



Ron Paul Calls for Audit of US Gold Reserves : Kitco News Exclusive

24 August 2010, 5:24 a.m.

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<http://www.kitco.com/>

Editor's Note: Catch Dr. Ron Paul at the upcoming Kitco Metals eConference September 12-13, 2010. A not-to-be missed event featuring Marc Faber, James Dines and other industry heavyweights. The eConference is free with Pre-Registration www.kitcoconf.com.

Texas (Kitco News) -- U.S. Rep. Ron Paul, R-Tex., plans to introduce a new bill next year that will allow for an audit of US gold reserves, he told Kitco News in an exclusive interview.

Paul dropped the news in the interview, indicating that the bill still does not have an official name yet but will be unveiled at the start of the new U.S. Congress.

"If there was no question about the gold being there, you think they would be anxious to prove gold is there," he said of the Federal Reserve.

This is not the first time the congressman has made his pitch. "In the early 1980s when I was on the gold commission, I asked them to recommend to the Congress that they audit the gold reserves -- we had 17 members of the commission and 15 voted not to the audit," said Paul. "I think there was only one decent audit done 50 years ago," he said.

Though Paul did not say whether there is any truth to claims that there is no gold in Fort Knox or the New York Federal Reserve, he said, "I think it is a possibility."

"If we ever get around to deciding we should use gold in relationship to our currency we ought to know how much is there," said Paul. "Our Federal Reserve admits to nothing and they should prove all the gold is there. There is a reason to be suspicious and even if you are not suspicious why wouldn't you have an audit?" he said.

The gold audit follows his crusade last year looking to audit the Federal Reserve, which he says is the chief culprit behind the economic crisis.

"I don't think the Federal Reserve should exist -- it would be best for congress to exert their responsibilities and that is find out what they are doing" said Paul. "It is an ominous amount of power they have to create money out of thin air and being the reserve currency of the world and be able to finance runaway spending whether it is for welfare or warfare; it seems so strange that we have been so complacent not to even look at the books. If we knew exactly what they were doing, who they were taking care of, there would be a growing momentum to reassess the whole system," he told Kitco News.

Before the creation of the Federal Reserve however, the US saw 16 recessions from 1850 to 1910; they averaged 22 months long. During this time, the U.S. was in recession 60 out of 91 months. Many would argue that the severity of these recessions led to the creation of the Federal Reserve System.

"I think they would be exaggerating what happened before 1913," Paul responds. "We had some panics ...they were usually short and there were no long depressions," he said. "The Fed creates the bubbles and they are much worse since 1913, if you think of the size of the government and the valuation of the dollar, we are down to about a 2 cent dollar from the 1913 dollar."

Paul said everyone accuses him of wanting the gold standard but he said he doesn't accept that. "I accept the idea of a gold coin standard and I think we can do much better than what we had," he said. "There was a lot that they did pre-Fed that was not exactly right but we never had a disastrous loss of purchasing power long-term, we didn't have a great depression, we didn't have the 1970s with stagflation and we wouldn't have what we have right now."

Since the Fed's creation in 1913 the dollar has lost more than 96% of its value, and by inflating the money supply the Fed continues to distort interest rates and intentionally erodes the value of the dollar said Paul.



"If there was no question about the gold being there, you think they would be anxious to prove gold is there," said U.S. Rep. Ron Paul of the Federal Reserve.

Paul's solution is to not replace the Fed with anything. "It would make the dollar strong... who wants money to be devalued? I want a strong dollar and if it were equivalent to gold it would remain strong."

Paul also said he wants to legalize the freedom for people to choose. "My proposal for now is to legalize the constitution to use gold and silver as legal tender in a parallel standard and have it compete with paper money. If people get tired of using the paper standard they can deal in gold or silver," he said.

On the topic of gold price manipulation, Paul said, "I think it is probably true."

"I am not the one to lay out proof of this, others have done a lot of investigation. One of the reasons I don't dwell on that is they are not going to listen to us" he said. "But I think it is very important somebody talks about it and emphasizes it just as a warning to be careful; you don't have to only anticipate what the markets are doing, but you have to anticipate what the government is doing."

The best example of manipulating the ratio of gold to paper would have been from the late 1950s to 1971, said Paul. "We printed money like currency, we printed too many dollars against the gold, so they said, 'we will take your gold.' ...if they are capable of that they are capable of doing this as well, because they don't want their cover blown," said Paul. If the markets are saying not to trust paper money, they have to do everything they can to "destroy gold," said Paul.

Recounting a visit with Paul Volcker, former Chairman of the Fed Reserve, Rep. Paul said the Chairman walked straight into the room, went immediately to his staffer and asked what the price of gold was. "They know gold is important. I think they are quite willing to manipulate it. That is the only way they can maintain this false illusion about gold."

"If they are involved isn't it pretty amazing what has happened in past year? What will happen if they throw in the towel?" said Paul.

The current economic situation is very healthy for gold, said Paul. "You see people rushing just to put their money in any place ...they don't even care about making money."

New Regulations

When asked what regulations the Congressman is currently worried about, he said, "All of them." However, Paul specifically points to the 1099 provision, a portion of the health-care act, passed earlier in the year. "For every transaction of over \$600, gold dealers have to fill out a form, it is a lot of paperwork," said the congressman. Entities must file a Form 1099 with the Internal Revenue Service whenever they make transactions paying out \$600 a year to another party.

US economy

It is going to continue to go downhill said Paul on the US economy. "I don't believe in a double dip, I believe we have single-dip and it has been continuous."

"The only reason it doesn't look so bad is if you spend \$2 trillion dollars and you have a \$5 hundred billion increase in some GDP figures, you didn't get much for your trillion dollars but it might improve your statistics, so it was a fake recovery."

As for another presidency run, Paul says it is too early to tell.

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