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Michael J. Kosares, Editor

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SPECIAL REPORT

Gold is magnificent at the museum but is no museum piece

by Chris Powell

Speech for Educators' Evening

Gold Exhibition
American Museum of Natural History
79th Street at Central Park West
New York, New York
Wednesday, December 6, 2006

I was touched by your invitation because 50 years ago my beloved great aunt would bring me to this wonderful place and the Hayden Planetarium. (Tonight I have brought my daughter with me in the faint hope that someday she also may think well of her father.) You have instilled in generations of young people a great wonder about the natural world and the love of learning. I'm lucky to have this chance to thank you.

Your gold exhibition is magnificent, but its inevitable implication is that gold is an antique, a museum piece, a relic -- like the dinosaurs just down the hall.

To the contrary -- gold is central to the world financial system even today, even as the shroud of antiquity is so painstakingly woven around it to deceive. Indeed, gold is not just central but the very center of the world financial system.

Why is this?

The question was examined by the Gold Anti-Trust Action Committee in August 2005 at its Gold Rush 21 conference, held in Dawson City, Yukon Territory, Canada, scene of the gold rush of the late 1800s and early 1900s. I'd like to show you a brief video of excerpts from that conference.

Gold is at the center of things even now because it is, has been, and probably always will be MONEY -- and not just money but the only independent money, the only money of intrinsic value, the only money that is not also someone else's liability, the only money that, once in possession, cannot default.

As such gold is the deadly competitor of the money issued by governments. Every bit of strength in government currencies comes at the expense of gold, and every bit of strength in gold comes at the expense of government currencies. That is, gold is a measure of inflation, monetary debasement.

Governments always have been at war with gold to some extent -- the more so since the 1970s, when the International Monetary Fund forbade member nations from fixing their currencies to a fixed amount of gold, thereby escaping gold's restraint on the money supply.

This gold war intensified in the 1990s as Western governments began to dishoard their gold reserves or lend them, openly and surreptitiously, to suppress gold's price.

If we had more time tonight or if anyone here was interested, I could review with you the mechanisms by which governments lately have been suppressing the gold price -- or, to be more accurate, controlling the rise of the gold price as the central banks begin to exhaust their gold reserves.

Maybe it is enough to note that annual gold mine production is estimated at 2,600 tonnes and is FALLING, while annual world gold demand is estimated at 3,600 tonnes and is RISING. That gap of about 1,000 tonnes is being filled only by central bank dishoarding and lending. Central banks claim to hold 32,000 tonnes of gold but much and perhaps most of that has been sold or lent out and for practical purposes is simply gone. This year central bank gold sales began to decline -- and the price of gold rose sharply.

That is, gold is remonetizing itself, despite the great pressure against it from the central banks, because the ratio between the gold supply and the supply of government-issued money and money substitutes is now so explosively out of whack.

When central banks stop their dishoarding or simply run out of gold, there may not be enough zeroes to put behind the gold price -- for gold is the world's refuge from the vast monetary debasement that already has been accomplished.

The next gold rush is already under way.

Is this gold rush good or bad?

From the previous speakers tonight we have heard a lot about the environmental damage that can be done by gold mining. There's no denying it. I saw some of it myself in the Yukon last year.

But we don't hear about the damage done to the world by the CURRENT financial system, a system of virtually infinite money and inflation so rampant that government must constantly change its consumer price index formulas and even then must falsify the data.

Don't believe me? Then, if you own your own home, calculate the increase in its value over the last five years and see how it compares with a Consumer Price Index of only 2 percent. Then ask yourself about the half of

the population that has been priced out of home ownership by inflation in that time, priced out by the great gap between the increase in housing prices and the decline in real wages.

But housing is only a small part of it.

The gold issue is actually just the old issue of money, which was the main political issue of the United States a little more than a hundred years ago: What IS money? How much should there be? Who should control its creation?

Few Americans have a clue about these questions anymore. Money comes out of the ATM machine -- end of story.

The United States has led the world into the Age of Infinite Money, enabling pervasive government and what U.S. Rep Ron Paul has called the "welfare-warfare state," That is, with infinite money government is empowered to do things the people would never permit it to do if money was more real to them, more scarce, and had to be drawn from taxes in the here and now -- do things like subsidizing childbearing outside marriage and waging imperial wars.

If you disagree, look at Iraq and ask yourself: Would the American people have let that disaster continue so long if they had had to pay for it, if the money for it was not being borrowed into existence -- and from foreigners besides -- worsening the debasement of all world currencies?

Anyway, some governments around the world, particularly Russia's and China's, and a few conscientious investors are realizing that, far from being a quaint antique, gold remains not just basic to the world financial system but, in fact, the secret knowledge of the financial universe -- the substance by which everything else financial is revealed and measured. As gold breaks the chains that laboriously have been imposed on it, others may come to see how everything that has been considered normal has actually been distorted grotesquely by central bank intervention in markets and really doesn't add up -- may see, to their shock, that, as Kipling wrote in The Gods of the Copybook Headings, "all is NOT gold that glitters, and two and two make FOUR."

When that day comes and the real world reasserts itself with a vengeance, people will need the real thing -- or the real things, ANYTHING that is real. Kipling foresaw it this way:

Then the Gods of the Market tumbled,
and their smooth-tongued wizards withdrew,
And the hearts of the meanest were humbled
and began to believe it was true

That All is not Gold that Glitters,
and Two and Two make Four --
And the Gods of the Copybook Headings
limped up to explain it once more.

As it will be in the future,
it was at the birth of Man --

There are only four things certain
since Social Progress began: --

That the Dog returns to his Vomit
and the Sow returns to her Mire,
And the burnt Fool's bandaged finger
goes wabbling back to the Fire;

And that after this is accomplished,
and the brave new world begins
When all men are paid for existing
and no man must pay for his sins,

As surely as Water will wet us,
as surely as Fire will burn,
The Gods of the Copybook Headings
with terror and slaughter return!

December 6, 2006, remarks by
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