

Will 2005 be repeat of 1978 for gold prices?

By Russell Rulau
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Gold's value never changes, only its price is up and down.

The title above says it all. but permit me to explain what I mean.

One ounce of gold would purchase a good suit of men's clothes in 1900. The same ounce would buy a fine suit in 2000.

Since pre-coinage days in Africa and Asia, gold was valued at a 15-to-1 ratio to silver and still the same when the United States went on the gold standard in 1900. Underperforming silver now rests at the upper end of 64-to-1. (Platinum, discovered only 200+ years ago, has not developed a sensible ratio vis-a-vis gold. Platinum is 14 times more rare in the earth's crust than gold, but lacks gold's mystique, beauty and desirability as jewelry.)

Can the gold standard be revived?

Never is a long time - infinity - but my guess is just that, never. There is not enough above-ground gold in the world to cover the U.S. \$7-plus-trillion debt, added to the rest of the nations' deficits.

I believe it is possible to recreate a gold exchange standard dollar bill backed by U.S. bullion reserves, but only at a fraction of a cent per dollar, the new "gold" note circulating alongside the unbacked Federal Reserve Notes. Politically this is improbable; does any reader know of a politician of any party, or any presidential candidate who would support such a campaign plank - it's always easier to promise tax cuts, pork-barrel spending and "thrift in government".

There are several groups who are using a rising market to try to insert a private gold or silver-backed currency into American commerce. One such is a group called NORFED, which since 1998 has issued more than \$3 million in warehouse receipts backed by \$500-per-ounce-gold and \$10 per-ounce silver held in Shelter System Warehouse in Coeur d'Alene, Idaho. More than 50,000 Americans are said to use these receipts.

Bernard von NotHaus of Evansville, Ind., is the originator of this scheme. He is best known to collectors as former master of the Royal Hawaiian Mint in Honolulu.

As I wrote at the beginning, is the gold market breaking out in a way that will prove to be similar to 1978's launch point? We won't know that for sure without the benefit of hindsight.

However, the case for buying collectible gold coins as a means of participating in any rally in gold bullion is a good one. Whether gold goes up or down, you are building a collection. If bullion goes to the moon, your collectible coins will go along for the ride. If it doesn't, you have collection valuable and valued by fellow numismatists to sell. That ain't bad. *