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A Brief History of Gold Confiscations

“Whenever destroyers appear among men, they start by destroying money, for money is men’s protection and the base of a moral existence.

Destroyers seize gold and leave to its owners a counterfeit pile of paper.”

Ayn Rand

Key Takeaways

- Gold confiscation events are omnipresent in history. Gold has been a desirable object throughout human history. And governments have repeatedly sought to obtain the precious metal from their citizens.
- Many methods of gold confiscation exist, from simply declaring the ownership contraband to cancelling financial contracts or even expropriating gold by force.
- The US alone can look back on four instances when private gold ownership was denied. Other famous examples occurred in Nazi Germany, Australia and Great Britain.
- Today, gold (officially) is no longer money; paper money now takes that role. Consequently, the risk of confiscation is much lower.

Introduction

“But when you recall that one of the first moves by Lenin, Mussolini and Hitler was to outlaw individual ownership of gold, you begin to sense that there may be some connection between money, redeemable in gold, and the rare prize known as human liberty.”

Howard Buffett

Gold confiscation constitutes the ultimate horror scenario for every gold investor – especially given people’s powerlessness in the face of this kind of threat. There are many ways gold can be confiscated: (1) The redeemability of gold-backed banknotes or bank deposits may be suspended; (2) gold clauses may be declared invalid; (3) restrictions on private gold ownership may be legislated; (4) gold ownership may be declared illegal. The nature and types of gold confiscation are manifold, but each one is a form of theft.

To evaluate the risk of gold confiscation in the 21st century, we shall examine some recent examples from history and highlight the common patterns and motivations for gold confiscation by government authorities. From these patterns we can make calculated predictions about the likelihood of bullion or gold futures or ETFs being confiscated in the next decade.

In the game of life, survival is only part of the battle.

Gad Saad

All valuable things are subject to theft, and gold is no different. In fact, gold may have been the single largest target of theft and confiscation over the millennia. Gold has been stolen by pirates, thieves, and governments for thousands of years. Most remarkable, however, is gold’s resilience against theft. The ease of transport, small size, and immutability of gold has given the “little guy” a strong defense against wealth confiscation by the Goliaths.

That gold is no longer considered money by governments today is in gold’s thousand-year history the biggest difference from earlier times. All the historical episodes of gold confiscation have occurred when governments desperately wanted to raise money and thus confiscated gold as a means to that end. Today governments and central banks do not have a strong incentive to confiscate gold, because it is not considered money or part of the fiat monetary system.

Historical Episodes of Gold Confiscation

The country most often mentioned in the context of gold confiscation is the USA, with four well-known episodes of gold confiscation:

- **War of 1812:** invalidation of gold clauses, closing of mints
- **Civil War (1861-1864):** physical confiscation, invalidation of gold clauses
- **Great Depression (1933):** physical confiscation, imprisonment
- **Nixon’s suspension of Bretton Woods (1971):** non-redeemability of USD

But the USA is not unique. Recent confiscations have occurred in other parts of the world, including Australia, Germany, Great Britain and South Korea. On a positive note, in each episode the confiscation was temporary, and gold re-emerged as a financial instrument, often decades later, without a loss of value.

The War of 1812

In 1776, the Americans experimented with paper money called “continental dollars” to finance the American Revolution. While the revolution succeeded, continental dollars did not and in less than 3 years fell to less than 1/40 of their face value and were soon abandoned.¹ Subsequently, the expression “*not worth a continental*” became an iconic American idiom.



Photo credit: wikipedia.org

If willing to help, of all existing states they are the best able; for they have abundance of gold and silver, and these make war, like other things, go smoothly.

Thucydides

Facing a similar fiscal emergency in 1812, the US declared war on Britain after Britain introduced a series of trade restrictions to impede US trade with France. Only 30 years removed from its War of Independence from Britain, the young government looked for a creative way to raise money.

So, in 1812, the government chartered for the first time a central bank to give birth to the first US Treasury notes (US T-bills), which are so ubiquitous today. These bonds would be used to finance this war. In order to sweeten the appetite for these new T-bills, the government suspended the gold and silver clauses contained in bank notes. This severing of contractual liability provided private banks with protection from bank runs and bankruptcy due to fractional reserve lending.

This act by government was the first episode of gold confiscation in the USA. While citizens’ physical coins were not confiscated, their claims on gold, held through paper money and lending contracts, were vaporized. Citizens could no longer collect on their gold “IOUs”.

Furthermore, to impede the circulation of gold coins as a medium of exchange, the government mint stopped striking new coins. While it was legal to deposit gold coins or bullion with a bank, their withdrawal was suspended. As a consequence, throughout the war period coins became increasingly rare. Today’s high numismatic value for coins from this period reflects this scarcity.

Militarily, the War of 1812 ended with a ceasefire, and the national mood was marked by a sense of national unity, almost euphoria, and is often dubbed *The Era of Good Feelings*. Beating back the British Empire for a second time gave the USA a sense of invincibility. The credit bubble formed by the unlimited T-bills also provided a short-term economic high. Eventually inflation surged, and monetary responsibility returned after 2 decades. In 1834, the Central Banking Charter was revoked, and gold redeemability of paper money was restored. However, the redeeming level was slightly lower, at USD 20.69/oz. compared to the earlier level of USD 19.39/oz., or a loss of 6% and a long 22 years.

¹ Newman, Eric P.: *The Early Paper Money of America*, 1967, p. 16



Photo Credit: National Numismatic Collection, National Museum of American History

*I, Franklin D. Roosevelt,
President of the United States of
America, do declare that said
national emergency still
continues to exist and pursuant
to said section do hereby prohibit
the hoarding of gold coin, gold
bullion, and gold certificates
within the continental United
States.*

Franklin D. Roosevelt

The American Civil War, 1861–1864

Only half a century later, the immorality of slavery gave rise to the American Civil War, pitting the Southern plantation owners against the industrial Northern States. Once again, rapidly mounting war expenses compelled both sides in the war to suspend gold and silver convertibility and resort to financial chicanery. The Civil War constitutes the second instance in American history of gold confiscation. Gold was not uniquely singled out for wealth confiscation. During the Civil War, all valuable property was subject to confiscation, including land, factories, and equipment. Ironically, a formal law was passed to “legalize theft”. In fact, the government made it a crime to not take property and confiscate all valuable assets of enemy citizens – particularly with an angle of freeing the agricultural assets known as slaves. **The Confiscation Act of 1861 compelled the government to confiscate the private property of its citizens – including gold and silver – without a judicial process or review.**² While enforcement of the confiscation was more politically motivated and tactical than uniform, confiscation was still ubiquitous.

The military battles of the Civil War ended in 1865, but convertibility to gold was not restored for another 14 years.

Only in 1879 was the price of an ounce of gold restored to exactly its pre-war level of USD 20.69/oz. The US dollar was once again back on a gold standard, having been severed twice already. Citizens had lost access to their gold reserves for two decades, but did not suffer any financial loss.³ For the next 54 years the USA was on a gold standard, which was reaffirmed under the Gold Standard Act of 1900.

The Great Depression and FDR’s Executive Order

Given that two major wars, the War of 1812 and the Civil War, had caused the US government to eliminate gold claims, it may seem surprising that it did not resort to the same technique during World War 1. But unlike most European belligerents, who suspended gold redeemability during World War 1, America did not. In fact, the newly established Federal Reserve System attracted vast quantities of European gold looking for a safe harbor.⁴

Only in 1933, with the inauguration of President Franklin Delano Roosevelt (FDR), did this change. The Great Depression had taken its toll on the global economy. The US was deeply divided, unemployment was high, and trust in the banking system was crushed when FDR declared a one-week banking holiday, with only half the banks reopening after the “holiday”. Jeff Christian estimates that 30% of all the wealth in the US was stored in gold at that time, or about 54mn ounces.⁵ In comparison, today this number is approximately 1% of American wealth.⁶

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² See Wikipedia: Confiscation Act of 1861

³ See Elwell, Craig K.: “Brief History of the Gold Standard in the United States”, Congressional Research Service Report for Congress, June 23, 2011

⁴ The Federal Reserve was originally established on a gold standard, and it is worth noting that the onset of war did not inevitably lead the US government to gold confiscations.

⁵ See Christian, Jeffrey: “Politics and Gold – The Lessons of 1933”, CPM Group, December 4, 2020; Christian, Jeffrey: “Hot Topic #13: Gold for Grownups! Jeff Christian debunks the myths of the market.”, Macro Voices, April 7, 2020

⁶ See “Above-ground stocks”, Gold Hub, February 1, 2021; “Why wealth matters. The Global wealth report”, Credit Suisse, October 2020, own calculations



Photo Credit: Twitter.com: New York Times OTD, March 6, 2019

I can assure you that it is safer to keep your money in a reopened bank than under the mattress.
Franklin D. Roosevelt

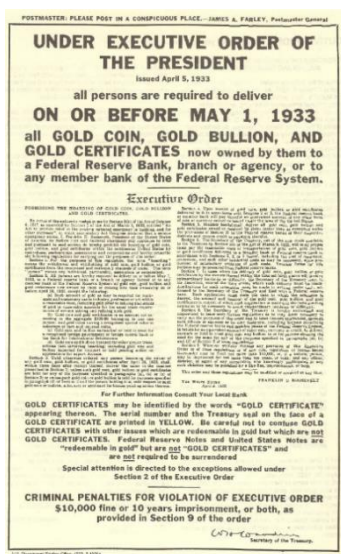


Photo Credit: wikipedia.org

An Act to protect the currency system of the United States, to provide for the better use of the monetary gold stock of the United States, and for other purposes.

Official title of the Gold Reserve Act

Shortly after FDR’s banking “holiday”, in April 1933 he issued a seemingly benign order in which he offered to purchase private gold at the fair market value of USD 20.67/oz. This order was however not a voluntary offer, but compelled citizens to turn in their gold or face imprisonment. FDR did not steal or confiscate private gold as an emperor might, nor did he suspend the convertibility of paper money. Instead, he compelled citizens to relinquish their gold under the threat of penalty.

While the Second World War was still some years ahead, FDR and his advisors needed funds immediately to promote their progressive agenda and fiscally spend their way out of the Great Depression. **FDR understood that gold was money, and he knew where the money was located.**

Under Executive Order 6102, signed on April 5, 1933, anyone living in the US – citizen or foreigner – was required to turn in all gold bullion, gold coins, and gold certificates to the government before May 1, 1933 with the permission for any person to keep up to USD 100 in gold coins, which at a price of USD 20,67/ounce amounted at that time to almost 5 ounces.⁷ The same applied to businesses and corporations. Nevertheless, compliance with this executive order was low, and it is estimated that only 30–50% of the gold bullion and coins was turned in.⁸

Official statistics record that USD 571mn in US gold coins was in circulation in January 1933. By January 1934, this number had been reduced to USD 287mn. So presumably USD 284mn in coins had been brought to the government in compliance with *Executive Order 6102*. According to Milton Friedman, the monetary authorities attributed the unreturned USD 287mn portion to loss, destruction, exportation, and numismatic collections.⁹ Friedman argues that this official explanation is not sufficient to explain the large amount remaining in circulation, and suggests that most of the USD 287mn had been retained illegally in private hands.

Some of this “illegal” gold was stashed away or sent overseas, where gold trading was not prohibited. We know that after 1974, when coin shops were allowed to open again, gold coins that were dated 1933 or earlier were still available. This is unequivocal proof that there were many citizens who did not comply with the executive order.

On January 30, 1934, roughly eight months later, FDR signed the Gold Reserve Act. This required all gold held by the Federal Reserve to be handed over to the US Treasury. Effectively, this was a confiscation from a nonpolitical branch of the government, the Federal Reserve, to the political executive branch, the US Treasury. With the Gold Reserve Act, FDR obtained full custodial control of all gold assets in the USA and could use the gold for his fiscal spending projects. His excuse for such a brazen act was: “*Since there was not enough gold to pay all holders of gold obligations, ... the Government should in*

⁷ See “Executive Order 6102—Requiring Gold Coin, Gold Bullion and Gold Certificates to Be Delivered to the Government”, The American Presidency Project, UCSB, April 5, 1933

⁸ Nabers, Jeff and Chongchua, Phoebe: *5 Steps to Freedom: How to Cut Your Dependence on Institutions and Escape Financial Slavery*, 2009; Friedman, Milton and Schwartz, Anna: *A Monetary History of the United States*, 1867-1900, 1963

⁹ Friedman, Milton and Schwartz, Anna: *A Monetary History of the USA 1867-1960*, 1963

You know I am a juggler, and I never let my right hand know what my left hand does ... I may have one policy for Europe and one diametrically opposite for North and South America. I may be entirely inconsistent, and furthermore I am perfectly willing to mislead and tell untruths if it will help win the war.

Franklin D. Roosevelt

The emergency banking legislation passed by the Congress today is a most constructive step toward the solution of the financial and banking difficulties which have confronted the country. The extraordinary rapidity with which this legislation was enacted by the Congress heartens and encourages the country.

William Woodin, Secretary of the Treasury, March 9, 1933

*the interest of justice allow none to be paid in gold”.*¹⁰ And henceforth all gold clauses in financial contracts were suspended.

Upon signing the Gold Reserve Act, FDR reset gold parity to USD 35/oz., a rise of almost 70% from the previous level of USD 20.67/oz. With a full corner on the gold holdings in the US, FDR could practically fix the price of gold without dissent. The remaining owners of gold made out like bandits through this decree, with the US government being the biggest winner of them all. Gushing with financial resources, the government could engineer the economy out of the Depression.¹¹

Also, many foreign owners of gold saw the opportunity for windfall profits and converted their gold holdings into US goods. As a result, in the period from 1930 to 1935, US Treasury holdings of gold tripled to 9,000 tonnes, with a further doubling to 20,000 metric tonnes by 1940 – largely due to the inflows of foreign gold.¹² **This massive hoard, about 60% of the world’s monetary gold¹³, was pivotal in the US’s becoming the world hegemon after World War 2.**

The enforcement of Executive Order 6102 was, as already mentioned, more bark than bite. On September 26, 1933, a New York lawyer named Frederick Campbell wanted to withdraw his substantial gold holdings of 160kg, which he had deposited at Chase National Bank. When Campbell tried to withdraw the gold, Chase refused, and Campbell sued Chase. A federal public prosecutor then indicted Campbell for failing to surrender his gold. Ultimately, the prosecution of Campbell was unsuccessful; however, the authority of the federal government to seize gold was upheld.¹⁴ In the end Campbell’s gold was seized.¹⁵

In addition to the Campbell case, there are four famous and compelling cases, referred to as “the gold clause cases”, which came before the US Supreme Court to question the validity of the series of actions that had begun with President Roosevelt’s Executive Order 6102 of April 5, 1933. In all four cases, the Supreme Court, which FDR threatened to pack with loyalists, narrowly upheld restrictions on the possession of gold. Apart from the prominent prosecution cases during the period May 1933–April 1934, the issue of enforcement faded. We know from the low compliance rate with Executive Order 6102 that the prosecutions were more an exercise in monetary theater than a serious attempt to seize all private gold. **In other words, it was a typical fast, sloppy heist.**

All in all, just a few principled gold owners filed lawsuits against the US government, alleging a breach of constitutional rights regarding their property, life, liberty, and pursuit of happiness and professing that Executive Order 6102 violated certain mandates. **As a historical reference point, not one of those lawsuits against the government was ever decided in the plaintiff’s favor.**

¹⁰ See Thornton, Mark: “Gold Policy in the 1930s”, Independent Institute, May 1, 1999

¹¹ Also see: “Real Conversations: The New Great Depression w/ Jim Rickards”, HedgeyeTV, January 15, 2021

¹² See Green, Timothy: “Central Bank Gold Reserves: An historical perspective since 1845”, Research Study No. 23, World Gold Council, November, 1999

¹³ Bernstein, Peter: *The Power of Gold: The History of an Obsession*, 2000

¹⁴ See “Campbell v. Chase Nat. Bank of City of New York, 5 F. Supp. 156 (S.D.N.Y. 1933)”, Justia US Law, November 16, 1933

¹⁵ See “Judiciary: Gold Indictment No. 1”, *Time*, October 9, 1933

Prediction, not narration, is the real test of our understanding of the world.

Nassim Taleb

The gold standard did not collapse. Governments abolished it in order to pave the way for inflation...Solemn pledges were broken, retroactive laws were promulgated, provisions of constitutions and bills of rights were openly defied. And hosts of servile writers praised what the governments had done and hailed the dawn of the fiat-money millennium.

Ludwig von Mises

We have gold because we cannot trust governments.

Herbert Hoover

In 1961, President Dwight D. Eisenhower expanded the prohibition on private gold ownership to US citizens living abroad, and President John F. Kennedy banned ownership of pre-1933 gold coins.¹⁶ **Gold remained prohibited as a holding in the USA until 1974, when President Gerald Ford finally repealed FDR's executive order, and Nixon's temporary suspension made gold irrelevant.**

Even though the executive order was repealed in 1974 and the freedom to own gold was restored as a legal right, a provision of the Federal Reserve Act was retained that allowed the Secretary of the Treasury to require people to surrender their gold at the Treasury's discretion in times of war. Under Executive Order 11825, President Gerald Ford repealed FDR's Executive Order 6102 and legalized the private ownership of gold coins, bars and bullion again. This right is codified in Publ. L 93-373: *"to permit United States citizens to purchase, hold, sell, or otherwise deal with gold in the United States or abroad"*. However, this legislation also states that

*"(c) The provisions of subsections (a) and (b) of this section shall take effect either on December 31, 1974, or at any time prior to such date that the President finds and reports to Congress that international monetary reform shall have proceeded **to the point where elimination of regulations on private ownership of gold will not adversely affect the United States international monetary position.**"*¹⁷

Moreover, this law did not repeal the Gold Repeal Joint Resolution (1933), and thus all financial contracts that specified gold as a payment method remain outlawed. That is, only gold contracts using gold as a commodity, rather than a form of money, are legal.

So, it is arguable that the Federal Reserve already has a legal pathway to confiscate private gold holdings in the future, without a new presidential executive order being required. The historical lesson is that a government will confiscate private gold if it believes it serves its interest, regardless of what the law says.

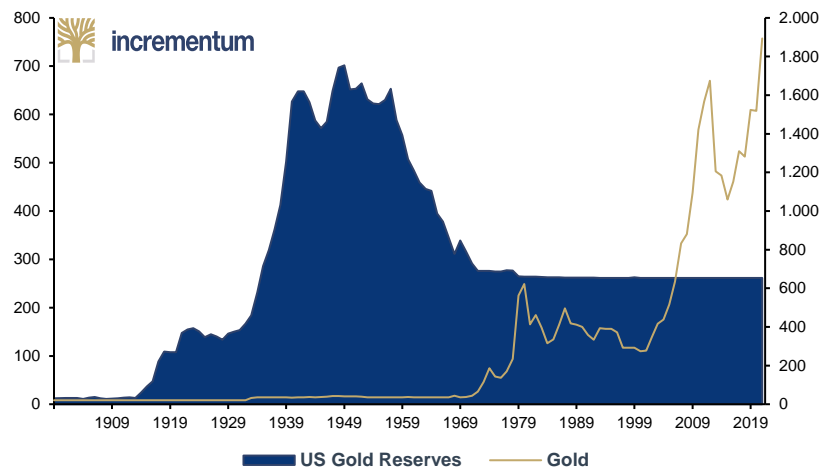
Today, Executive Order 6102 is considered the most notorious episode in the history of gold confiscation. It was not confiscation at the point of a gun, but its cunning deceptiveness was likely more successful than a brazen robbery would have been.

Our modern monetary system and the reserve status of the USD are a direct result of FDR's policies to obtain gold. It is worth considering that without FDR's Executive Order 6102 and the subsequent Gold Reserve Act of 1934, the USA would never have accomplished the Bretton Woods agreement post-World War 2. Keynes might have succeeded with the Bancor Monetary System, and the US dollar might not be the world's reserve currency. The legacy of FDR's gold confiscation is ever-present with us today.

¹⁶ See "Das Goldverbot in den USA" ("The gold ban in the USA"), Goldseiten.de

¹⁷ "Public Law 93-373", emphasis added

US Gold Reserves (lhs), in Moz, and Gold (rhs), in USD, 1900-2020



Source: Nick Laird, goldchartsrus.com, Reuters Eikon, Incrementum AG

Congress has power expressly to prohibit and invalidate contracts, although previously made and valid when made, when they interfere with carrying out any monetary policy Congress is free to adopt.

Supreme Court of the United States

Bretton Woods Confiscation (1971)

The final episode in American gold confiscation can be considered as an epilogue to FDR’s actions beginning in 1933. While World War 2 still raged, a new international monetary order was worked out amongst 44 countries under the lead of John Maynard Keynes (British Treasury) and Harry Dexter White (US Treasury). The 1944 Bretton Woods Agreement was to become the foundation of the post-World War 2 monetary system, making the US dollar the reserve currency of the world.

Under this Bretton Woods Agreement, all currencies had a fixed exchange rate against the US dollar, while only the US dollar was backed and redeemable in gold. This extra layer of intermediation in the valuation of all other currencies gave the US dollar a pre-eminent role, i.e., reserve status. The US gold reserves provided backing as a store of value, but gold itself did not play a role as an instrument of monetary exchange. **The massive 20,000 metric tonnes of gold accumulated by the US Treasury provided confidence in the Bretton Woods framework, and a chance for it to succeed.**



Source: WAVE 3 News, October 25, 2019

And in the beginning, it did succeed. But as the US dollar’s money supply expanded, some countries began to worry that the US would not be able to fully meet its redemption obligation. A US dollar banknote that embodied a claim to gold, and was therefore gold, would then become merely a green-printed piece of denim. The pressure increased as France and Germany, among others, pushed to redeem their US dollars for physical gold. Increasingly, they began draining Fort Knox¹⁸ of its 20,000 tonnes of gold. This prompted US President Richard Nixon to “temporarily” suspend the redeemability of the US dollar on August 15, 1971. **Technically equivalent to confiscating gold from foreign governments, this “temporary suspension” of convertibility is still in force today, some 50 years later.**

¹⁸ While there are three storage sites, Fort Knox, Westpoint and the vaults of the Federal Reserve in New York, the bulk of the gold was stored in Fort Knox.

Although this 1971 levitation of fiat currencies was met with outrage and anxiety, the Bretton Woods monetary system of free-floating currencies continues unabated today. The monetary system did not collapse, and in an ironic twist, it is now legal for US citizens to own gold again. Once gold was officially not considered money anymore, private ownership was quickly legalized in 1974.¹⁹ A round trip for FDR's gold confiscation had finally ended 41 years later with the complete removal of gold from the monetary system.

Other Gold Confiscations



Photo credit: wikipedia.org

Gold has suffered confiscations all over the world. In 1935, Italian “duce” Benito Mussolini launched the “Gold for the Fatherland” initiative, requesting the “donation” of gold jewelry, including wedding bands. In return for their donation, Italian wives received a steel wristband engraved with the slogan “Gold for the Fatherland”. In Rome alone, more than 250,000 wedding rings were collected.²⁰ These “donations” amounted to over 35 tonnes of the precious metal, which at the time was equivalent to around USD 39mn. One has to wonder what the penalty was for not wearing such a steel wristband in place of a wedding band.



Photo credit: wikipedia.org

A few years later, the German Nazis set out to conquer Europe and confiscate the gold of their neighbors on their way. It is said that Adolf Hitler himself did not have much appreciation for the yellow metal, writing in his book *Mein Kampf*, “It may be that today gold has become the exclusive ruler of life, but the time will come when man will again bow down before a higher god.” His confidants Hjalmar Schacht (president of the Reichsbank, later economics minister) and Hermann Goering (commander in chief of the Luftwaffe) strongly believed in the metal, though.^{21,22} The former of the two even had published a book called *Gold for Europe*, in which he explained:

“With all peoples and at all times gold has always been a welcome means of exchange, and it was possible to acquire all other goods in current commercial use with gold long before rulers and governments took control of the monetary system by legal measures.”²³

With a thorough understanding of gold, these men saw how important gold was to finance their war efforts. Not to mention that previously Schacht had been instrumental in establishing the Bank for International Settlements (BIS) to handle reparation payments after World War 1. Schacht was well versed in banking issues, and with majority of gold being held at central banks, those became an obvious target for the National Socialists, resulting in the theft of some 600 tonnes of gold in the course of just six years.

In 1938, when the National Socialists annexed Austria, Hitler, Schacht and Goering had already prepared to confiscate the gold stored at the Austrian Central Bank in Vienna (about 78 tonnes),²⁴ worth approximately USD 100mn, and to

¹⁹ “H.R. 6912 (93rd): A bill to amend the Par Value Modification Act, and for other purposes”, p. 352, September 21, 1973; “31 USC § 442”, United States Statutes at Large, Volume 88, 93rd Congress, 2nd Session, p. 445, August 14, 1974

²⁰ Biagi, Enzo: *Storia del fascismo*, Vol. 2, Sadea-Della Volpe Editori, Firenze, stampa Milano, 1964, p. 291

²¹ Hitler, Adolf: *Mein Kampf*, Vol. 2, chapter 2, December 11, 1926

²² Taber, George: *Chasing gold: The Incredible Story of How the Nazis Stole Europe's Bullion*, 2016

²³ Taber, George: *Chasing gold: The Incredible Story of How the Nazis Stole Europe's Bullion*, 2016

²⁴ See Oesterreichische Nationalbank: *The central bank during the Third Reich*

There is a very good reason that Vladimir Lenin, Joseph Stalin, Mao Ze Dong, Adolf Hitler, Maximilian Robespierre Pol Pot, Benito Mussolini, Kim Jong II, and many other notorious criminals all ruled in periods of unsound government-issued money which they could print at will to finance their genocidal and totalitarian megalomania.

Saifedean Ammous

They have now outlived their usefulness. The essential condition for maintaining confidence in our currency is a Government determined to maintain the right monetary and fiscal policies. That we shall do. It is right to give an additional degree of freedom to allow the pound to operate in the world unrestricted by restraints of this kind.

Geoffrey Howe

issue a government order conferring the bank's administration to the German Reichsbank. Furthermore, the German Reichsmark was then declared legal tender in Austria. The timing of this annexation was important, as the finances of the Nazis had been drained by excessive spending.

One of the Nazis' next targets was the stealing of Czech gold worth USD 97mn.²⁵ Czechoslovakia had accumulated a significant amount of gold from its citizens in the years prior, under the donation campaign "Gold Treasure of the Czechoslovak Republic", in order to strengthen the country's currency, the Czechoslovak koruna. It is reported that Czechoslovakia's gold reserves amounted to 95 tonnes in 1938.²⁶ A large part of the assets was held at the Bank of England.

In a rather clever move, a message, allegedly from the Czech central bank, was sent to the BIS, requesting the transfer of bullion from one BIS account to another, both of which were with the Bank of England (BoE) but with the latter being managed by the German Reichsbank. It is said, that the National Socialists stole more than 45 tonnes of Czechoslovak gold. While the exact number is unknown, the Tripartite Commission recognized most of the Czechoslovak claim (44 tonnes) as the basis for the restitution proceedings.²⁷

Another gold seizure took place in 1959, when the Australian government wanted to introduce the Australian dollar as a free-floating currency into the Bretton Woods system. To prevent their citizens from using gold as money during this period of monetary transition, the government seized all private holdings of gold. **Under Press Release No. 29, gold seizures from private citizens were made legal.**²⁸ Only 17 years later this order was suspended, precisely when Nixon broke the US dollar's link to gold.²⁹

A few years later, in 1966, gold ownership in Great Britain came under threat when the British government panicked about the declining value of the British pound.³⁰ The Labour government was nationalizing entire industries and wanted to seize private wealth for their socialist programs. The government limited the private ownership of gold to a maximum of four coins weighing 7.3 gr each and confiscated the remainder. Moreover, minting gold coins was declared illegal. This action, like the one in Australia, was rescinded in 1971, corresponding exactly with Nixon's suspension of gold in the Bretton Woods Agreement.

During the Asian financial crisis of 1977, South Korea defaulted on its IMF loans, and the government started the so-called "Gold Collection Campaign", asking its citizens to contribute their jewelry and gold bullion to help pay the debts. This appeal to national pride created a staggering result, with a total of 230 tonnes donated to the government. Today this amount is worth approximately USD 15bn.

²⁵ See "A history of a Gold Confiscation", visually.ly by rockcontent

²⁶ Kubu, Eduard: *Czechoslovak Gold Reserves and their Surrender to Nazi Germany*, The London Conference, pp. 245 – 248.

²⁷ See Kubu, Eduard: *Czech Republic: Czechoslovak gold reserves and their surrender to Nazi Germany*, 1997

²⁸ See "History of Gold Controls in Australia", January 30, 1976

²⁹ See Clark, Jeff and Maloney, Mike: "Gold & Silver Confiscation: Can the Government Seize Assets? – Transcript", February 7, 2017

³⁰ Great Britain already a suspension of gold redeemability from 1797–1821 (Restriction Bill) after a loss of confidence triggered the drowning of its gold reserves.



Photo credit: Prakashon, Priya: "Narendra Modi's Gold Monetisation Scheme: All you need to know about it", india.com, November 5, 2015

Gold, though of little use compared with air or water, will exchange for a great quantity of other goods.

David Ricardo

Strangely, a program based on voluntary donations can harvest more in gold confiscation than one based on government coercion.

Today, the perhaps most sophisticated confiscation of gold is taking place in India. In 2015 Prime Minister Modi began a Gold Monetization Scheme (GMS), wherein citizens are offered incentives of free storage, about 2% interest, and attractive loan offers on their private gold holdings. The gold can be of any form, including bullion, coins or jewelry. The only requirement is that the gold must be physically stored with the State Bank of India (SBI), India's central bank. In 2020, Indian citizens placed approximately 4 tonnes of gold with the SBI, and under the GMS program the SBI has collected over 13 tonnes or USD 730mn since 2015.³¹

However, the amount collected by the GMS is a tiny fraction of the total private gold holding in India, which is estimated at a staggering 25,000 tonnes.³² This probably the largest private hoard of gold in the world. In addition to the GMS program, the Modi government also makes it difficult for citizens to purchase new gold, which is subject to normal VAT and a special gold excise tax. The excise tax was raised to 12.5% in 2019 but this immediately brought legal gold purchases to a halt and increased smuggling.³³

Unlike in most Western countries, gold is the most common way for Indian citizens to store their wealth. In 2021, the gold excise tax was reduced to 7.5% in 2021, and legal gold purchasing in India restarted. The Modi government also have very tight restrictions on importing gold, even measuring the weight of your jewelry (which you are wearing) when you fly into India. For example, a man is allowed 20g, and woman 40g before paying a 36% duty tax.³⁴ Moreover, the Police can legally confiscate any personal gold holdings over 100g for a male, 250g for and unmarried woman, and 500g for a married woman without due process.³⁵

The pattern of gold confiscation around the world is clear: When a government finds itself in a monetary crisis, it will attempt to confiscate private wealth. Long-standing traditions and constitutional limitations provide little protection from such emergency actions. Gold confiscation by governments is ubiquitous in history, particularly when gold represents the largest storehouse of private wealth.

³¹ See "Modi's Gold Monetisation Scheme: SBI collects thousands of kg gold; to finally put it to good use", *Financial Express*, June 23, 2000

³² See "Indian households have stocked up to 25,000 tonnes of gold: World Gold Council", *Business Today*, May 21, 2019

³³ See Jadhav, Rajendra: "Update 1-India cuts import tax on gold, industry expects drop in smuggling", *Reuters*, February 1, 2021

³⁴ See Soumya, Joy: "How much gold can I bring to India from Dubai?", *Times of India*, April 15, 2020

³⁵ See "Buying gold jewellery? Check how much gold can you hold legally in India?", *Times Now*, March 22, 2021

History does not repeat, it rhymes.

Mark Twain

*Fooled me once, shame on you.
Fool me twice, shame on me.*

Chinese Proverb

Probability and expectation are not the same. Its probability and probability times the pay off.

Nassim Taleb

The Current Risk of Gold Confiscation

Historical events demonstrate that there is no form of constitutional constraints that can stop the ambition of governments to seize wealth. Formal laws and principles act as a brake but do not provide injunctive relief when such huge sums of money are available to politicians. **The threat is greatest when the ambition for spending is highest, such as for a war or a “progressive” agenda. Wars and fiscal profligacy are also the exact conditions under which you want to own gold.** Gold speculators know that acts of gold confiscation are the best opportunity for massive price appreciation.

The fiscal profligacy of the current decade appears unprecedented, with coordinated quantitative easing by the central banks and many G7 nations promising their citizens helicopter money through MMT magic. The desire for politicians to seize private wealth is again on the rise. But since gold now represents only 1% of global wealth, governments and monetary authorities are hunting elsewhere to seize wealth.

As legal tender, gold was formally money in 1933, but more importantly, people considered gold as money informally: Gold was money and money was gold. Today, gold is not legally a form of money, and neither is it considered money informally by most people, or by monetary authorities. **The desire to seize private gold has thus been greatly reduced.**

The Current Fiat Currency System Makes Your Gold Safer

“Gold will be part of the international monetary system in the twenty-first century.”

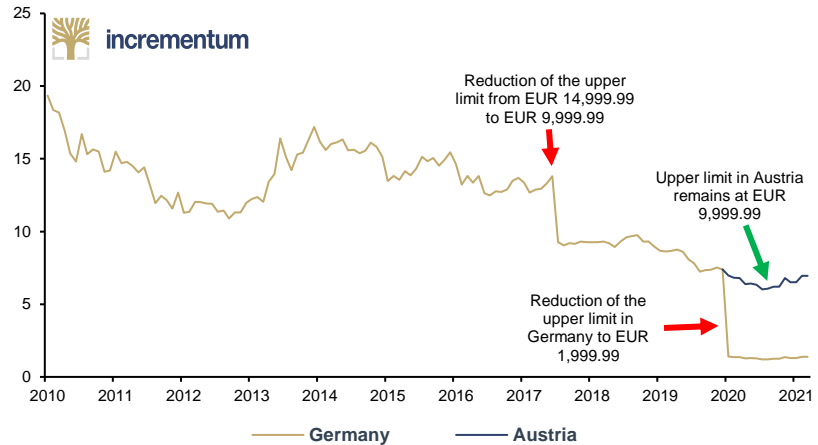
Robert Mundell

Although gold is not considered money in many countries, there are quite a few where gold is considered a form a money. China, India, Russia, Turkey, and Iran are good examples of such countries. And it is in exactly those nations that there are also the heaviest restrictions on gold ownership and convertibility.

What other actions could central bankers and politicians take against gold?

Although central bankers do not see gold as valuable today, that does not mean it is ignored entirely. Anonymous gold purchases are heavily restricted, so that central banks can track any form of wealth storage. As of January 1, 2020, Germany has reduced the upper limit for anonymous gold purchases from EUR 9,999.99 to EUR 1,999.99. In Austria and Switzerland this limit remains at EUR 9,999.99 and CHF 14,999.99, respectively.

Number of ounces that can be purchased anonymously, 01/2010-03/2021



Source: Federal Reserve St. Louis, Incrementum AG

To realize that we live in an absurd culture where we are taught absurd things by absurd people and threatened with absurd consequences for defying all of it is to achieve a level of contentment.

Michael Malice

A taxation of gold and gold assets through a VAT scheme is often being brought up as a possible next step by governments to raise revenue.

Some even fear that the restrictions on anonymous gold purchases have been lowered to facilitate the introduction of a VAT. The sheer organizational effort required to implement a VAT makes it improbable, and it is difficult to apply a “value-added” schedule from gold bullion to gold coins.

In the past, various VAT schemes on gold have existed in EU member countries. In 2000 the European Union moved to a single system that abolished a VAT on gold bullion. Any amendments to the VAT exemption status of gold would require a new legislative directive for the Common System of Value-Added Tax approved by the European Parliament, together with the unanimous approval of the governments of the 27 member countries. And it is extremely unlikely that unanimity could be achieved on this point.

For that reason, a more likely tax scheme on gold would be the introduction of a windfall profit tax if the price of gold were to surge. In any scenario, gold poses a risk to the narratives of central bankers and the sanctity of fiat currency that outweighs any benefit they might gain through higher tax receipts. New taxes on gold transactions are unlikely in the near term.



Courtesy of Hedgeye

This brings us to a form of market intervention that does not seem completely impossible: a “cancellation” of the free-market gold price. If the price of gold relative to US dollars or euros surges dramatically higher, government officials and central bankers might seek to halt the rising prices and set a price ceiling. A rising gold price would express a lack of confidence in the U.S. dollar or the euro, and both governments and central banks would see this as an acute threat to the monetary system.

Central banks routinely set caps and floors on their currencies, interest rates as well as their bond prices and equity prices. It would not be extraordinary for them to declare a ceiling for the price of gold. A high price for gold is more like a needle in the eye of a central banker than it is a treasure chest of wealth for a pirate.

There is no such thing as prices outside the market. Prices cannot be constructed synthetically, as it were.

Ludwig von Mises

Empires implode from within due to their own excesses.

Gad Saad

Gold ETFs or gold futures would be the obvious first place for the government to set the ceiling, and then they might attempt to eliminate the price-discovery mechanism in the gold market. The goal of price fixing would not be to confiscate gold for the government treasury, as we examined in historical episodes. Rather, this removal of the price discovery mechanism would serve to bolster confidence in the fiat system by eliminating a competitor.

Gold confiscation is a palpable fear for all gold investors, but that risk is lower today by historical standards. Gold is no longer the primary target of theft by kings, emperors and politicians, because it is no longer the largest store of wealth. Today the bond market is the primary store of wealth, and that is where confiscation of wealth is most likely to occur. **Sleep easily, the balance of reward vs. risk has never been greater for owners of gold.**

About Us

Ronald-Peter Stoeferle, CMT



Ronnie is managing partner of Incrementum AG and responsible for Research and Portfolio Management.

He studied business administration and finance in the USA and at the Vienna University of Economics and Business Administration, and also gained work experience at the trading desk of a bank during his studies. Upon graduation he joined the research department of *Erste Group*, where in 2007 he published his first *In Gold We Trust* report. Over the years, the *In Gold We Trust* report has become one of the benchmark publications on gold, money, and inflation.

Since 2013 he has held the position as reader at *scholarium* in Vienna, and he also speaks at *Wiener Börse Akademie* (the Vienna Stock Exchange Academy). In 2014, he co-authored the international bestseller *Austrian School for Investors*, and in 2019 *The Zero Interest Trap*. He is a member of the board of directors at *Tudor Gold Corp.* (TUD), a significant explorer in British Columbia's Golden Triangle as well as a member of the advisory board of *Affinity Metals* (AFF). Moreover, he is an advisor to *Matterhorn Asset Management*, a global leader in wealth preservation in the form of physical gold stored outside the banking system.

Mark J. Valek, CAIA



Mark is a partner of Incrementum AG and responsible for Portfolio Management and Research.

While working full-time, Mark studied business administration at the Vienna University of Business Administration and has continuously worked in financial markets and asset management since 1999. Prior to the establishment of Incrementum AG, he was with Raiffeisen Capital Management for ten years, most recently as fund manager in the area of inflation protection and alternative investments. He gained entrepreneurial experience as co-founder of *philoro Edelmetalle GmbH*.

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Our goal is to offer solid and innovative investment solutions that do justice to the opportunities and risks of today's prevalent complex and fragile environment.

<https://www.incrementum.li/en>

We would like to thank the following people for their outstanding support in creating the *In Gold We Trust* report 2021:

Gregor Hochreiter, Richard Knirsch, Jeannine Grassinger, Stefan Thume, Florian Hulan, Fabio Lachini, Jason Nutter, Theresa Kammel, Philip Mastny, Alma Mischu, Kalon Boston, Nina Crocoll, Peter Young, Andreas Merkle, Thomas Vesely, Fabian Grummes, Niko Jilch, Florian Grummes, Heinz Blasnik, Hans Fredrik Hansen, Julien Desrosiers, Chris Marchese, Emil Kalinowski, Elizabeth and Charley Sweet, Frank Barbera, Tom Pohnert, Keith Weiner, Grant Williams, Brian Bosse and the entire team of Murenbeeld & Co, Markus Hofstädter, Jochen Staiger, Ilse Bauer, Paul Wong, Fabian Wintersberger, Leopold Quell, Hans Engel, Match-Maker Ventures, Harald Steinbichler, Richard Schodde, David Schrottenbaum, Baker Steel Capital managers, Offroad Communications, our friends at the World Gold Council, the whole wonderful team at Incrementum and of course our families!

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