

# Old News for Gold Bugs

By [The Mogambo Guru](#)

02/09/09 Tampa Bay, Florida It looks like the rush to buy gold is really getting started, as Julian D. W. Phillips of GoldForecaster.com reports that “the combined gold holdings of the World Gold Council gold Exchange Traded Funds and Barclays Gold Trust” has grown to “1079.83 tonnes, a growth of almost 70 tonnes in two weeks.”

And this is just part of the good news, as “There are many other gold bullion-holding funds in the developed world from Canada to Switzerland that are not included in this total. If they were the total would be approaching 1200+ tonnes. Clearly we are seeing a stampede of institutional fund management into gold at present!”

One of them is the Central Fund of Canada, the top-performing trust in Canada (up 117% in 3 years!) and which holds only gold and silver bullion, is selling another giant swath of shares to get the money to, as I understand it, buy another big potload of precious metals, which is not that remarkable, I guess, except for where the underwriter, according to the press release, “Exercises Its Right To Purchase Additional Class A Shares”, which made a big impression on me for some reason that I don’t understand, but I sense that “somebody knows something.”

To keep things in perspective, Mr. Philips reminds us to “Bear in mind that at \$900 an ounce, one tonne of gold costs \$29 million, so far.” But even he admits that gold really hasn’t gotten up a good head of steam yet, as “With global pension fund assets estimated at \$18.6 trillion by the end of 2005 only a tiny proportion of that amount has entered the gold Exchange Traded Fund market so far. So the 1200 tonnes held in this manner represent only \$34.8 billion or 0.19% of these pension funds assets [there are many other types of funds other than Pension Funds as well]. Quite a way to go before gold makes a dent on these portfolios.”

And it is the same thing with silver, as I learn from an essay at SilverMiners.com which had the headline, “Gold Mine Production Down, But Costs Up 24% World-Wide”, which tells you everything you need to know about the future price of gold, which assumes that you already know that the price of everything is determined by the intersection of supply and demand, and in the case of gold, supply was down by 88 tonnes last year and is still going down, while demand is going up, and under which there is a rising “floor” price since the costs of gold mining are mounting, and will continue to mount as long as the corrupt socialist bastard morons running the world continue to increase deficit-spending by governments, and as long as the corrupt socialist bastard morons running the central banks continue to create the money and credit to finance the damned deficit-spending, which causes higher prices!

And, of course, this is already old news to gold bugs around the world, as Nick Barisheff writes in his essay, “Making Money in Troubled Times with Gold” at SeekingAlpha.com that in the last year “Gold rose: 9% in Euros, 45% in British Pounds, 25% in Russian Rubles, and 38% in Brazilian Reals” which is not to mention that gold “increased by 31% in Canadian dollars.”

The reason for all of this is that, as he explains, “In 1971, when the US abandoned the gold standard, total M3 money supply stood at \$800 billion. Since then, the Federal Reserve has increased the money supply well in excess of GDP growth. In 1987, Alan Greenspan took over as Federal Reserve chairman and opened the money supply floodgates. He expanded the US money supply by \$6.5 trillion during his 19-year tenure to \$10 trillion – more than all of the previous Fed chairmen combined. Ben Bernanke surpassed Alan Greenspan’s record by adding another \$4 trillion in just the last three years.”

What does this have to do with gold and gold going up in value so high that I can quit my lousy job and get the hell away from my clinging family, all the time whining “Please stop buying so much gold and please just buy us some food, daddy!” and all the rest of their gimme gimme gimme?

Well, since you asked, the point is that “At the end of 2007, above-ground privately held gold bullion amounted to less than \$650 billion, and the total amount of silver and platinum bullion was less than \$5 billion. Put together, this is less than 1/3 of 1 percent of the estimated \$187 trillion of global financial assets”, which doesn’t even start to address the implications that “China, Russia and the OPEC countries are considering substantial increases to their gold allocations in order to diversify their US dollar risk”, which means that “Any reallocation by these countries will drive prices much higher.”

And it is already beginning, as “Last year investors experienced shortages of the smaller wafers and coins, with premiums running as high as 10-40 percent for gold and 30-100 percent for silver”, which may have been what led Citibank to predict that gold could soar to “\$2,000 an ounce sometime in 2009.”

And in that regard, people keep asking me if the government is going to confiscate gold, and I tell them “Why don’t you ask the government?” Hahaha! As if they would tell you the truth! Hahaha!

But not even mentioning that the Federal Reserve can print up all the money it wants, so they would not confiscate gold for the money, or the fact that all the gold held at the Federal Reserve is chump change; if the Fed still has all of its reported 261 million ounces, then at even \$1,000 an ounce, all the gold would only be worth a lousy \$261 billion dollars! Less than a quarter of the Federal budget deficit for this year alone! Hahaha!

And then the government has to store the gold someplace and start absorbing all of the expenses of guarding it, which doesn’t even address that the “takings clause” of the Constitution which prevents the government from taking anything away from you, including gold, without paying full market value to you, the owner.

So will the government confiscate gold? Why in the hell would they want to do that? Hahaha!

And that means that YOU should be buying it! Whee! This investing stuff is easy!