

Ahead of central bank gold run? How Germany and Venezuela are taking back their physical gold.

Posted At : November 2, 2012 12:12 PM | Posted By : Michael Smith

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Interesting that Germany has been withdrawing hundreds of tons of foreign gold back to Germany. Like Venezuela did earlier this year but much larger and I had not heard about it until now. I got this from Weiss investment email I get.

I would certainly recommend holding some of your gold or silver physically, either in your own storage or in a non-bank overseas storage place. And I don't think gold ETFs are a good idea at this time due to counter party risk. I am on the fence about places like GoldMoney which seem to keep enough gold to cover their client's deposits.

Any thoughts on this topic?

Michael

Is a Central Bank Gold Run at Hand?

by Charles Goyette

Friday, November 2, 2012 at 7:30am

On learning that French gold was being held by the U.S. Federal Reserve, French President Charles de Gaulle is reported to have said, "I could hardly sleep easily with such an arrangement." So in 1965 he ordered French navy ships to cross the Atlantic to pick up \$150 million in gold held in the Fed's New York vaults and deliver it to the Banque de France in Paris.

It was a prudent move by de Gaulle. And it was consistent with the advice I have long given: Do not leave your gold in the care of somebody else. Take physical possession of your gold.

De Gaulle realized the United States was running an international con. It had promised that holders of U.S. dollars would always be able to redeem them for gold at the official rate of \$35 per ounce. But like someone writing bad checks, it was clear that the U.S. was printing more dollars than it could possibly redeem at that rate.

De Gaulle was ahead of the pack. But before long other nations figured out the same thing and began demanding gold for the dollars they held. Soon Washington began to hemorrhage gold as it faced demands to redeem tens of billions of its paper dollars.

It was nothing less than a run on the U.S. gold bank ...

On a single day in March 1971, 400 tons of gold were taken from the exchange mechanism, the London Gold Pool, forcing it to close. By August, President Nixon closed the gold window entirely, essentially defaulting on America's explicit promise of dollar convertibility.

Germany Demands Accountability

Like France, Germany has had bitter national experience with the hyperinflation of fiat currency. It should not be surprising if both nations are sensitive bellwethers when funny money business is afoot. Now we are beginning to learn about steps Germany has been taking consistent with troubling questions today about the world's central banks and the gold entrusted to their vaults.

In the (U.K.) *Telegraph*, Ambrose Evans-Pritchard reports a German court has ordered an inquiry into gold purportedly held for Germany in London, Paris, and New York:

The German Court of Auditors told legislators in a redacted report that the gold had "never been verified physically" and ordered the Bundesbank to secure access to the storage sites.

It called for repatriation of 150 tons over the next three years to test the quality and weight of the gold bars. It said Frankfurt has no register of numbered gold bars.

The report also claimed that the Bundesbank had slashed its holdings in London from 1,440 tons to 500 tons in 2000 and 2001, allegedly because storage costs were too high. The metal was flown to Frankfurt by air freight.

It may be that an audit will prove all of Germany's gold in foreign central banks can be accounted for. It may have been that France's gold would have been safe for decades in the hands of the Federal Reserve. But an environment like ours, toxic with monetary risk, demands good stewardship.

What Have Central Banks Done with the People's Gold?

Recently I wrote an article questioning whether or not central banks have the gold they say they do. Even if the bullion is in inventory, there are pressing questions about who may hold actual title to the gold, whether it has been loaned, pledged, swapped, or sold.

The *Telegraph* alludes to the issue of title as well, reporting the German court's action "follows claims by the German civic campaign group 'Bring Back our Gold' and its U.S. allies in the Gold Anti-Trust Committee that official data cannot be trusted. They allege central banks have loaned out or 'sold short' much of their gold."

Asking if gold bars are actually in place is a question of inventory. Questions about title are issues that should be answered by a thorough audit. But there remain equally justifiable concerns about the authenticity of the gold held by central banks, and other depositories for that matter.

Another concerning topic is fake gold. It is by no means a marginal issue, but one that is serious enough that this year, for the first time, some of the U.S. gold held by the New York Fed has been subjected to being drilled for assay samples to test for purity. No results have been released.

Closing Thoughts

Those who showed up after August 15, 1971 with U.S. dollars they hoped to exchange for gold were too late. But de Gaulle knew there was something fishy about U.S. monetary practices well before Nixon defaulted on America's gold promises. In today's troubled environment, Germany is acting like its monetary senses are tingling.

There are warning signs aplenty for Americans that monetary conditions are growing more fragile by the day and that the fiat dollar will not last. It would be nice to know that at least the people's gold assets are secure.

In any case, remember this lesson:

**Do not leave your gold in the care of somebody else.
Take physical possession of your gold.**

For your Freedom and Prosperity,

Charles