Written by **Steven J. DuBord** on October 8, 2009

Gold Hits Record Highs for Three Days

Early on October 8, BBC News reported that gold had hit $1,058 per ounce, marking the third consecutive day of all-time-high prices.

The $1,058 high followed a peak of just over $1,048 on October 7, which had been preceded by a crest on October 6 surpassing the $1,040-an-ounce level. These three days have shattered the previous record of $1,033.90 per ounce set in March 2008.

"Investors are turning towards gold as a hedge in dollar weakness," said Adrian Koh, an analyst with Singapore's Phillip Futures. The possibility that further inflation could drive the dollar's worth even lower has made gold shine all the brighter as an investment.

Other analysts see the demand for gold increasing as speculators try to turn a profit during a time when traditional investments are returning a low yield. Still others point to the effect of seasonal demand for gold, which tends to be strong during the last quarter of the year.

The Indian festival of Diwali in October and the Christmas holiday season in December spur jewelry sales. Also, after Indian farmers bring in their harvest, they tend to view gold as a safe way to preserve their profits.

Reuters on October 6 quoted some analysts who possess a fair degree of insight into why the price of gold is rising. Their recommendations to buy gold now do not bode well for America, though the individual investor may be aided by their advice.

Tom Di Galoma, the head of fixed income rates trading for Guggenheim Partners in New York says: "I think gold's rise over the near term has been a function of a Fed that continues to provide massive liquidity to the marketplace. This could find itself in a bad way in the future. Gold is hedge against a Fed providing too much liquidity to the market. If we do get inflation, it will do well. If we get deflation, it will do well."

And Axel Merk, portfolio manager of Merk Mutual Funds in Palo Alto, California, declares: "I don't think it [the gold rally] is overdone at all. It's going to be over when the policy makers come to their senses, and the chance of that happening is very low. Right now, policy makers think it's good to debase the dollar. They just don't know what they are wishing for. The idea that it's good to destroy purchasing power, and somehow you can depreciate yourself into wealth is something that is cruel and naive."

Both Di Galomo and Merk realize that the problem is with those who set policy regarding the dollar, namely, the Fed. Merk gives the Fed too much credit, though, when he attributes their nonsensical and cruel policies to naiveté.

To say that policies so carefully crafted to debase the dollar and destroy the U.S. economy could be the result of naïve incompetence stretches credulity. It does not make sense that such unskilled yet well-intentioned officials could rise to such high positions. It is simpler and more logical to take their actions at face value and declare them to be done with malice of forethought.

Perhaps that explains the Fed's desperate resistance to Representative Ron Paul's (R-Texas) Federal Reserve Transparency Act of 2009. This bill (H.R. 1207) would authorize the Government Accountability Office to conduct a complete audit of the Fed. Such an audit could finally bring all the skeletons out of the Fed's closet and expose its dark deeds to the light of day.

American Banking News reported on October 5 that Paul's act now has over 300 co-sponsors. Hopefully it will soon be brought out of committee for a full House vote, and hopefully it could help bring about an end to the Fed's tyranny.

It is high time to prove that all the Fed's claims to be working for America's benefit are nothing but fool's gold.