$2 billion	manufacturing advanced batteries for hybrid cars
\$1.5 billion	carbon capture projects under sec. 703 of P.L. 110-140
\$300 million	hybrid and electric cars for federal employees
\$198 million	design and furnish the DHS headquarters
\$255 million	“priority procurements” at Coast Guard (polar ice breaker)
\$500 million	State and local fire stations
\$180 million	construction of Bureau of Land Management facilities
\$500 million	wild land fire management
\$110 million	construction for the U.S. Fish and Wildlife Service
\$522 million	construction for the Bureau of Indian Affairs
\$650 million	abandoned mine sites
\$75 million	the Smithsonian Institution
\$1.2 billion	summer jobs for youth
\$412 million	CDC headquarters
\$500 million	earmark for NIH facilities in Bethesda, MD
\$160 million	“volunteers” at the Corp. for National and Community Service
\$750 earmark	the National Computer Center in MD
\$224 million	International Boundary and Water Commission – U.S. and Mexico
\$850 million	Amtrak
\$100 million	lead paint hazard reduction

2. THERE’S NO STIMULUS FREE LUNCH

“I have never known much good done by those who affect to trade for the public good.”
The Wealth of Nations, Adam Smith, 1776.

Many of you have written to ask on specific stock recommendations. I feel uncomfortable in this environment recommending US equities other than producing gold and silver shares. I have been consistent in suggesting that you own physical gold and gold mining shares on weakness. This AM gold is much stronger while most commodities are once again weaker. I am especially fond of silver. The other precious metal is trading a 13.26 as I write. This is a 60% increase from the bottom in October. I think silver will rebound, along with gold, to its high point over \$20 per ounce of last March.



I have suggested, to my chagrin, that you hold cash to cover living expenses for 6 months. I know this hoarding is anathema to the banking system. It is, however, an insurance policy for an increasingly impotent government trying to fix markets (e.g. CDO) it cannot value.

I am not sure that a US banking holiday is now out of the question. I also believe that the banks could be nationalized. Based upon the decline in shares of Bank America and Citigroup it is more probable that bank nationalizations will occur. New Treasury Secretary (and tax cheat) Geithner missed the mark yesterday with a poorly conceived and understood bank bailout plan.

Gold roared in ALL currencies even as the US \$, the Yuan and the Japanese Yen strengthened dramatically. This is a relatively rare occurrence. It appears that there is a second larger wave approaching in this financial Tsunami. That is why we see banking holidays (to sort out the growing glut of toxic paper).

Currency	Chg% X=1\$USD	NY Time	X= 1\$USD	X\$USD =1	Gold Price/oz	Gold Chg	Gold Chg%
US Dollar	--	02/10-17:05	--	--	915.30	+20.30 ▲	+2.27%
Australian Dollar	-3.73%	02/10-17:03	1.5271	0.6548	1397.75	+80.09 ▲	+6.08%
Brazilian Real	-2.18%	02/10-16:57	2.3119	0.4325	2116.08	+91.14 ▲	+4.50%
British Pound	-2.53%	02/10-17:04	0.6877	1.4542	629.41	+29.13 ▲	+4.85%
Canadian Dollar	-2.17%	02/10-17:03	1.2438	0.8040	1138.40	+48.88 ▲	+4.49%
Chinese Yuan	+0.22%	02/10-06:40	6.8203	0.1466	6242.62	+125.12 ▲	+2.05%
Euro	-0.72%	02/10-17:02	0.7742	1.2917	708.63	+20.68 ▲	+3.01%
Hong Kong Dollar	-0.10%	02/10-17:01	7.7560	0.1289	7099.07	+164.16 ▲	+2.37%
Indian Rupee	-0.59%	02/10-13:22	48.8000	0.0205	44666.64	+1245.72 ▲	+2.87%
Japanese Yen	+1.13%	02/10-17:05	90.4450	0.0111	82784.31	+914.18 ▲	+1.12%
Mexican Pesos	-2.23%	02/10-17:03	14.5182	0.0689	13288.51	+578.61 ▲	+4.55%
Russian Ruble	+0.08%	02/10-17:03	35.8440	0.0279	32808.01	+701.41 ▲	+2.18%
S.African Rand	-3.12%	02/10-17:05	9.9350	0.1007	9093.51	+470.85 ▲	+5.46%
Swiss Franc	+0.58%	02/10-17:04	1.1569	0.8644	1058.86	+17.49 ▲	+1.68%

In a classic case study of “the pot calling the kettle black”, Merrill Lynch this AM suggested that all financial stocks are toxic and should be avoided – according to Bloomberg.

A quick examination of the bank stocks reveals this weakness. Citigroup declined 15+% yesterday while Bank of America fell more than 19%. The big equity markets fell significantly across the board (Dow fell 382 points). This AM Research In Motion, previously untouchable, announced an earnings shortfall.



We also note that Yu Yongding, a former adviser to China’s central bank, is seeking guarantees that its \$682 billion holdings of U.S. government debt won’t be eroded by “reckless policies,” He said, the U.S. “should make the Chinese feel confident that the value of the assets at least will not be eroded in a significant way,” Yu, now heads the World Economics and Politics Institute at the Chinese Academy of Social Sciences.

The capital and currency markets yesterday voted no on this first gambit of the Obama Administration. The market's **No Vote** was in response to Secretary Geithner's plan but also the Politics of Fear (not hope) that the new president is foolishly using to inspire (?) our lawmakers to accept this pork and sausage package. Many economists believe it is poorly focused and too small to have an impact. It is a confusing mish mash of pork and sausages. Steve Forbes has called it a "grab bag." Americans may have become complacent but they are not dumb – just ignorant. Something is very wrong. America and the rest of the world voted on that yesterday.

The Pelosi /Collins /Snowe fiscal package contains myriad short term spending initiatives mixed with longer term programs. Construction executives have noted that even in the "shovel ready" projects it will be 6 to 9 months before the shovel actually shovels and Joe Smith brings a paycheck home. But there is a larger concern. All this pork and sausage must be financed. It is a zero sum world. In yesterday's Wall Street Journal, *There's No Stimulus Free Lunch*, Nobel Laureate Garry Becker said,

"The increased federal debt caused by this stimulus package has to be paid for eventually by higher taxes on households and businesses. Higher income and business taxes generally discourage effort and investments, and result in a larger social burden than the actual level of the tax revenue needed to finance the greater debt. The burden from higher taxes down the road has to be deducted both from any short-term stimulus provided by the spending program, and from its long-run effects on the economy."

"Our own view is that the short-term stimulus from the legislation before Congress will be smaller per dollar spent than is expected by many others because the package tries to combine short-term stimulus with long-term benefits to the economy. Unfortunately, short-term and long-term gains are in considerable conflict with each other. Moreover, it is very hard to spend wisely large sums in short periods of time. Nor can one ever forget that spending is not free, and ultimately it has to be financed by higher taxes."

Today, I want to own Canadian dollars and selected Canadian stocks. I also want to own gold and silver on weakness. The ten point grid will work very well for Discovery stocks in this environment. However we must be certain that Incubator companies will have enough working capital and cash to survive. A recovery will be forthcoming but it is still in the future.

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investments that are not registered in the U.S. Dr. Berry has been awarded 10,000 stock options exercisable at \$7.50 from Senesco Technologies. He has been awarded 100,000 options of Derek Oil and Gas exercisable at C\$.47. He has been a consultant to Piedmont Mining (250,000 options), Valcent Products (300,000 options), Global Green Solutions (400,000 options) and War Eagle Mining. He owns shares and in Goldcorp, Senesco Technologies, Birch Mountain Resources, DataMeg, Immtech International, Horseshoe Gold, Derek Oil and Gas, Terraco Gold, Kenrich-Eskay Gold, US Silver, Galway Resources, Neuralstem, Piedmont Mining, MegaWest Energy, Valcent Products, CGX Energy, MacMillan Gold and Quaterra Resources. He has been awarded 250,000 options on Terraco Gold exercisable at C\$.50 for 5 years, for services as a financial advisor. In his role as advisor he has been awarded 75,000 options from Polymet which strike at C\$2.76. We cannot attest to nor certify the correctness of any information in this note. Please consult your financial advisor and perform your own due diligence before considering any companies mentioned in this informational bulletin.