

THE GOLDEN FUTURE

Unless a last minute hitch occurs beginning with the new year, Americans will regain a freedom which had been denied to them for over 40 years. This is the freedom to own gold, and it has created a wave of excitement not only among those concerned with finance but among those who ordinarily could not care less.

Commentators and editors have had a field day deluging the public with a mass of information, some of it good, much of it bad. Companies and banks are busily engaged in preparing plans to sell gold from tiny wafers to big bars. One scheme after another is concocted to get the public to invest in gold in one form or another.

Everybody expects a gold rush. Whether it will materialize or not will only be known after the first of the year. When Japan permitted its people to own gold a few years ago, the initial rush to buy gold soon tapered off, no doubt to the chagrin of those hoping to cash in.

If the reader expects this new freedom to usher in a golden future for himself and dashes off to buy gold, he may be sadly disappointed. Studies of the history of gold emphasizes that probably the most important lesson to be learned is that the ownership of some gold as a form of insurance of last resort against emergencies, it is without compare. But that is precisely the point. It should be looked upon in the same light as one looks upon fire insurance for one's home--insurance against a great catastrophe--one which you hope never occurs. For years on end, people have hoarded gold primarily on this premise of being a form of insurance hoping it would never have to be used, just as you maintain fire insurance hoping it will never have to be used.

And by hoarding is meant that the gold must be readily available so the owner can obtain it almost instantly, if it is needed. It does no good to own gold in the form of depository certificates evidencing the ownership of gold in some bank's vaults. In any real financial emergency when paper-money becomes worthless, the government might confiscate the gold. It is because of such possibilities that the wary European peasant who has lived through one inflation after another, invariably owns gold which as the saying goes is "kept in his mattress". And of course, the gold he owns consists of readily recognizable coins--not gold bars or wafers. The experts advise if Americans wish to own gold it should be gold coins, as the American double eagle, or the Mexican 50

peso. This is because they are difficult to counterfeit and much easier to exchange for goods than would gold bars which would have to be assayed by knowledgeable people to determine the gold content. But, such gold coins sell at a very high premium.

It is questionable if owning gold will be of much advantage to circumvent the inflation of our money supply which results in rising prices. Gold fluctuates in price, and this year it has fluctuated between \$130 and \$190 per ounce. One student of gold believes that central banks will buy gold when it is in the neighborhood of \$125 per oz. and sell gold when it is around \$185. If this is correct, it means that such figures which have been bandied about as \$400 an oz. are way out of line, at least for the near future. His opinion seems to have been borne out to a certain extent by the recent announcement of the U.S. Treasury that it would sell 2 million ounces. When the announcement was made gold was selling about \$185 per oz.

It is a fallacy to suppose that because gold ownership is legalized that inflation will cease. Many countries have permitted a free market in gold while inflating their money supply. During the Civil War period, the U.S. Notes, the paper money issued then, was inflated, yet all the time there was a free market in gold.

People do not seem to remember or know that inflation is the increase in the money supply which is not matched by a commensurate increase in goods coming to market. The result is that the money in use is discounted, i.e., prices rise. As long as nations attempt to treat gold as tho it were not money and make their paper money legal tender, gold will fluctuate in terms of this paper-money just as any commodity does.

Gambling in gold is no different from gambling in any commodity. Timing is the most important ingredient. The price of gold will not constantly rise as many think. It will fall as well as rise, and many gold buyers will find themselves forced to sell when the price is down.

To reiterate: Gambling in gold does not assure you a golden future. If you do purchase gold coins, the purchase should be predicated not on any dreams of circumventing inflation and making a fortune, but purely as an act of insurance against some catastrophe as is true of any form of insurance.

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