

# China Stockpiles the “Perfect Money”

By [The Mogambo Guru](#)

04/29/09 Tampa Bay, Florida I was amused by the Reuters headline “China Admits to Building Up Stockpile of Gold” – although it kind of took me by surprise that they bought about 600 tons of gold without telling anyone since 2003, growing their stash by 75% since then.

I eagerly scanned the article to see where it says that they bought the gold, to paraphrase, “Thanks to the good advice of Running Dog Yankee Imperialist Mogambo (RDYIM), who showed us the genius of the Austrian school of economics, and told us to buy as much gold as we can get our hands on because without gold as a backing for a currency, the yuan will be just another stupid fiat currency dancing to the inflationary tune of the government, which always wants to spend too much, like the U.S. and all the other stupid fiat-currency countries in the world nowadays, because a stupid fiat currency allows it to happen, ruining everything and we look like a bunch of chumps instead of venerated elders.”

Alas, I never found any reference to me at all! Bummer!

Well, it was probably because this gold-buying was only a kind of blip, as Reuters calculated that “China’s holding of gold would be worth around US\$30.9-billion at current prices. That accounts for only about 1.6% of China’s total foreign exchange holdings and is little more than one-tenth of the value of the U.S. gold reserve, the world’s biggest.”

To downplay it even more, it also means that “gold has slipped as a share of China’s total reserves from about 2%, based on end-2003 prices.”

My dreams of sudden, glorious wealth as gold exploded in price thanks to the Chinese suddenly showing a lot of economic smarts suddenly seemed shot down in flames, and I gotta admit I got pretty sloshed to console myself. While occupied with the task of inebriation, I was reading Jon Nadler of Kitco.com, so it took me a couple of tries before I was sure what I was reading; Mr. Nadler reported, “The Chinese have indicated all along that ‘If we buy gold, you will not really notice,’” which I figure just shows that the Chinese government is a bunch of sneaky, lying, thieving, manipulative bastards, just like all governments, especially the one in the USA.

So everything is normal there.

But then the unnamed Chinese official said, “If we accumulate too much of it, we could be stuck with illiquidity in a crunch” which makes me laugh – Hahahaha! – at such surprising stupidity! Hahaha!

In case you are wondering about why I am chortling in contempt, there is no such thing as “getting stuck with gold”, because there has never been a time in the ordinary course of events, all the way through history, when somebody wanted to sell gold but nobody wanted to buy it!

There is always a buyer for gold! Always! That is what makes gold the perfect money; everybody wants it, and it is just a matter of price!

So, with a look of insufferable smugness on my face and a speck of spaghetti sauce on my chin, I say that this Chinese guy deserves to have his name on my Mogambo List Of Guys Who Cannot Be Trusted As Pertains To Gold (MLOGWCBTAPTG).

Mr. Nadler is obviously not on that list, as he says, “An important country such as China should continue to seek to diversify its massive holdings” by accumulating gold, “and so should the average investor.”

Just as my hopes were getting higher, he reminded me that accumulating gold is a generally good idea; but this is not “a sign of any fuse being lit under gold. It’s just, insurance being bought, folks. A little bit at a time.”

Mr. Nadler is almost certainly exactly right, but as a guy who is freaked out by the inviolable connection between large and sudden increases in the money supply with large and sudden increases in consumer prices, and how gold always parallels inflation in other prices over the long-term, I can’t help but notice that I would want a lot of insurance if my house built of U.S. dollars was burning down in front of my eyes!

And, in light of this revelation that China bought a lot of gold, he mentioned a Reuters report that said, “The IMF last year approved the sale of 403 tonnes of gold from its stocks of 3,217 tonnes (103.4 million ounces) as part of a plan to put its finances on a sounder footing and create an endowment with the proceeds.” Hahaha!

And what in the hell could they buy that would “put its finances on a sounder footing and create an endowment with the proceeds”? Nothing! That is why it is selling the gold we loaned them to buy fiat currencies with which to buy assets denominated in fiat currencies! Hahaha!

No, the best thing would be for the IMF to hold onto that gold, as should you and I, and to actually sell gold now is to ask, with a tone of incredulity in my voice, “And buy what, moron?”