

Sprott Money News

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Article summary: Gold investors will be yawning when Fred Pye, president of 3iQ appears before the Ontario Securities Commission to try to get approval to operate a Bitcoin fund. They could not be making a bigger mistake.

Gold and Bitcoin will either hang together ... or they will hang separately



Gold investors will be yawning this morning when **Fred Pye**, president of **3iQ** appears before the **Ontario Securities Commission** to try to get approval to operate a regulated Bitcoin fund.

They could not be making a bigger mistake.

Gold has been regarded as money for more than two millennia, so the indifference is hardly surprising.

Bitcoin, despite considerable successes and a doubling in price since the start of the year, is a recent phenomenon.

Pye and other potential crypto fund managers thus face daunting challenges.

These range from securing reliable supply to lining up custodians and convincing Canadians that they can add value.

However gold and Bitcoin are in many ways two sides of the same coin.

To paraphrase Patrick Henry's comments about American revolutionaries: they will hang together ... or they will hang separately.

Exploding latent demand for Bitcoin

Indeed the expansion in Bitcoin and other crypto assets during the past decade vastly understates demand for new payment solutions.

It is hardly an understatement to guess that if government weren't stifling consumer choice, the Canadian and U.S. dollars would lose half their share of domestic markets.

Consider:

- The American government and the Federal Reserve have printed up so much money that neither can provide an audited statement of how much exists. Nor what the inflation rate is.
- The U.S. dollar, as measured in gold (and pretty much anything else) has lost 98% of its value during the past century. Bitcoin may one day prove to be junk. But the U.S. dollar - over the long term - already is.
- A quarter century after widespread adoption of the Internet, banks still charge \$15 (or more) to transfer USD \$300 from Melbourne, London and New York, to Montreal (as we recently tested).

That equates to either gross incompetence or a scam.

- Worse, since international payments need to be routed through the US dollar reserve currency/SWIFT/New York Fed system even Canadian Prime Minister Justin Trudeau can't send cash overseas without U.S. President Donald Trump's permission.

This amounts to a humiliation and a blatant assault on Canadian sovereignty.

Gold is on a roll

Gold backers – including highly-credible thinkers like Peter Schiff, Jim Rickards and others - remain skeptical, for many of the reasons noted above.

Part of their ire surely stems from the fact Bitcoin has drawn the attention of younger investors who remain unimpressed with gold's recent successes.

The yellow metal – which has been in a trading range for the past five years in US dollar terms, - has outperformed nearly all asset classes since the turn of the millennium. In many local currencies it has hit all-time highs.

Indeed there is increasing probability that bankrupt global governments will have to one day return to a gold standard.

Banks will manipulate it ... or worse

The problem is that even a gold standard will solve nothing if governments start to manipulate it, as Venezuela is doing with its “Petro,” which was supposedly backed by its oil reserves.

Venezuela isn't alone.

Western governments have developed a range of tools during the past century that enable them to operate “fake” gold standards, in which currencies are only nominally backed by gold.

Even today it is highly unlikely that the US Treasury Department – which has not been audited in decades - has anywhere near the 9,000 tons of gold that it claims.

U.S. government officials lie blatantly even about stuff you can verify. So if they don't allow you to double-check their claims you can be certain something is afoot.

Furthermore, there is a chance that in a crisis, governments may confiscate gold as the Roosevelt Administration did in 1933.

Canada, which is in horrible financial shape is particularly vulnerable as the Bank of Canada has no gold reserves.

That's where Bitcoin comes in.

Because only a truly free market in currencies – through price signals which will warn when something is up - will prevent governments from confiscating savers' money either overtly, or secretly through currency inflation.

In short, gold and Bitcoin investors, including Pye and his team at 3iQ need each other more than they realize.