

# The power of gold: Why Deutsche Bundesbank had to promise to leave 1200 tons in New York

With big fanfare, Deutsche Bundesbank [announced on February 9](#) that ahead of plan they had repatriated 300 tons of gold from New York. This put a positive spin on a rather disturbing fact: 1236 tons of gold that is supposed to be part of Germany's currency reserve will continue to be kept outside of German control in New York - indefinitely.

The German gold in question is being kept in storage at the New York Fed, an institution that is owned and controlled by Wall-Street-banks, in a country, whose current president considers it an imposition that the law and so-called judges tell him what he is allowed to do and not allowed to do.

I am not criticizing the Bundesbank for storing 37 percent of Germany's official gold in in a place where it has no control over it. It seems clear that they negotiated hard with the US and acted rather shrewdly. Their negotiation position was much enhanced in 2012 by the leakage of a report of the German Court of Auditors, which was very critical of the conditions under which German gold was being held in New York. This created public and political pressure on the Bundesbank to renegotiate and to get that gold out of New York. At the same time, the US side could hardly afford to snub this demand, because there was lots of speculation, even in the US, that something was amiss with the gold reserves of the US and the rest of the world that were stored in the country. The way in which the official gold of the US, and the gold held in custody for other countries, is guarded against public scrutiny and shielded from its owners, gives fodder to any number of conspiracy theories. Had the New York Fed refused to let a foreign central bank, which was under such obvious pressure, retrieve some of their gold, these conspiracy theories around official gold might very well have become intense enough to damage trust in the dollar.

Reaching an agreement was apparently not easy. On the way, the Bundesbank announced a relocation plan for the next three years and then, very soon, superseded it by another one that allowed time until 2020 for finishing the intended relocations. First they said they were going to publish the report of the auditors, then they didn't. This kind of behavior would not be expected if the semi-official story (from unnamed sources) was true, that the Bundesbank just had to say how much gold they wanted at what time and the Fed would have put it at the gate at that time with no further questions asked.

## The Dutch Get in the Way

According to its (second) gold relocation and storage plan, unveiled in early 2013, the Bundesbank will be storing half of Germany's gold reserves in its own vaults in Frankfurt am Main by 2020. This required a transfer to Frankfurt am Main of 300 tons of gold from New York and 283 tons of gold from Paris. 1236 tons will continue to be kept in storage in New York, plus (a much more reasonable) 432 tons in London.

In the summer of 2013 Bundesbank started with a first transport of 5 tons of gold to Frankfurt and then stopped the transports again right away. In hindsight, a plausible explanation for this unusual behavior could be a secret repatriation program of the Dutch central bank, which was only made public when it was concluded in 2014. Apparently, the Dutch came out and said something like "If the Germans are allowed to take out their gold, we want to have ours too." This created the threat that more and more countries would use the precedent of the Fed's lenience with the Germans to demand getting back their own gold. The withdrawals were halted until a plan was in place of how everybody could be treated equally and nobody could take out too much gold. Judging from what the Germans and the Dutch did, the scheme seems to be that the US will allow central banks to

repatriate as much gold from New York as is absolutely necessary to allow them to have half of their gold at home.

After that was settled, the Dutch were first to be allowed to withdraw their allotment. They were finished in late summer 2014. The Bundesbank managed to get 85 tons out in the rest of the year. In 2015, another as yet unknown institution besides the Bundesbank withdrew gold -30 tons overall. The Bundesbank got 99 tons back. In 2016, finally, Bundesbank was alone in withdrawing gold from New York. This might explain why the Fed was more forthcoming than the Bundesbank had expected and handed out the final 111 tons of their 300-ton-allotment.

### A hidden message

When the Bundesbank had announced their plan of where to keep how much gold in the future, it was craftily sold as a message to the German people and politicians that they would get a chunk of the gold that was in New York under their control and store half of the official German gold in Germany. This, however, was not the main message.

The main message had New York and Washington as addressees. It consisted in the promise that in exchange for getting those 300 tons, they would leave four times as much in New York and stop forever fussing about it. This is my reading anyway, based on what I understand is usual diplomatic custom and lingo in such affairs. This way of reading it is bolstered by the fact that the conveniently critical Court of Auditors has gone completely silent since the Bundesbank announced their new plan for where to store the gold. This is not what one should have expected. None of the concerns of the auditors has been addressed in any significant way. The Bundesbank can still not go in and check or count the gold. There are still the terms and conditions of the New York Fed, which say that they give no guarantee. If it should turn out that the gold has been stolen in some mysterious way, that's bad luck. None of the other problems were fixed and no convincing reason was provided why it should be in Germany's interest to keep such a large portion of its gold outside its control. The fact that a fifth of the gold that used to be kept in New York under such unfavorable conditions has been retrieved, is not a very convincing reason for the auditors to fall completely silent. After all, they had clearly said that the way that the German national treasure is stored there, is against the law.

### Sowing the seeds of doubt

The unusual behavior of the Bundesbank during the relocations did nothing to allay the suspicion that something was wrong with the gold. In 2013 and 2014 they melted 55 of the 90 tons they retrieved in these two years, destroying all evidence if anything should have been wrong, like some of that gold being inferior "coin-gold", for example. The Bundesbank announced that expert witnesses had checked and confirmed that everything was as it should be, but they stubbornly refused to identify them. They did not even give any names of the institution to which the experts ostensibly belonged. They intentionally destroyed all evidence and asked us to take their word in exchange. However, even if they were the most honest people on earth, their word would not be worth a dime in these circumstances, because if something was wrong, it would be completely irresponsible to admit it. Such an admission would completely destroy trust in the New York Fed and by extension in the dollar and in the dollar-centered world financial system. Before setting off that bomb, they will lie ten times if need be. However, if everything would have been proper, it would have been exceedingly easy to prove it, first of all by not melting the gold right away, but showing it, and second by melting it – if it has to be done – in the presence of representatives from few respected institutions, who actually give their names and signatures.

Having to give a rationale for the more than 1200 tons of German gold in New York, the Bundesbank came up with the fact that it is so convenient to have it at the Fed, because many other countries have gold there. That way, you do not have to move the gold around, if you want to sell it to some other country, you just have to

redesignate it inside the Fed building. This makes no sense. First of all, it is much too much gold for that purpose, given that such gold transactions have not happened for decades. The only situation in which it would become necessary to be able to do this quickly and in large amounts would be when the dollar-based currency-system brakes down and countries insist in payment in gold again. Would you really want to have your gold in the custody of the home-country of the dollar in such a situation, a country, which also happens to be the most powerful country by far? Remember that the US already defrauded us and many other countries of many tons of gold in 1971. The US had paid for its imports with pieces of paper on the promise, that these pieces of paper were as good as gold and would be exchanged for gold at a fixed rate upon request. In 1971 Nixon just said screw you, you can keep those papers and we will keep your commodities and the gold. We stayed friends anyway. We had to.

Austria keeps a large chunk of its [gold in Zurich](#), which is a very important gold trading center. The Bundesbank does not keep any there, even though it would make much more sense than New York. It is nearby. Switzerland is a small, neutral country without a serious army. They would hardly refuse to hand the gold back on request.

Gold is money, which is based on physical ownership, not on trust in the willingness and ability of another party to honor their promises. If you have gold, but you do not have it under your control, it is almost pointless to have gold. If you want to keep a piece of paper that tells you that you can get gold for it, if you really, really want to, you might as well hold treasuries of any other of these pieces of paper.

### **The Power of Gold**

It is of critical importance for the US to have a very large part of the world's official gold reserves under their control. The status of the dollar as world currency allows the US to buy up stocks, companies, commodities and more from the whole world with pieces of paper they can print themselves. It allows them to force banks and companies in other countries to abide by US law. A currency backed by gold could become a serious threat to the exceedingly valuable predominance of the dollar, especially these days, when the dollar-printing presses are running at full throttle. Knowing this, the United States had the International Monetary Fund (IMF) prohibiting its member-countries in 1978 to give their currencies an explicit gold backing. However, the IMF has no army. If a country left the IMF and did it anyway, they could not do anything. But the US could. It would not be hard in such a situation to point to some-rule breaking or some unfairness or dangerousness for the world-financial-system of the contender's plan to link their currency to gold. This would give justification to the US to withhold the gold under its control. This is what the fight about the place of storage of official gold is about. The monetary value of it is largely irrelevant in comparison.

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