



## A Cautionary Note to My Fellow Gold Bugs

By Emilio Vargas

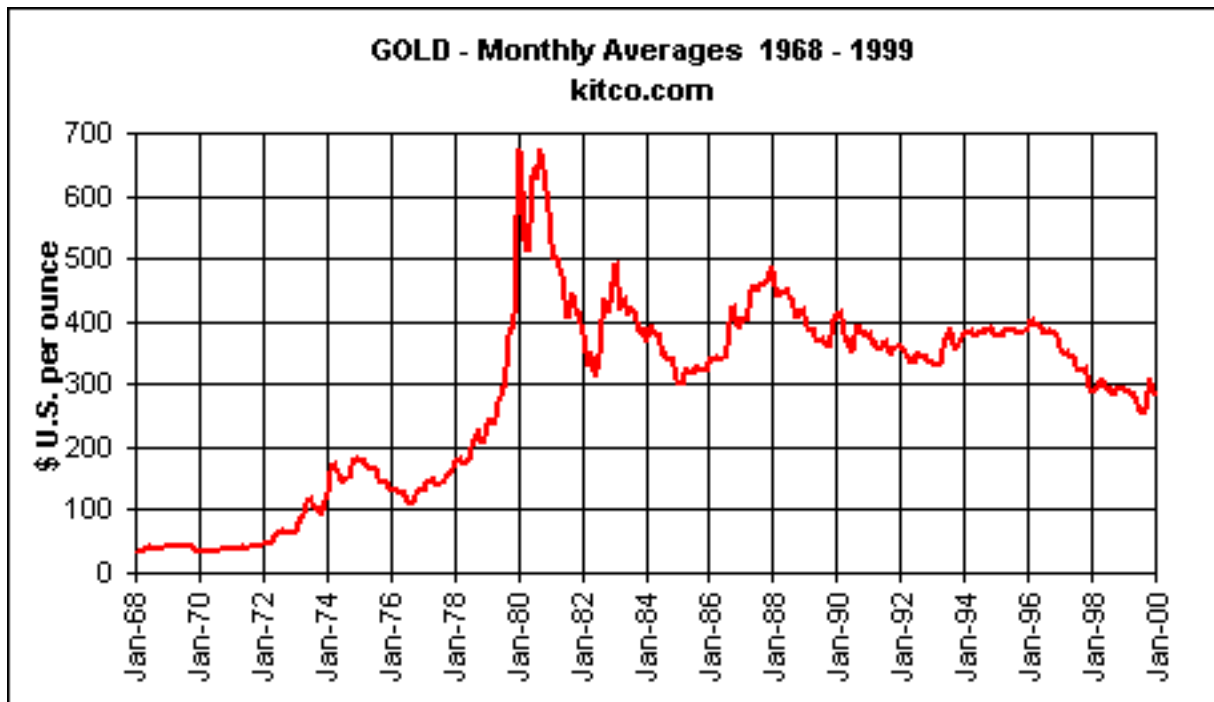
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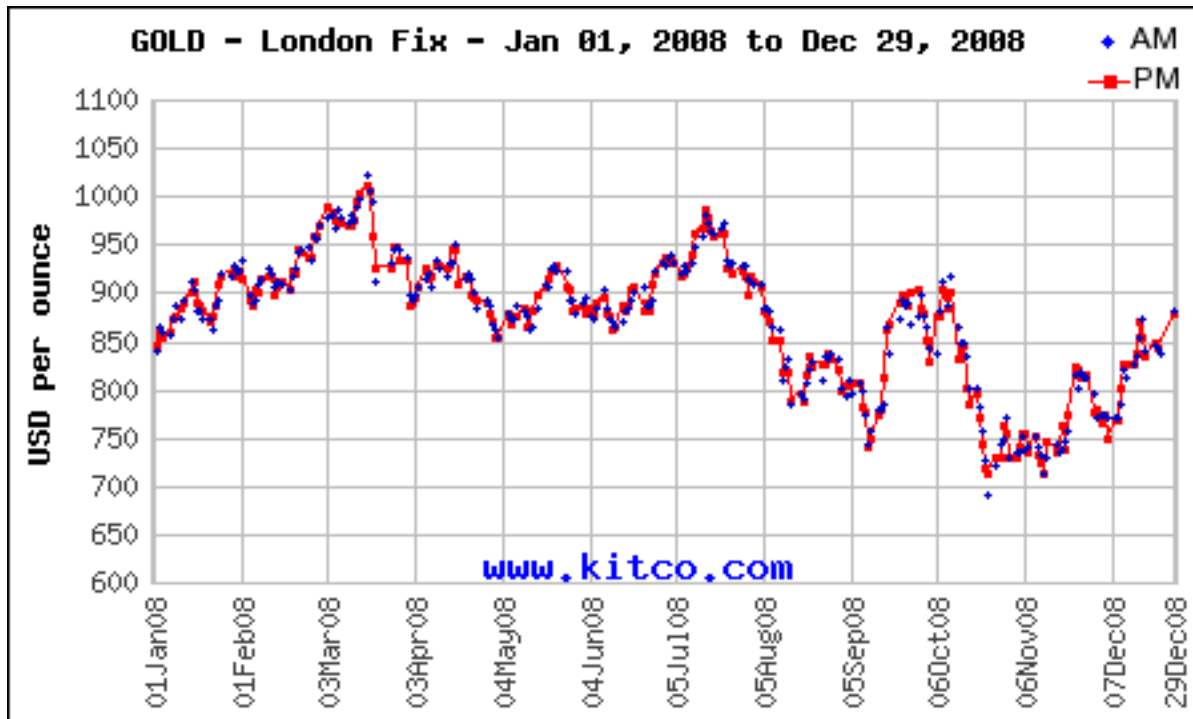
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The volume of missives I receive regarding the evolving debt-bubble collapse rises with the price of gold. The best time to buy gold was in 2001. More than 20 years of bear markets depressed the price and any interest people had in reading about it. Don't fall in love with gold now that the crisis is breaking and the price is going vertical.

The golden rule still applies. He that has the gold makes the rules. Eurozone governments control roughly a third of world gold reserves (about \$685 billion worth at current prices). If you don't think they will sell it in a crisis think again. The IMF sold 403 metric tons (one eighth of their holdings) in 2009 and 2010. On the other hand the powers that be [confiscated privately held gold in 1933](#).

Gold can and has gone down in crisis and recessions. See charts from 1974, 1980, and 2008.





Owning gold now may merely be step one of the process of preserving your wealth. At some point you will probably want to trade your precious metal for assets that are being liquidated. It will be difficult to do so as the metal will appear safe and the assets you need to buy will appear risky.

*Emilio Vargas is a pseudonym. The author is a teacher and former money manager.*

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