Is Your Gold Safe in the Bank?

More and more people in affluent societies are turning to gold as a hedge against irresponsible government financial policies. It cannot make these people more comfortable that, in Europe, there has been discussion about trying to keep the teetering government financial systems stable — for awhile, in any event — by having the European Union issue “joint sovereign bonds.” Germany and France have rejected that approach, but if nations like Italy and Spain begin to unravel, then the pressure on France and especially Germany to help shore up neighboring financial systems will grow more insistent.

Gold, historically, has been the citizens’ hedge against governments that had ceased to consider money as an honorable and stable medium of exchange. It is eye opening, then, when ObamCare included onerous tax reporting requirements that will make the sale and purchase of modest amounts of gold by middle class Americans more and more expensive, in terms of paperwork. Although the physical ownership of gold is the surest protection against hyper-inflation, alternatives to outright possession of gold have been convenient and sensible for citizens in the last few years.

Stock in gold mines, for example, is one alternative. Some companies that deal in precious metals also have stock that cautious investors can purchase. Ownership of certificates redeemable in gold, once the standard of currencies, no longer is an option. Gold and silver money, also once a standard means of conducting business, is no longer a practicable option. Coins of rare value could be melted, but not without great loss of value. An historical use of banks is not just to hold deposits of money but also deposits of anything of value.

Owning gold and storing that gold in a bank, then, was one way to have physical gold on hand as a hedge against governmental financial machinations. But what happens if the bank refuses to give the gold back to its owner on demand? A Business Insider story reported that Jim Rickards of Omnis told of a client of a major Swiss bank who was denied access to one ton of gold that he owned and had stored in the bank. The depositor had to threaten litigation before his gold was given to him. But why? Rickards is quoted saying: "My inference is that that gold was not there. The bank had to scamble, go out and find it somewhere before they could make good delivery."

Although the despositor was able to get his gold back, this story underscores what could happen, and in fact, could become common if the financial system continues to implode. And of course, the failure of banks to deliver gold to depositors could come about as a result of govenment stepping in and freezing gold holdings.