Lots of Missing Bullion and Cash

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Source

There's a very strange article over at *Zero Hedge* that was brought to my attention by C.J.D.M. – to whom a big thank you – that raises a number of very large questions. You can file this one under "more missing money," only here there's a slight indication of where it's gone missing, and that, we we'll see in my high octane speculation, is the problem. Here's the article:

Hundreds Of Billions In Gold And Cash Are Quietly Disappearing

The first little bomb dropped in this article is the following:

> *And another remarkable observation, or rather lack thereof: "One can see that since the end of 2016 the implied build* ***in non-transparent gold investment has been much larger than the build in visible gold ETFs*** *(see Exhibit 18). This is consistent with reports that vault demand globally is surging. Political risks, in our view, help explain this because if an individual is trying to minimize the risks of sanctions or wealth taxes, then buying physical gold bars and storing them in a vault, where it is more difficult for governments to reach them, makes sense. Finally, this build can also reflect hedges by global high net worth individuals against tail economic and political risk scenarios in which they do not want to have any financial entity intermediating their gold positions due to the counterparty credit risk involved."*

> *In other words, Goldman points out that just over the past three years, there have been tens of billions in gold flows which have mysteriously and inexplicably disappeared from the official record, yet which are most certainly taking place behind the scenes as the world's "top 1%" brace for a major shock.*

There you have it: more missing gold. But then another little bomb is dropped; not only has gold gone missing in lots of private buying, with the implication that it's being hoarded, cash itself – paper money – is being hoarded:

> *We do know one thing: of the $1.7 trillion in US dollars in cash circulation in 2018 (up from $1.2 trillion 5 years prior), the vast majority is offshore, where it is quickly and quietly disappears as the world's second best physical store of value (after gold of course). A Fed economist, Ruth Judson, wrote in 2017 that about 60% of all U.S. currency, and about 75% of $100 bills, had left the country by the end of 2016 –* ***for a total of about $900 billion in U.S. dollars kept overseas.*** *Socking those bills away "provides some protection against economic turmoil, especially in countries with a record of instability in their own financial systems", the paper said.*
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> *Take Australia: there the stock of Australian bank notes on issue relative to the size of the economy is near the highest it has been in 50 years, said Philip Lowe, governor of Australia's central bank: "He showed off newly printed bank notes to diners at a recent event in Melbourne and estimated that about $2,000 in printed bills exists for every Australian." And just to inspire confidence in his own job, he added: "I, for one, don't have anywhere near that amount" on hand. In a few years, he will wish he did.*
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> *To be sure, there is the criminal element: as anyone who has watched a documentary on Pablo Escobar knows the Colombian*

*drug kingpin buried tens of billions in the ground for "safe keeping" (in fact, as "[The Accountant's Story]" writes, "**Pablo was earning so much that each year we would write off 10% of the money, or about $2.1 billion, because the rats would eat it in storage or it would be damaged by water or lost**"). As such, dollar bills are often vital grease for criminal gangs and tax cheats.*

Physical cash is also popular with preppers and "collectors" who worry about a future collapse of the financial system.

*But these two groups are far too small to explain the wholesale loss of cash as central bankers scramble to "follow the money" and glean how society's saving and spending patterns change in a time of zero and negative interest rates. As the WSJ notes, bankers aren't just hunting down cash to satisfy their own curiosity. **If central banks don't know how much cash is out there, they could print too much currency and risk inflation**.*

There you have it: there's so much missing cash and alleged hoarding of cash going on that's being done by (1) the criminal underground, (2) ordinary people, especially in countries with fragile economies, that (3) central banks cannot track how much has actually been hoarded and taken out of circulation. Add to this the FASAB 56 regulations that have effectively taken the US federal government budget completely black, and you have…

… a problem.

So consider the following high octane speculation. What the various articles about missing gold and hoarded cash are implying (which the *Zero Hedge* article states explicitly), is that the central banks are ignorant of significant cash flows. If true, then that means they've lost control of the system, or at least significant segments of it. I cannot help but think there's at least a *partial* truth here, at least as far as the hoarding goes. Such a loss of control would serve to rationalize the dramatic increase in the last few years of central bank advocacy for widespread introduction of crypto-currencies as a mechanism to reassert control over financial flows and the amount of liquidity in the system. But the flip side of that view is the implication that the central banks are to a certain extent therefore not a part of the problem. In other words, what we may be looking at with articles like this (and the articles it is based upon), is a limited hangout position: "We don't know what's going on nor where all this cash is going, therefore, to maintain stability, we need to introduce crypto-currencies, preferably backed by gold." Of course, this too is a bit of nonsense, because the whole financial meltdown was largely a problem of central banks and major prime banks and their own reckless speculation and outright fraud – think mortgages, derivative swaps and so on – to begin with.

Having gutted the system, they now want to move into crypto-currencies. It's a convenient way to cover your tracks.

The problem here is, if one is going to do that, one has to have *some* accurate idea of how much gold there actually is, and some accurate idea of its assayed purity. And the problem there is, we simply don't know. So in other words, their solution to the black box of missing and hoarded gold and cash, is to create an even *bigger and blacker* black box as the solution: crypto-currencies in the control of central banks, backed by gold. How *much* gold? Well, we really don't know. We're simply supposed to trust them.

But since any move to a global crypt0-currency system will by its very nature be a bigger blacker black box, and as a result of the lack of trust in the central banking system, this will only provoke a move on the part of ordinary people to maintain actual physical media of exchange, like cash and bullion. In other words, the hoarding being detailed in the articles might be interpreted as pre-emptive moves precisely against the emerging central bank plans to move to crypto-currencies. Such a move makes sense on their part, for it allows them to keep a vast hidden system of liquidity and finance firmly under their control. The real question now is whether or not the other players – the intelligence agencies, the criminal undergrounds, and even ordinary people – will allow them to do that.

See you on the flip side…