

Canary in a Gold Mine

By [The Mogambo Guru](#)

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I was dismayed to see *The Financial Times* article about the new Central Bank Gold Agreement, where central banks agreed to limit their sales of sovereign gold to 400 tonnes a year. The European central banks, which includes the European Central Bank itself and the 16 banks of the Eurozone, plus Sweden's Riksbank and Swiss National Bank, have all signed on with the new plan.

An interesting new wrinkle in the new agreement that it will "allow the International Monetary Fund to join as a signatory if it wishes", which it already desperately wishes so that the IMF can aggrandize more power by being a "player" with all the fiat currencies it will collect and then be able to wield like a bludgeon.

And this 400 tons of gold per year certainly sounds like a lot, but in reality, how much gold is there?

Well, the article notes that the "gold holdings of the 10 largest signatories total more than 11,000 tons, valued at \$350 billion", and I remember writing down somewhere that the US has about 8,000 tons of gold and the IMF has 3,217 tonnes.

In case you were wondering, I casually mix up "ton" and "tonne" all the time, probably because they are almost the same, so I never bother to try to keep them straight because I am lazy and I don't care anymore.

For the record, though, one metric tonne contains 32,150.72 Troy ounces, so 11,000 tonnes is 353.661 million ounces of central bank signatory holdings which, at almost \$1,000 per ounce, is where I assume they get the valuation of \$350 billion.

This, in case you were wondering why I said the words "Central Bank Gold Agreement" with such a sneering tone of scorn and loathing disrespect, is because this is another slimy, five-year, corrupt deal whereby the gold that governments accumulated over the centuries, by committing a continuous series of outrageous, murderous atrocities to acquire, are now selling the gold to get a little "spending money", to save a little money by not having to pay the expenses of storing the gold, and to happily drive down the market price of gold.

I know what you are thinking! You are thinking to yourself, "Why in the world would the central banks be selling their gold, which drives down the price of gold, which plays right into the hands of The Mogambo, who is happy to buy gold at these bargain prices because he knows that the price of gold will rise meteorically as inflation in the prices of consumer goods rise meteorically in response to the money supply rising meteorically thanks to the Federal Reserve creating it and the federal government borrowing it and then immediately spending it in meteorically-rising

amounts for years and years and years, which makes buying gold such a no-brainer that he is known to squeal with girlish delight, ‘Whee! This investing stuff is easy!’”

Well, obviously, since I know that governments send their secret agents to spy on me all the time and sabotage my life, we can be sure that they are not keeping the price of gold down for my benefit! Hahahaha!

No, what they want to do is drive the price of gold down so that the price of gold does not rise against their currencies, which is what you would normally expect from the inflation in prices that would result from these selfsame repellent, dishonorable, corrupt, thieving governments creating additional excessive amounts of paper, fiat money to try to buy their way out of the national inflationary bankruptcy they caused with their prior years of creating and spending excessive amounts of paper, fiat money! Hahaha!

Puru Saxena of Saxena Wealth Management notes, “It is interesting to note that only 160,000 tons of gold has ever been mined from the face of this planet and at US\$950 per ounce, it is worth US\$4.9 trillion. Now, consider that the total amount of paper money in circulation (currencies, savings, deposits, money-markets and CDs) is worth US\$60 trillion, or approximately twelve times the value of the gold in existence.” Wow! Twelve times!

The way I am screaming hysterically that everyone should buy gold reminds me that gold rises in price because its value remains relatively constant, because of all of its valuable inherent properties, while the purchasing power of the paper money used to bid for gold goes down and down, each unit of money buying less and less gold and each unit of gold buying more and more money, which tips everyone off that “That Screaming Mogambo Weirdo (SMW) was right! We’re freaking doomed by inflation! We gotta buy gold, silver and oil right away!” which, naturally, makes their prices rise even further! Whee!

But by flooding the market with government gold, this short-circuits this “canary in a coal mine” (or more properly “Mogambo in a raging snit”) inflation alarm so that us proletariat chumps don’t panic at the horror of huge inflations in prices that are usually reflected in the price of gold which, unfortunately, always follow a huge inflation in the money supply.

This time, because it involves a commodity, I figure that it has the added benefit that slimy insiders/bullion banks can now do all kinds of slimy arbitrage tricks by buying government gold at a (theoretically) falling market price as 400 tons a year come barreling into the market to swamp demand with a deluge of supply, as well as leasing government gold at almost zero percent rates, maybe somehow running it through some Exchange Traded Funds that are shorted for some reason that I don’t understand, maybe hedging risk in the futures and options markets, perhaps bundling together a few derivatives to “lay off risk”, and making money, money, money with which to pay taxes, taxes, taxes, which I figure is the whole point, from the government’s perspective.

It’s like a license to print money while driving down the market price of gold to help disguise the inflationary horrors of, for example, a federal government deficit of 13% of GDP!

The federal budget deficit is almost 1 out of every 8 dollars of national economic activity, and the total amount of government spending will sure be, when including the inevitable future Supplemental Appropriations, over \$5 trillion this year, which means that federal government spending – by itself! – is 35.7% of America's \$14 trillion GDP!

Now if you can get me to shut up my screaming, screaming, screaming in horror at such fiscal insanity for one lousy minute, I will add in another \$1.5 trillion for the spending by the states and another half trillion by local governments and school boards, and suddenly we are looking at (ignoring double counting the federal aid to the states which is included in the state's budgets) a potential of \$7 trillion in total governmental spending, which is HALF OF GDP!!

I am sure that you noticed the two exclamation points, the way my voice is now screeching at full volume and revolting specks of spittle are flying through the air as I stomp around the room, cursing loudly and incoherently, that I am upset that governments now spend half of the entire economic output of the Entire Freaking Country (EFC)!

If you are a true Junior Mogambo Ranger (JMR), your blood suddenly turned cold and a sense of doom fell upon you.

Now, imagine the horror of those who are NOT, alas, Junior Mogambo Rangers (JMRs), and thus who probably do not buy gold, silver and oil because they do not know that they should be doing that when their government is acting fiscally and monetarily insane!

When you do know, however, investing is easy! Whee!