
It's All About Gold Now

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By Greg Hunter's USAWatchdog.com

At the beginning of this month, the G20 met in France to try to find a way to solve the European sovereign debt crisis. It ended with world leaders in disarray over a way to come up with a solution. At first blush, it appears that nothing of any importance came of the meeting of the 20 leading economies of the world, but that is not the case. It was widely reported the G20 came up with the idea that Germany might put up its gold reserves to back a bailout fund called the European Financial Stability Facility or EFSF. Of course, Germany, with its more than 3,400 tonnes of gold (number 2 in the world), quickly shot that idea down. End of story? Quite the contrary—the gold story is just beginning to get interesting.

You see, the G20 did something accidentally that was very important, and that was confirm that gold has a place in the monetary system, especially in times of extreme turmoil. Why doesn't the EU use sovereign bonds to back the EFSF? They are considered a store of value and are held as reserves in many European banks. The simple answer is the world is waking up to the fact that debt can't back up debt. Europe finds itself in a tough spot, and the leaders there know it. Reuters reported Monday, German Chancellor Angela Merkel said, **“Europe is in one of its toughest, perhaps the toughest hour since World War Two,” she told her Christian Democrats, saying she feared Europe would fail if the euro failed and vowing to do anything to stop this from happening.** [\(Click here for the complete Reuters story.\)](#) Well, anything but put Germany's gold up as collateral. Maybe Chancellor Merkel will be the next leader to exit the European stage? Who knows, but what I do know is that gold is once again going to become an important part of the world monetary system.

In a new book called **“Currency Wars,”** Wall Street insider Jim Rickards examines how countries try to get out of financial trouble by devaluing their currencies. Rickards says, **“Today, as yesterday, countries are attempting to devalue their way out of trouble. Following the strategy of beggar-thy-neighbor, the U.S., Europe, China and Japan all want to weaken their currencies. The flaw in the tactic should be clear. “Not everyone could cheapen at once,” Rickards writes. “The circle still could not be squared.”** [\(Click here to read a book review by Bloomberg.\)](#) Rickards predicts the U.S. dollar's future is not bright, and if there were a **“catastrophic collapse of investor confidence,”** the dollar's buying power could suffer suddenly and dramatically in a global sell off.

Gold would be the big beneficiary if the dollar declined, and Rickards' top price for gold per ounce is—wait for it—**\$44,552!** That price is the absolute highest possibility. Rickards and others predict that in the next few years, America will go back on some sort of gold standard. Meaning, the dollar will be backed by gold, but Rickards has stated on many occasions that there probably will not be a 100% gold backed U.S. dollar. Instead, Rickards contends it will be more in the neighborhood of 40%. If that is the case, then gold would be **\$17,821** per ounce using Rickards numbers. It appears gold prices are going much higher.

The main factor in determining gold price is money printing, and one of the biggest currency creators on the planet is the Federal Reserve. It created enormous amounts of money in the wake of the 2008 meltdown, and it looks like it is getting ready to unleash mountains of even more cash to stop the impending Euro-land meltdown. This week, St. Louis Fed President James Bullard indicated the central bank would take action if the EU sovereign debt crisis turns chaotic. According to a Wall Street Journal report, **“Bullard said that if overseas events worsened significantly, the Fed could respond, saying “the Fed can re-open some of the liquidity facilities that were used during 2008-2009” to reduce related market disruptions. “It will be fairly clear if some sort of crisis occurs in financial market that causes trust to break down,” it would then be time for the Fed to take action to alleviate the market tumult, he said.”** [\(Click here to read the complete WSJ report.\)](#) It looks to me the Fed will be forced to print money to stop another financial meltdown. It is only a matter of time, and time appears short.

Renowned economist Martin Armstrong says, **“What this is really about is it's the entire Western civilization that's starting to crumble.”** In an interview Monday on King World News, Armstrong warned, **“Everything is falling apart and the politicians will not address it because it means having to change the system and that's what they do not want to do. The real big money that I speak to, they are really starting to look beyond Italy, Greece, Spain and Portugal. They are starting to look at France and Germany.”** [\(Click here for the complete KWN Armstrong interview.\)](#) Armstrong goes on to say, **“They have borrowed year after year with no intention of paying it back. The US had \$1 trillion of debt when Ronald Reagan took office in 1980. We are now pressing \$15 trillion of debt.”** The debt crisis throughout the Western world will push the price of the yellow metal higher even though it is currently range bound. Armstrong says, **“Basically what you are doing is you are building a sideways type of base. Eventually gold is going to take off to the upside, but largely when people begin to see the Emperor has no clothes and we're getting close to that. I would only give it a few more months.”** When the next financial calamity hits, the Fed and other central banks will have two choices. **They can print money to try and save the system they love, or let it implode. That means this is really all about gold now.**
