

# Solid as Gold: A Standard for the Ages

*“The desire of gold is not for gold. It is for the means of freedom and benefit.” – Ralph Waldo Emerson*

## CHALLENGE

Among all precious metals, gold’s appeal is legendary. Since the beginning of time, gold has propelled the growth of empires, the birth of nations and the evolution of the world’s financial institutions.

*To what can we attribute the enduring influence and intrigue of gold?*

## SOLUTION

Virtually indestructible, highly malleable, ductile and impervious to tarnishing, gold is among the most beautiful and useful elements in the world. Gold can be hammered into sheets so thin that light can pass through, and a single ounce can be drawn into a wire fifty miles long. Gold artifacts and coins buried thousands of years ago, when unearthed, look as lustrous as the day they were created.

Gold’s chemical and physical properties have long made it coveted by artisans and industry alike. But above its utility to craftsmen and industrialists, gold has been most revered as a form of currency.

## BENEFITS

People typically have not sought or owned gold for gold’s sake, but for what it represents. An indestructible asset with a long and deep history, gold is perhaps the most long-standing store of financial value in the world’s history. Humans have been utilizing gold as both a form of currency and an investment for thousands of years. And throughout history, during periods of economic uncertainty when the values of many other assets have fallen, gold has commonly maintained its purchasing power.<sup>1</sup> Consequently, over a long period of time, gold may be an effective tool for preserving wealth.

### GOLD THROUGH THE CENTURIES

3000 BC	The Sumer civilization of southern Iraq uses gold to create a wide range of jewelry, often using sophisticated and varied styles still worn today.	1900 AD	The US adopts the gold standard for its currency.
1500 BC	The immense gold-bearing regions of Nubia make Egypt a wealthy nation, as gold becomes the recognized standard medium of exchange for international trade.	1933 AD	President Franklin D. Roosevelt bans the export of gold, halts the convertibility of dollar bills into gold, orders US citizens to hand in all the gold they possess and establishes a daily price for gold.
1091 BC	Little squares of gold are legalized in China as a form of money.	1944 AD	The Bretton Woods agreement sets an international gold exchange standard and creates two new international organizations, the International Monetary Fund (IMF) and the World Bank. The new standard sets par values for currencies in terms of gold and obligates member countries to convert foreign official holdings of their currencies into gold at these par values.
560 BC	The first coins made purely from gold are minted in Lydia, a kingdom of Asia Minor.	1971 AD	On August 15, U.S. terminates all gold sales or purchases, thereby ending conversion of foreign officially held dollars into gold; in December, under the Smithsonian Agreement signed in Washington, U.S. devalues the dollar by raising the official dollar price of gold to \$38 per fine troy ounce. Two years later, the US Dollar is removed from gold standard, and gold prices are allowed to float free.
344 BC	Alexander the Great crosses the Hellespont with 40,000 men, beginning one of the most extraordinary campaigns in military history and seizing vast quantities of gold from the Persian Empire.	1974 AD	On December 31, US government ends its ban on individual ownership of gold.
58 BC	After a victorious campaign in Gaul, Julius Caesar brings back enough gold to give 200 coins to each of his soldiers and repay all of Rome’s debts.	1980 AD	Gold reaches intra-day historic high price of \$870 on January 21 in New York.
742 – 814 AD	Charlemagne overruns the Avars and plunders their vast quantities of gold, making it possible for him to take control over much of Western Europe.	1997 AD	Congress passes Taxpayer Relief Act, allowing purchases of gold bullion coins and bars by US Individual Retirement Accounts, as long as they are of a fineness equal to, or exceeding, 99.5% gold. <sup>2</sup>
1284 AD	Venice introduces the gold Ducat, which soon becomes the most popular coin in the world and remains so for more than five centuries.	1999 AD	15 large central banks sign the Central Bank Gold Agreement (CBGA), limiting their combined gold sales to 400 tonnes per year. The agreement is renewed in 2004 and again in 2009.
1511 AD	King Ferdinand of Spain says to explorers, “Get gold, humanely if you can, but all hazards, get gold,” launching massive expeditions to the newly discovered lands of the Western Hemisphere.	2010 AD	Gold price (on the London PM fix) reaches a record high of \$1,237.50/oz. on May 12, 2010.
1717 AD	Isaac Newton, Master of the London Mint, sets the price of gold that lasts for 200 years.		
1848 AD	The California gold rush begins when James Marshall finds specks of gold in the water at John Sutter’s sawmill near the junction of the American and Sacramento Rivers.		
1886 AD	George Harrison, while digging stones to build a house, discovers gold in South Africa.		

<sup>1</sup>Source: World Gold Council. *An Investor’s Guide to the Gold Markets*. (US Edition), April 2010.

<sup>2</sup>Please consult your tax advisor

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