

Bullion vs. Buffett

By Louis Boulanger

“All warfare is based on deception.”

~ Sun Tzu

“When a man assumes a public trust, he should consider himself a public property.”

~ Thomas Jefferson

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By associating buyers of gold bullion today to the buyers of tulip bulbs during the famous [Tulip mania](#) of the 17th century, Warren Buffet has carved himself a place of honour among the great deceivers of our time. I'm referring of course to a recent [article](#) he wrote and was published in *Fortune* magazine. The timing of it, alone, deserves our attention.

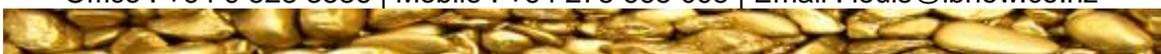
My purpose here is not to criticize his arguments, as [others](#) have already done this admirably well. Instead, I intend to demonstrate how this was a perfect example of the ongoing bullshit that gets dished out endlessly to us when it comes to bullion (which was explained in *Bullion vs. Bullshit*, my contribution last month to this Journal). That Mr Buffett is a person of great influence and enjoys the admiration and trust of many in the world of investments should not go unnoticed.

Keeping gold outside the monetary system has involved a whole program of deception over many years and this, of course, continues in earnest as currency wars escalate globally. But the deception must now also intensify with respect to private ownership of bullion. Think of it as another theatre of operations aimed at sustaining the delusion of fiat money and the belief that gold has no role to play, with Mr Buffett leading the attack.

At stake here is no less than the full faith and credit of sovereign governments who issue the fiat currencies of the world, particularly that of the US government. After all, the US dollar and US Treasury securities still represent the foundations of the existing global monetary and financial system. This system's status quo survival depends on those foundations remaining firmly in place.

The US dollar may be losing its status as the global reserve currency, but US Treasuries continue to play a unique role in the global financial system (see *False Belief #2: Risk-Free Investments*, in this Journal's March 2011 issue). Mr Buffet knows of this unique pricing role only too well as a successful investor, which explains why he warns that now bonds should come with a warning label. He is right about that. But he conveniently chooses not to explain why: the Fed's price-fixing.

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Now, when it comes to gold...whether or not Mr Buffet knows gold is money is a moot point. He certainly had the opportunity to be made well aware of it: his [father](#), after all, was a strong advocate of a return to gold redeemable money. What does matter, however, is that you not be deceived by what I consider to be a blatant abuse of public trust and that you see through the deception in his arguments against gold ownership.

Exactly what Mr Buffett's purpose is in ridiculing gold hoarders is unknown. But he should stick to what he is good at: investing. Saving money is not investing. It may not be pleasant for him to see that gold hoarding has become more rewarding (as a means of increasing one's purchasing power) than investing. It is indeed not productive for that to be the case, for the time being. But that is the inevitable consequence of forty years of fiat abuse.