

Gold and Europe's Central Bankers

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According to the Associated Press:

Europe's 19 central banks, including the European Central Bank, the Swiss National Bank and the Sveriges Riksbank agreed to put a new five-year cap on gold sales. These institutions decided that their annual sale of gold will not exceed 400 tonnes over the five-year period and total sales will not exceed 2,000 tonnes. The Swiss National Bank said it has no plans for any further gold sales in the foreseeable future. With gold holdings amounting to 1,040 tonnes, it holds a substantial part of its currency reserves in the form of gold." (<http://news.ino.com/headlines/?newsid=80720090545>)

What is the significance of this agreement among 19 European Central Bankers to limit gold sales to 400 tons per year and not more than 2000 tons in five years?

As far as a commitment to those of us who hold currency in our bank accounts is concerned, the European Central Bankers signed agreement on gold, The announcement (Associated Press August 07, 2009) means nothing because the central bankers can change it, or ignore it, and they do not have to tell us what they are doing.

This announcement was likely made to convince us that tons of gold, are going to be put on the market, therefore the price will be unstable, a poor investment compared to paper dollars, we are told to believe.

Note that the only central bank to make an individual announcement is Switzerland, which owns a relatively large amount of gold. (1004 tons). According to their statement, they have no plan to sell any.

There is no reason to believe any central banker, even the Swiss, but let's look at the significance in the event they do what they say and sell 400 tons a year.

Lets start with, how much a ton of gold is. It's about the value of the signing bonus demanded by one 21-year old football pass catcher named Michael Crabtree. He says he will sit out the season unless the San Francisco 49er's management promise him lots more than the offered \$20 million (2/3 ton of gold) to sign.

Here is the calculation: a metric ton of gold is about 32,500 troy ounces, multiplying by \$950 per troy ounce equals about \$30.5 million per ton, about what Mr. Crabtree thinks he is worth as a pass catcher. So the sale of 400 tons of gold might produce enough dollars to pay one year's payroll of the NFL, or the executive bonus of a few Wall Street Bankers, some run as high as 4 tons in a year.

Thus the whole 2000 tons that might be sold in five years is worth \$65 billion at today's prices, (\$3.2 million per ton times 2000 tons) a pittance when we consider that the US Treasury, and the Fed (the US central bank), (not including the 19 European bankers) have printed and spent somewhere between \$6 trillion and \$12 trillion dollars in the last 12 months alone. It is hardly worth arguing which number of trillions is the right number because any number we use will be overrun within a year or two.

Putting Washington and The New York FED spending in a gold perspective, six trillion dollars would constitute , at \$950 per ounce, 200,000 Metric Tons of gold, or about 100 times as much gold as the European bankers have suggested they might sell, and almost twice as much gold as the world has ever produced, including every ounce lost, and in our teeth and old eyeglass frames in museums.

According to the World Gold Council, which was my first click in my Google search for the world gold supply, all the governments in the world hold about 30,000 tons of Gold (the USA holding the most with 8000 tons) and only about 110,000 tons have been accumulated by everyone world wide since the dawn of man. Thus our estimate that the FED and the Treasury have borrowed and or printed enough money in a year to buy all the gold owned by all governments 7 to 14 times over (depending on whose figure you use of the deficit spending), and nearly twice as much gold than is owned by all people and governments combined! Notes(1) (2)

So how are gold, the Central Bankers, and high cost of a pass receiver related? Usury is a bible word for cheating people who have money by diluting the value of what they have. I would say you should not worry too much if your gold collection (if you are lucky enough to have one) drops in dollar price as a result of this propaganda campaign by the central bankers. It is really the value of the dollar that is fluctuating up and mostly down. It appears that developing countries, including China, Russia and India are buying up gold faster than the central bankers can sell it.

Sources

(1) The Gold Council http://www.research.gold.org/supply_demand/

(2) Freemarket Gold and Money Report: <http://www.fgmr.com/gold.htm>

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