

Gold by Montresor

Estimating world gold stores

A report confirms that the financial oligarchy continues to hold and buy large amounts of gold.

I have just finished perusing the analysis of the current distribution of world gold supply—*Above Ground Stocks of Gold*—published by the International Gold Corporation Ltd. in October.

This analysis offers a rather convincing method of estimating the amounts of the approximately 90,000 metric tons of gold produced throughout history that remain in official reserves and fabricated into jewelry, to assess how much is now held in private hands.

The study, commissioned by the Chamber of Mines of South Africa, announces as its primary conclusion the “potential imbalance developing between supply and demand” in the gold market—the result, of course, of the shift of gold accumulation to the private sector since World War II. But two other conclusions emerge from this report which confirm what I put forward last spring. The bulk of gold in private hands remains with the old financial interests who hold their gold in Switzerland, and trade in Zürich, London, and Frankfurt.

And I find acknowledged in this analysis the development I have long mooted: the rapidly growing threat of debt default by the Third World to the international financial structure could catapult gold into becoming the principal international medium of exchange: “So, there is a paradox in the changing monetary role of gold in the world. While its formal role in official international monetary operations has diminished, the function of gold as a form of private international currency

in the private sector is likely to expand in the decade ahead.”

The most significant shift in the distribution of gold supply is the move of the private sector to buy gold since 1945. Over 50 percent of the world's gold has been mined in the past 30 years, and at least 20 percent of that new stock has gone into private hands in coin and bullion form alone. As compared to 8,600 metric tons of gold going into private hands as jewelry in the entire first half of the 20th century, 25,000 tons entered the market in that form after 1950. Just prior to that period, from 1920-50, the offtake of gold for official reserves and jewelry was greater than the total mining production for the period, demonstrating an actual reduction of private hoards, primarily coins.

The authors assert that “there is very little chance that large, concentrated, privately held stocks of gold have been accumulated since World War II outside of countries where gold ownership and trade is free of government restriction. . . . Gold buyers, legal or illegal, wanting to hold large amounts, where possible, purchase and store their holdings in politically and economically secure free market locations. Historically, Switzerland and Great Britain have met this standard most closely.”

It remains clear that these centers still meet this standard. Although domestic hoarding of gold coin and bullion in these countries is low, as compared particularly to France, the study estimates some 1,500 to 2,000 metric

tons of gold bullion is held in Switzerland, Great Britain, and West Germany, of a total 3,000 to 5,000 tons now extant. This gold is not, of course, held by the inhabitants of Switzerland or England. “The bulk of the gold stocks in the European trading centers is owned, directly or indirectly, by interests outside the country of deposit. . .” i.e., those same ancient families who pre-date national governments and central banks.

This analysis asserts that neither in France nor in the United States is there as much gold in private hands as has sometimes been estimated.

Popular estimates of the French gold hoard range up to 6,000 tons, which would have been acquired prior to 1948. These holdings would have had to be in coin, yet the greatest amount of gold coin at the time would have been held in the United States, where, unlike Britain and France, holders were unable to cash in their coins for any more than their \$20.67 an ounce face value. Gold coins in France are estimated at 1,000 tons.

There was little bullion in France after the war, and, given all other estimates of bullion holdings, it is unlikely that more than some 500 tons could have been accumulated since.

Although the United States “has qualified as a preferred depository” for gold in the recent period, gold holdings have not yet been built up to compete with those of the European centers. During the first large buildup of private stocks in 1967-68, the United States was not yet in the picture due to restrictions on gold buying and trade. Moreover, that round of purchasing was run “through price fixing operations of the London pool.”

It remains that the very oldest, and most knowledgeable, investors are those who continue to hold gold against any eventuality.