

**Scottish independence – a shot in the arm for radical politics?**

**New**

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**Mother Teresa's  
poisonous legacy**

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damned expensive?**

**How to set Josie Long's  
heart racing**

# Gold trouble

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**A murky world of obsession, corruption  
and destruction**

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Image: gettyimages.com

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### Correction

Due to an editing error in Glitter Moreño's *I'm a New Internationalist* contribution in issue 473, we printed that the Awagoh Learning and Development Center had been founded by a British expatriate. This is incorrect. The person referred to had donated copies of NI to ALDC.



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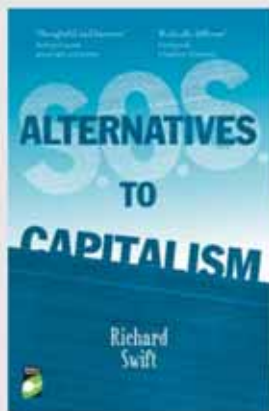
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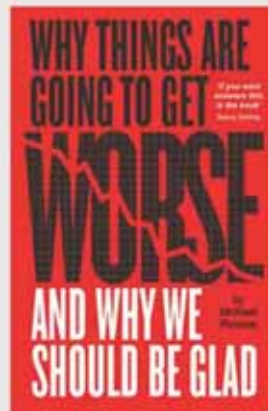
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## Bling is not in



**Call me old school but I've never liked the new and the shiny.**

Not for me glitz and bling, whether it's jewellery or luminous leather. The whole world of bright surfaces feels superficial and deluding. So I guess I was a natural to be editor of an issue on the price we pay for our obsession with gold.

Don't get me wrong: people should be free to like what they like.

But in these days of ecological crisis the consequences of extraction and end use of everything we consume needs to become part of the equation. This issue raises questions at both the production and consumption stage of gold.

Since almost the dawn of Homo sapiens' history we have been drawn to the yellow metal. As a sign I once saw in downtown Manhattan proudly proclaimed, 'Enough is never enough'. But if it's in the DNA of some to rush about on lucrative treasure hunts, why not search for something more benign and sustainable like wild mushrooms or berries? Both are tasty and will grow back – and you can make a tidy sum out of selling mushrooms. The search for and the hoarding of gold is just too destructive of the environment and disruptive of convivial human society. Which is why this edition makes the case for ending the gold rush entirely.

The struggle to preserve the sanctity of the environment is highlighted in our story from New Zealand/Aotearoa on the granting of legal status to a river. Meanwhile, the not so charitable side of Mother Teresa's Sisters of Charity order in India is questioned in a first-hand account. ■

**RICHARD SWIFT**  
for the New Internationalist Co-operative  
[newint.org](http://newint.org)



## This month's contributors include:



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# Stop the gold rush

RICHARD SWIFT argues that our appetite for the shiny metal is both pointless and dangerous.

**Weird stuff, gold.** While it is almost without any practical use, it has become a standard of value that people are willing to kill and die for. It suffuses our language as some undefined aim we should all be striving to achieve – there's 'good as gold', 'going for gold' (in Olympics parlance), gaining the 'gold standard' or sometimes just a simple exclamation of 'gold!' to emphasize excellence. Anything with which one can make money gets compared to gold: thus water becomes 'liquid gold' or oil 'black gold'. At a more banal level, we all can feel blessed to pass under the golden arches of McDonald's to get our burger and fries.

We still have most of the gold that's ever been panned or dug up. Still we move heaven and a lot of earth to get more. Exact figures vary, but a semi-official estimate claims there are now 171,300 tonnes of gold above ground (although some believe we have 16 times that). Whatever the amount, it doesn't take up much space because it is so dense. At the semi-official estimate, if you placed it all in a giant cube it would measure just 20 metres on each side. At 16 times, the cube shoots up to 50 metres high.<sup>1</sup>

We are now mining and stockpiling more gold (2,500 tonnes a year) than ever before,





Imagofilia/Corbis

**Hey, big spender! China's first gold vending machine – it dispenses coins and bars – landed in busy Wangfujing Street, Beijing, in 2011. Each withdrawal is capped at a million yuan (about \$162,000) worth of gold.**

**False god: the Israelites' adoration of the golden calf in Moses' day, as depicted in a 19th-century illustration.**

mostly for 'investment' purposes in bullion, coins, and seldom-worn jewellery.<sup>2</sup> We painstakingly dig it out of the ground from an open pit mine, usually in some remote corner of the globe, then dutifully put it back under the ground in some vault or other safe storage facility. What's the point, you might ask?

Some vaults accumulate more than others, of course. The Federal Reserve vault in Manhattan is said to hold between 20 and 25 per cent of all the gold ever found.<sup>3</sup> Many nation-states as well as private investors keep some of their bullion here. So, say the Bundesbank wants to buy gold from the Bank of England, the yellow stuff need never leave the Federal Reserve vault. A little team of security guards just loads it up and takes it from the British pile to the German pile. Again, you might ask: what's the point?

#### **Worship and scepticism**

The roots of gold worship run deep in culture and history. It is usually associated with power. In Exodus even God gives intricate design instructions for how gold is to be used to decorate the places in which to worship him. On the other hand, the quick-tempered Moses was not at all pleased when he came down from the mountain with the 10 commandments and found the Israelites worshipping a golden calf. He immediately (presumably obeying God's wishes) burned the calf in a fire, ground it to powder, scattered it on water, and forced the Israelites to drink it.<sup>4</sup>

Moses' actions speak to another hidden strain in Western and perhaps other cultures – a scepticism about gold, almost an anti-gold. The worshipping of the golden calf has come down to us as a kind of unseemly adoration of wealth or 'mammon'. The Persians went so far as turning it into a means of execution when they forced their captive, the gold-loving Roman emperor Valerian, to swallow molten gold.

More recently there were those great Hollywood films like *Lust for Gold* and *The Treasure of the Sierra Madre*. Who can forget the gold-crazed stare of Humphrey Bogart as the paranoid prospector Fred C Dobbs in the latter? The film was based on the novel by that mysterious anarchist writer B Traven, who had spent years observing how the gold lust of whites was tied to the misery of Mexico's indigenous population.

Then there was Lenin, the Russian Bolshevik leader, who proposed that gold be used to decorate public toilets in revolutionary Russia. Or the brilliant 20th-century economist John Maynard Keynes who thought of it as

an 'archaic relic' that needed to be completely severed from currency value and public finance. These days Keynes has mostly got his way since 'Tricky Dick' Nixon cut the US dollar loose from being pegged to gold back in 1971.

But even as a sideshow, gold searching and hoarding continues to plague the world. Today, digging up of the hyper-valued metal by rapacious mining companies (charmingly referred to simply as 'miners') meets

**We painstakingly dig gold out of the ground in some remote corner of the globe, then dutifully put it back under the ground in some vault or safe storage facility. What's the point?**

resistance from local communities in alliance with environmentalists in almost every corner of every continent. The widespread use of toxic chemicals, the destructive nature of huge open-pit mines, the despoliation of precious water resources, a boom culture of thuggery and corruption all put meat on the bones of the case against gold.

It was the Lydians, back around 600 BC in what is now western Turkey, who first used gold as currency instead of mere decoration. This made the demand for the stuff almost infinite. The egotistical political class quickly inscribed their own image on the currency – a practice they have continued to the present day.

Public decorative gold today is an artefact of church and state. It tints domes and cupolas of parliament and mosque, adorns the crowns and sceptres of royalty, the braids



North West Picture Archives/Alamy



and medals of military rank, is part of the trappings of most official rituals – essential to the sad pomp of power. This was well caught by the British colonial administrator Sir Frederick Hodgson when he went to Kumasi in 1900 to teach the gold-rich Ashantis of Ghana who was boss. Ashanti kings had for centuries perched on a golden stool that symbolically marked royal power. In writer Matthew Hart's account:

*'Where is the golden stool?' Hodgson demanded. 'Why am I not sitting on the golden stool at this moment? I am the representative of the paramount power; why have you relegated me to this chair?'*<sup>6</sup>

### High wire capitalism

Part of the appeal of gold is caught up with a swashbuckling history of ruthless pirates and conquistadors as they chopped down whoever stood between them and the shiny metal. The romance is sustained today by a kind of extreme capitalism of high-risk mining companies, often owned by dare-devil entrepreneurs in search of that big score. It's a world of high-stakes trickery, price fixing, bribery and shell games – hostile takeovers and stock scams are a regular part of the 'business model'. Gold is often found by small mining companies known as 'juniors' with only limited capital to start mining. The juniors then tend to exaggerate their 'finds' in order to attract the attention of 'majors' who they hope will get into a bidding war that allows the little guys to cash in big time.

These days, levitating at the ridiculous price of well over \$1,000 an ounce, gold is an extremely lucrative business. Back in the day when gold was linked to the value of currency it was believed to provide (at \$35 or so an ounce) an anchor to prevent runaway inflation. For many central bankers and conservative economists this was holy writ. So much so that they were willing to plunge their fellow citizens into economic despair in order to ensure gold stocks. The depression of the 1930s is the classic case where governments cut desperately needed relief and refused economic stimulation in order to 'protect' their gold-backed currencies. Oddly, when the connection between gold and currency was finally severed by the Nixon administration, currencies were not affected by severe inflation but the price of gold went through the roof.

At current prices gold is becoming very troublesome. Remote mining sites have now become 'economical', endangering indigenous communities from Andean Latin America to central Africa. Previously abandoned old mines are being reopened across the world. Canada, New Zealand, Spain, California, Egypt – in almost every corner of the globe – mining scars that have previously healed are having their scabs ripped off.

A classic example is Romania, where the

controversial Rosia Montana mine in the western part of the country is in prospect of becoming Europe's biggest goldmine. Gold-mining had taken place there since Roman times but ceased decades ago. Now those gold-mad Canadians, this time led by Gabriel Resources, are promising a giant four-pit 'project'. Resistance has been formidable with Romanians rallying to protect their beautiful Transylvanian countryside and traditional village life. Recent memories of a huge cyanide spill (in 2000) from the Baia Mare Australian/Romanian venture that poisoned Romanian rivers make the country particularly suspicious of goldmining. This environmental disaster, which many claim to be the worst in Europe since Chernobyl, is something Gabriel Resources promises could never happen at Rosia Montana.<sup>6</sup>

### Felonious temptations

The sky-high price also ensures that gold and crime are now joined at the hip. Whether it is bribery (Turkey and Colombia), price-fixing (Barclay's Bank in London), fraud (Canada's Bre-X in Indonesia), tax evasion (Australia and the Philippines), counterfeiting (sophisticated fake or adulterated 'gold' sold in the Hong Kong trade) or smuggling (India), so-called 'white collar' crime has found a veritable playground in the gold market.

And it is not just nonviolent crime. Forcing a goldmine down the throats of a reluctant local community can be a violent business. So can seeing off local miners who either have a prior claim or feel they have as much right to gold as some large foreign mining giant.

All this can get quite ugly. Sometimes it is local police who do the dirty work for the mining industry. Recently official police have been used to assault anti-goldmine protesters at Skouries in northern Greece and to smash through a blockade of peaceful protesters at the El Tambor mine in Guatemala. The list of such actions is depressingly long. Of course, this isn't technically crime because it is the police who are doing it. Often, though, it is also necessary for the 'miners' to supplement police by hiring private security guards to

**The sky-high price ensures that gold and crime are now joined at the hip**

**One of numerous protests across Romania – here in Brasov, September 2013 – against government support for a plan to open Europe's biggest open-cast goldmine in the small Carpathian town of Rosia Montana.**







John Embrow/Alamy

enforce their interests. And these forces can be simply a collection of local thugs.

At their Porgera joint venture goldmine in Papua New Guinea, Barrick Gold (a Canadian 'major'), was forced to seek exemption from legal recourse from 170 local women who accused Barrick security guards of gang rape. Once they had accepted a company 'package' these Ipili women sacrificed their right to bring legal action against the company.<sup>7</sup>

In their North Mara mine near the Tanzanian border with Kenya, Barrick has another public relations disaster brewing. Over the past three years 69 illegal miners have been killed by police (tasked to protect the mine) who, it is widely believed, run a protection racket for illegal miners. The dead, presumably, wouldn't or couldn't pay. Before foreign companies took over, generations of poor Tanzanians had practised small-scale mining in the area. Now they have become 'illegal'.

In the deep mines of South Africa there is a virtual civil war between illegal 'ghost' miners (grey from spending too long underground) and the big mining companies who claim they lose 10 per cent of their gold (worth nearly half a billion dollars) to illegals.

We need to stop this silly gold rush. Our

species footprint needs to be reduced so that we can live within our ecological means. We can simply no longer afford to 'rush' about the globe digging up a shiny metal that is of marginal use and damn the consequences. We can't afford the energy it takes to do it. We can't afford the water it requires or is polluted in the process. We can't afford to keep dumping the poisonous chemicals involved. We can't afford the cowboy capitalism of mining companies that so easily degenerates into crime and thuggery. We need a different standard of value than gold – one that measures in clean air and water and sustainable incomes rather than some mystical pot at the end of an increasingly bedraggled rainbow. ■

**Richard Swift** is a former co-editor of this magazine. His most recent book is *SOS Alternatives to Capitalism*, New Internationalist, 2014.

<sup>1</sup> Ed Prior, 'How much gold is there in the world?', *BBC News Magazine*, 1 April 2013; [n.in.tl/Wwk3IQ](http://n.in.tl/Wwk3IQ) <sup>2</sup> [numbersleuth.org/worlds-gold/](http://numbersleuth.org/worlds-gold/) <sup>3</sup> David Graeber, *Debt, The First 5,000 Years*, 2011. <sup>4</sup> Peter Bernstein, *The Power of Gold: The History of an Obsession*, 2000. <sup>5</sup> Matthew Hart, *Gold: The Race for the World's Most Seductive Metal*, 2013. <sup>6</sup> Claudia Ciobano, 'The revolution begins with Rosia Montana', 4 September 2013, [opendemocracy.net](http://opendemocracy.net) <sup>7</sup> Mining Watch Canada, 'Rape victims must sign away rights to get remedy from Barrick', 30 January 2013, [miningwatch.ca](http://miningwatch.ca)

**The wounded, yawning mouth of Newmont Corporation's massive open-cast gold and silver mine in Waihi, North Island, New Zealand/Aotearoa.**

**Below: Worth all the fuss...? A gold nugget.**



John Embrow/Alamy



# Gold – the facts

## Where does it come from?

Gold is unevenly spread all over the world, including both in and under the oceans. Where it is found depends on a combination of chance and opportunity to get at it.

### Gold production in tonnes, 2011<sup>1</sup>



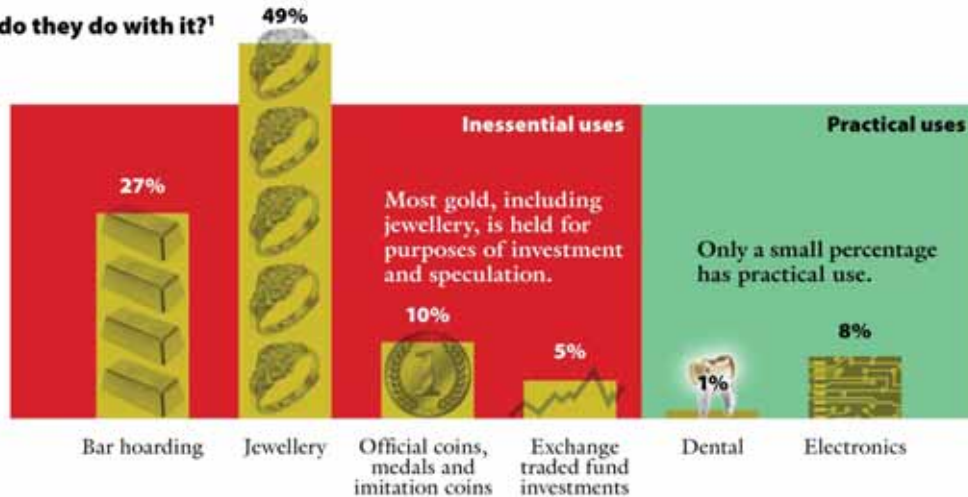
## Who buys it?

Demand for gold has traditionally been highest in Asia and the Middle East.

### Gold consumption in tonnes, 2011<sup>1</sup>

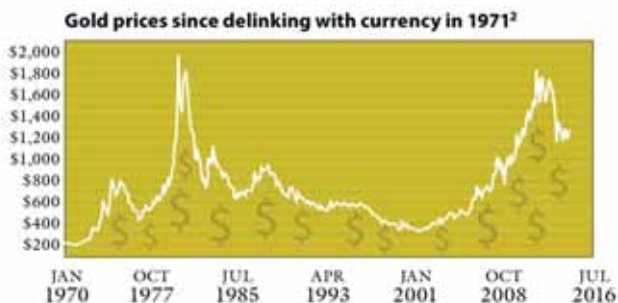


## What do they do with it?



## How much does it cost?

The price of gold was traditionally held down by its connection to the value of currency. Since this ended in the early 1970s, the price, despite some instability, has inflated wildly.



## Impacts



● **180 million tons** toxic waste dumped annually into rivers, lakes and oceans by goldmining.<sup>4</sup>

● Producing 1 tonne of gold requires approximately **260,000 tonnes** of water and **200,000 gigajoules** of energy (= burning about 33,333 barrels of oil).<sup>5</sup>

<sup>1</sup> [businessinsider.com/gold-pie-charts-2012-7](http://businessinsider.com/gold-pie-charts-2012-7) <sup>2</sup> [macro-trends.net/1317/historical-gold-price-chart](http://macro-trends.net/1317/historical-gold-price-chart) <sup>3</sup> [Nodirtygold.Earthworks.nin.tl/1kzaZbK](http://Nodirtygold.Earthworks.nin.tl/1kzaZbK) <sup>4</sup> [Nodirtygold.Earthworks.nin.tl/1zMI1jJ](http://Nodirtygold.Earthworks.nin.tl/1zMI1jJ) <sup>5</sup> European Commission communiqué, 18 October 2012: 'The environmental impact of gold production' [nin.tl/1kzch6s](http://nin.tl/1kzch6s)



# Churning up the cloud forest

**How the Canadian government supports corporate dirty tricks in a pristine part of Peru, by ROXANA OLIVERA.**

**Rosa Sara Huamán stands with me in the fog** at the edge of a mountain in the Kañaris cloud forest of northern Peru. She cannot hide her frustration as she watches two pick-up trucks make their way towards the tiny village below, where members of the local Quechua-speaking population are gathering to hold a community vote. Through gaps in the clouds that permeate this magnificent landscape, the vehicles briefly come into full view. One is crowded with police officers, the other with men dressed in blue jeans and ponchos.

'At this community assembly we will decide whether we should have an independent study to assess the impact that mining activities could have on our water, our environment, and our lives,' Huamán explains. Huamán is the leader of the *rondas campesinas* – Spanish for 'peasant rounds' – in the region. 'But whenever we hold our meetings, people who do not live here come to disrupt our discussions and interfere with the decision-making process. I bet today will be no exception.'

As it turns out, Huamán is not mistaken. Huamán's community representatives unanimously voted in favour of a thorough and independent environmental impact assessment. The men who had arrived in the truck all voted against it. That's not the end of it. Many of the newcomers tried to vote twice – while one of their companions created a distraction feigning out-of-control drunkenness. When caught, they withdrew from the voting table, swearing and shouting that the voting process had not been transparent.

Fraud and manipulation have become the norm in Peru's mining scene for the past several years, especially where there is strong community resistance.

The indigenous people of San Juan de Kañaris – Huamán among them – are concerned that the Cañariaco mining project will destroy their cloud forest, contaminate their rivers and streams and rob them of their livelihoods. Cañariaco, a \$1.5-billion copper-gold-silver mining project promoted by Canada's Candente Copper Corporation, is to be located on their community's ancestral land. Although as much as 96 per cent of the community's territory is under concession, there have yet to be discussions about the likely relocation of more than 10,000 inhabitants.

Many villagers have complained to the authorities that Candente is undertaking exploratory activities on their community land without their consultation, approval

and consent. According to Peru's 'prior consultation law', Candente requires a minimum approval of two-thirds of the registered local population, which the company has not acquired. Likewise, the International Labour Organization's Convention 169 calls for the indigenous communities' right to consultation and participation, another requirement Candente has failed to meet. But given that Peru's ministry of mining has been allocated the dual responsibilities of promoting mining development and approving environmental impact studies, the inhabitants of Kañaris have little faith in state authorities.

With no response to their complaints forthcoming, many of the villagers have opted to engage in public protests – with serious consequences. Huamán, along with other villagers, faces several police charges. She suffers constant harassment and has received death threats.

In a May report, the Peruvian government's Ombudsman's office counted 135 ongoing socio-environmental conflicts across the country and cited mining as the leading cause. The Kañaris case was among them. A recent report, 'The Impact of Canadian Mining in Latin America and Canada's Responsibility', submitted to the Inter-American Commission on Human Rights, concludes that Canadian companies are taking advantage of weak legal systems both in Latin America and in Canada, causing 'serious environmental impacts' as well as forced population displacements. It finds that despite its knowledge of documented violations, 'Canada continues to provide political, legal and financial support to companies which commit or tolerate human rights abuses. Canada's government has advised various governments in countries where its companies operate about changing the law, citizen participation, and areas to be mined.' Moreover, 'Canadian ambassadors have played a commercial relations management role between the companies, the respective state, and Canada itself.'

'Kañaris used to be a peaceful place. For 30 years, we didn't have a police station here,' explains Huamán, pointing to the station below. 'Then the mine comes, and, all of a sudden, the government installs a police station. We have no criminality problems. We are simply defending our water and our lives. The police station is here to protect the mine, not the people!' ■

**Roxana Olivera** contributes regularly on Latin America to **New Internationalist**.



**Community activist Rosa Sara Huamán.**



# The myth of ethical gold

Good old-fashioned image cleansing versus environmental and human rights excesses. **STEPHANIE BOYD** exposes the self-serving manoeuvring of a rapacious cartel.

**Modern goldmining has developed a Midas touch**, turning low-grade deposits into vast wealth but with devastating consequences: over 900 farmers poisoned by a mercury spill in the mountains of Peru; Akyim indigenous people from Ghana forced from their forest homeland; an Indonesian bay and fishing community contaminated by arsenic and mercury; the Western Shoshone nation in Nevada deprived of their treaty rights and ancestral land.

These are just some of the accusations levelled at one of the new kings of the global gold empire, the Newmont Mining Corporation.

And still, Newmont markets itself as an ethical gold producer. The company has ISO (International Organization for Standardization) certification for environmental management and has slithered onto the Dow Jones Sustainability Index for seven consecutive years.

Newmont also belongs to several organizations and conventions with impressive names like the United Nations Global Compact, the Voluntary Principles on Security and Human Rights, and the Partnering Against Corruption Initiative.

Sounds reassuring until you read the small print: membership in these groups is voluntary and reporting is usually done by the companies or auditors in their pay. Even when third-party auditors exist, companies accused of human rights violations, like Newmont, continue to sneak onto the roster.

It's not fair just to pick on Newmont, though. All the major gold companies have been accused of human rights abuses and contamination and they've jumped with glee into the cleansing suds of the new image-washing machine: that oxymoron called 'corporate responsibility'.

## Damaging footprint

Robert Moran, a scientist who has worked for over four decades on water issues in the mining industry, says that most goldmines operate like 'private fiefdoms'. Government officials need permission before visiting sites, and technical data and information is supplied by the companies, including the types of

chemicals used and make-up of waste materials. During his long career, Moran says, 'I've never seen a long-term sustainable mine when it comes to water resource issues.'

But the public has gotten wise, and rising opposition to new mines around the world has sent shivers through the industry. Even Wall Street junkies are worried: stock prices are affected by social unrest.

Two years ago, Newmont's Minas Conga project, which would have destroyed several lakes in the Peruvian mountains, was put on hold due to local opposition. Today Newmont is still trying to convince nervous investors that the mine is going ahead, despite hundreds of farmers camped out by the lakes, determined to keep the company's machinery out.

The conflict has made front-page news in the business world, yet ethical investment firms, including the US-based Christian Brothers, continue to offer Newmont stock in their portfolios.

So-called ethical investors defend their cosy relationship with the gold industry saying they 'challenge' the companies, writing harshly worded letters and filing shareholder resolutions. But how effective can they be if they consistently fail to change the way companies operate on the ground? Do they merely provide corporations with green stars they don't deserve?

The contradictions leave many socially conscious investors wondering if there's such a thing as 'ethical gold', or if it's just another corporate fairy-tale.

## Certified clean?

A decade ago, a coalition of non-profits led by Earthworks and Oxfam decided to tackle this problem and launched a campaign called No Dirty Gold. Over 100 jewellery stores, including 8 of the top 10 US retailers, signed the 'Golden Rules' pledge, promising not to buy gold from companies associated with human rights and environmental abuses.



**Goldmines operate like 'private fiefdoms'. Government officials need permission before visiting sites**





**Sleep soft: a memorial for baby Andini, who died after suffering an extensive skin rash, in Buyat Bay, Indonesia. Locals accuse the Newmont gold-mining corporation of contaminating the bay with heavy metals. Many children have been born with birth defects here.**

This prompted the rather sticky question – how do jewellers ensure they're buying 'clean' gold?

Always eager to please, the jewellery industry set up a certification organization called the Responsible Jewellery Council (RJC) which would direct consumers and jewellery companies to clean, green gold. The RJC has more than 450 member companies from goldmines to refineries to jewellery stores.

But, in a report called 'More Shine than Substance', environmental and labour groups claim the RJC uses weak standards, especially regarding the environment and workers' rights, and lacks transparency. A quick glance at the RJC's membership reads

like a 'Who's who' of companies accused of human rights violations.

There's goldmining giant Rio Tinto, whose reputation is so tarnished that environmental and human rights groups protested its contract to provide the 2012 Olympic medals. Another member is gold refinery Argor-Heraeus SA, under investigation in Switzerland for buying gold from an illegal armed group in the Democratic Republic of Congo. Profits from the sale of 'conflict gold' in the Congo help fuel a bloody civil war responsible for almost six million deaths since the 1990s.

Two other RJC members, MKS Finance and its subsidiary PAMP, both reputable Swiss gold processing firms, have been accused of buying illegal gold from Peru's Amazon. More than 40,000 hectares of Peru's Amazon has been devastated by illegal goldmining and the industry has been accused of human rights abuses ranging from poisoning workers with mercury to forced labour and sex trafficking of young girls.

### Survival mining

Large certification schemes like the RJC often have difficulty tracking gold from the mine to the consumer. Smaller certification labels have had more success: like Fairtrade gold, from the Fairtrade coffee people, and Fairmined gold, by the Alliance for Responsible Mining (ARM). Each certifier works directly with communities in Latin America and Africa that produce artisanal gold, ensuring traceability.

According to Fairtrade International, about 100 million people worldwide earn a living from artisanal and small-scale mining. Although artisanal miners produce only about

10 per cent of the world's gold each year, they make up about 90 per cent of the workforce in goldmining, providing important financial support for their families.

'The miners are fighting against poverty,' says Manuel Reinoso, vice-president of ARM. 'It's not like big mining that exploits workers and takes 90 per cent of the profits out of the country and leaves nothing behind.'

Reinoso knows the hardships facing artisanal miners first-hand; the elderly Peruvian has earned his muscular arms and trim frame from a lifetime of labour in the mines.

He admits there are still environmental issues with certification – not all ARM and Fairtrade gold is free from mercury and cyanide. Reinoso says they're working towards phasing out chemicals, but it's going to take time and money.

ARM has pilot projects in Africa using chemical-free gravimetric methods for gold recovery. And Fairtrade has created the 'Ecological Gold' label for gold that has been produced without chemicals. But even without mercury or cyanide, mining leaves a major ecological footprint, especially in sensitive areas like rainforests and watersheds.

This means that programmes like Fairtrade and Fairmined have to remain small; if they try to scale up, they'll no longer be sustainable.

Many environmentalists, like Eduardo Gudynas, argue that *no* goldmining can be considered 'sustainable'. Gudynas has called for a moratorium on goldmining in Latin America.

Only nine per cent of our gold consumption goes into electronics and medical equipment; the rest is used in jewellery and the financial sector. According to the World Gold Council, recycling already accounts for a third of the total supply of gold and is on the rise, meaning our technology and medical needs could be met without any new goldmining.

This would require an overhaul of our economic system, challenging the jealous gods of over-consumption, and finding new jobs for the artisanal miners.

Not too long ago respectable people bought ivory and flaunted sealskin coats. Could gold stocks and wedding rings become the next taboo item, symbols of war, greed and environmental destruction?

One thing is certain: if we keep supporting 'dirty gold', we could end up like subjects of a modern King Midas: destroying our natural resources for gold and realizing all too late that there's nothing left to eat or drink. ■

**Stephanie Boyd** is a writer and filmmaker based in Peru and a regular contributor to **New Internationalist**. She is writing a book on the impact of goldmining on the environment and local communities called *The Price of Gold*.



# A tale of two Indias

A national obsession with gold is hobbling the economy and deepening the wealth divide. JAIDEEP HARDIKAR reports.



**Dazzle or bust: a billboard model for a jewellery shop advertises the buckling-under-gold bridal look aimed for by the status conscious, while the street market outside bustles with more humdrum wares, in Chennai, India.**

**Indians, it's no great secret, have a particularly resistant strain of gold fever. It has been around for millennia. India has no gold-mines but from the very dawn of long-distance trading, merchants fell hard for the golden allure, trading away pepper and spices, cloth and knowledge to get it. Kings and queens bought in. Many a violent war was fought over bounties of gold.**

Today there is no important ritual in this country where the yellow metal is not required. At weddings, to celebrate the birth of children, or even at the end of life – gold plays a central role. Many festivals require the auspicious purchase of gold as a prayer for prosperity. Both film and folk songs describe India as 'a golden bird'. The love of gold crosses every boundary: the rich, the poor, the privileged from every caste, class and religious persuasion, fall for its glitter.

On 9 April this year, a team of Indian surgeons operated on a 63-year-old patient with severe abdominal pain and recovered 12 bars of gold from his belly. He had risked his life to get this fortune into India and evade import duties. The metal bars ended up in state coffers and the patient found himself in jail.

This was neither an isolated case nor likely the last of its kind. India has recorded a spike in gold smuggling over the last two years – a re-run of the notorious trade of the 1980s. The current spike was prompted by the trebling of import duty in 2012-13 by the Indian government to 15 per cent in order to curb a rush of imports. This was part of a desperate attempt to rein in the country's current account deficit (CAD) that had soared to a record high of \$88 billion. The CAD is the difference between inflow and outflow of foreign currency and occurs when imports outstrip exports.



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Gold imports declined marginally, but almost instantly there was an upsurge in smuggling. In April 2014, just before his government got booted from power, India's former finance minister Palaniappan Chidambaram revealed that gold smuggling had hit 3,000 kilograms a month, worth a staggering \$10 billion. The actual figure could be much higher. People – like our unlucky patient – deploy innovative methods to get the metal in. Sometimes dates are stuffed with it, the gold having being melted into the form of their pits. Or it is ground into granules and mixed with other metals to look like ore, or converted into gold belt buckles and flashlight batteries.

### Golden nightmares

According to both the government and the country's Reserve Bank, gold has become India's biggest economic nightmare. Yet they remain paralysed when it comes to effective policy prescriptions to dampen down the voracious gold appetite. Today India is the world's second-largest importer of gold after China. Nearly 20 per cent of global supply annually crosses the border, draining precious dollar reserves. The result is not only a big balance of payments problem but massive amounts of savings that are frozen out of the productive economy.

The import figures are mind-boggling: rising from 700 metric tons in 2010 to a whopping 975 in 2013, despite fiscal measures to curb the trade. Add to this the tons of gold Indian families have been hoarding down the ages. And that's not the end of it. Gold exchange-traded funds on the country's two stock exchanges continue to register a high turnover.

In the decade 2001-11, gold's share of India's total import bill jumped from 8.1 to 9.6 per cent, just behind oil products. According to a recent Indian Chamber of Commerce study – 'India's Gold Rush: Its Impact and Sustainability' – the value of gold imports through the years of slowdown (2005-12) was higher than total expenditure on urban development, health, education, housing and family welfare taken together. Put differently, the dollars sunk into gold could have helped educate, house and feed India's massive population of poor people. Public policy remains ambivalent. On the one hand there are the fiscal curbs; on the other, India writes off roughly \$9 to \$11 billion annually on gold import duty concessions. Who benefits from these tax sops? And who loses?

### The widening divide

Many economists say gold imports are one indicator of India's growing inequality. The last few years have seen a dramatic contrast in

the way two Indias – the urban and the rural – have used gold. One India buys the stuff by the ton in order to park its surplus kitty, while the other liquidates its small stash to raise cash and pay for farming costs and other exigencies of life. The rich India ruins the Current Account Deficit; the poor India in turn gets wrecked by it. Imports get dearer. The rupee devalues and dollar appreciates. The rich get richer while the poor slide further into poverty. But ultimately who's feeding this gold frenzy?

The World Gold Council estimates 75 per cent of gold demand in India this past decade came from jewellery – purchased largely by the small percentage of Indians that make up the neo-rich. According to the Council, weddings generate half of the annual demand for gold. A large chunk of this goes into that persistent social evil: the dowry. Over the next decade, with more than half the population under 25, there are likely to be 15 million weddings in India each year. India's appetite for gold simply defies market conditions: demand continues to grow despite a 400-per-cent rise in the rupee price in the last decade.

The other major reason many Indians invest in gold is that a majority are still too poor to be even recognized by banks. Over half of the country's 1.25 billion people have no accounts at all. This blocks them from formal avenues of finance or secure savings facilities. Many put their trust in gold for providing portability and long-term security. Or so they believe. The poor put their small savings in gold despite its price volatility. When in dire need, they are forced to liquidate this gold at well below market prices through local usurers or jewellers.

Take the case of Swapnil Shirke, a 24-year-old farmer from India's crisis-hit cotton-growing belt of Vidarbha, who could not get out of the vicious debt cycle so many rural households get stuck in. The more he tilled, the deeper he sank into debt. On 23 November 2012, during a month of festivities throughout India, Swapnil had simply had enough. In desperation he raised a little money by selling his mother Ashabai's 25-gram gold *mangalsutra* – a traditional gold chain worn by married women. With this he managed to pay the wages of his farm workers, keeping aside a part for his younger brother's college fee. Then he hanged himself. During that same festive November when Swapnil died, upwardly mobile Indians spent several million dollars on 50 tons of gold, mostly jewellery. The irony could not be starker. The gold chain Shirke sold was for his mother the last remaining memory of his late father. It was also the family's last asset. ■

**Jaideep Hardikar** is a journalist based in Nagpur, Maharashtra, a 2009 Alfred Friendly Press fellow, and author of *A village awaits doomsday*.

**The dollars sunk into gold could have helped educate, house and feed India's massive population**

# A 10-step plan to end gold addiction

THE CEO of a 'senior' goldminer like Newmont or Barrick Gold will throw up their hands at these steps. 'You are just trying to put us out of business!' they will exclaim, brimming with corporate outrage. They aren't wrong, of course, but if gold cannot be mined in a humane, non-toxic, non-polluting fashion that has real benefit for the public purse, then why bother with it? We have enough of the stuff already. We never get rid of it – just pass it about. So why puff out climate-degrading carbon emissions to get our hands on more of the big yellow?

We badly need to reduce our ecological footprint to enable us to survive as a species. Why not start with something almost completely useless – like gold?



1

**Tax heavily** at all stages of the gold cycle: exploration, mining, export and import, private purchase of bullion and gold jewellery.



2

**Force down** the gold price by selling all publicly held gold stocks from government coffers and those held by international organizations such as the International Monetary Fund or the World Bank.



3

**Delist** all goldmining companies from stock exchanges so that investment capital raised in this way can be used only for purposes that have real value.

4

**Make the** mining industry pay for all ecological damage done in the course of mine development and operation before they take any profits or royalties.



**NO DIRTY GOLD**



5

**Respect the** rights of local communities to say 'no' to goldmine development.





7

**Extend full 'squatters rights' to artisanal goldminers over large transnational mining corporations although they, too, should be obliged to adhere to strict environmental standards.**

**Forbid the use of toxic chemicals such as mercury, cyanide and arsenic in the goldmining or smelting process.**



8



9

**Regulate the illegal gold economy as much as possible in order to 'capture' taxes for public use. Clamp down on smuggling, diverting funds from the hopeless 'war on drugs' in order to achieve this more limited and reasonable purpose.**

6



**Value water over gold. If there is any significant risk to water resources no gold-mining should ever be allowed.**

10

**Ensure all genuine needs for gold such as in electronics or dentistry are met through recycling existing stocks.**

**End of gold addiction!**



# View from the ridge

Jewellery designer **JANE THEOBALD** learns first-hand the high costs of golden decoration.

**The dusty road runs down San Juan Ridge** to a one-room former schoolhouse. Here the neighbours gather. It's a Sunday afternoon atmosphere as old friends catch up with each other. But this is no social gathering and an underlying anxiety packs the room. The cause – the potential reopening of an historic goldmine in the heart of this rural community.

This is an arid area constantly under threat from drought and forest fires. Yet the proposed mine will use up to 3.7 million gallons (14 million litres) of water every day throughout its undetermined life. Water that will be sucked out of natural underground aquifers and turned into industrial discharge, threatening headwaters and wetlands and the wildlife that inhabit them. This is the same water the community relies on for its wells.

Sixteen years ago this mine operated for a brief four years. The mining operations hit a high pressure water-bearing fault line, flooding the mine and draining a number of local wells, including that of the neighbourhood school. At the same time the gold price plummeted. The mine closed, leaving behind toxic residues that are still taking their toll.

This scenario, a very real threat to a very real community, is being replicated all over the world. It could be the Oyu Tolgoi goldmine in Mongolia threatening the traditional way of life of Gobi desert herders or the La Puya mine north of Guatemala City where thousands of mostly indigenous people face off regularly against the police to defend their communities. Or it could be the massive Grasberg mine in West Papua, long plagued by environmental and human rights controversy. Even the last frontiers of wilderness – like the rapidly melting Arctic – are poised to become a bountiful treasure chest for the extractive industries.

These days gold is already sold before it is even dug up and then traded around the world's stock markets, feeding a desperate addiction. Communities, powerless to resist the mining juggernaut, watch their environments crumble around them.



Jane Theobald

But here, in this scattered off-the-grid agricultural community in northern California, we have the advantage of being well-educated and highly organized. On this chilly February afternoon the Community Centre hosts environmental lawyers, seasoned political activists and knowledgeable scientists who rub shoulders with local artists and writers. But even this combination of education and dedication may not be enough.

## Fetish and addiction

My personal connection to gold is complicated. The necklace I wear has a story to tell: it is a delicate gold chain, handmade by one of my jewellery students when I ran the Applied Arts degree programme at Plymouth College of Art in Britain. This student wanted to work only with ethical materials. Together we set out to find some. I had been incorporating the ethics of mineral extraction into my teaching. Many students found it very hard to use conventional materials once they came to grips with how metals and gems were being sourced. The journey of exploration took me to Bolivia to see my first goldmine – a small but well-run operation accredited by the Fairtrade Foundation deep in the heart of the

**Precious blue: water is a treasured resource, but under threat from proposed mining, in the author's northern Californian community.**



beautiful Yungas National Park. Then on to the vast, industrial mines of South Africa with their generations of violence rooted in painful inequalities of apartheid. It eventually took me to northern California, the place I now call home, where the gold that made my necklace was dredged by hand by a conservationist intent on removing mercury from the river. Mercury had been used in massive quantities in the original California Gold Rush back in the mid-19th century to separate gold from ore and remains one of many toxic legacies.

Did we ever find ethical gold? Well, no. We found that there is enough gold above ground already to stay in perpetual circulation. We found that goldmining causes more environmental damage than any other form of mining. The amount of ore mined to get one measly ounce of gold is in the order of 20 tons. Quite a statistic to create a mere ornament. We found making jewellery is not the picturesque occupation we once imagined, but one that carries serious responsibilities, being on the end of a treacherous supply chain. Most gold is not used for jewellery but stored as bullion or some other 'investment' to ensure power and privilege remain intact. Gold is not mined because we need it but because we want it. Gold is a fetish – its possession an addiction.

Both Marx and Keynes referred to it as *auri sacra fames* – the sacred hunger for gold. The accepted wisdom has it that addicts cannot begin treatment until they are able to acknowledge addiction. Those addicted to stockpiling gold are in the grip of an ancient obsession. Their denial is deep and time-honoured. The addict is absolutely convinced that the drug is the solution not the problem; the resultant destruction a mere by-product of necessity.

Unfortunately, addiction frequently has the strength of insanity on its side – a desperate, passionate strength. As King Ferdinand of Spain told Christopher Columbus: 'Get Gold. At all costs.' Gold has been a major cause of war, enslaved and decimated populations, changed landscapes forever and usurped and poisoned waterways. When one sees the whole picture, any justification for continued extraction is as hollow as the excuses offered by those in the thrall of heroin or alcohol.

### Poisonous Rush

When the abundant gold deposits of the California Mother Lode were discovered in 1848 the resulting dash for gold – 'at all costs' – lacked the monumental cruelty of previous gold rushes. It did not require working slaves to death as Egyptian pharaohs had done to ensure their burial with enough gold to see them into the afterlife. Or the decimation of the

indigenous population of South America to sate the Spanish Crown's gold hunger. The story of California's Gold Rush is less one of systemic insanity, more of individual madness. Gold was no longer a matter for kings and demigods but part of a democracy of the free-for-all.

Within days of California being ceded by Mexico to the United States, a gold nugget was discovered near Sacramento. Hundreds of thousands of men and women poured across the California line. The nation desperately wanted to believe it could dig its way to the American Dream. More than 15,000 mines were developed in California during the gold rush, mainly underground. But an ancient

## When a gold nugget was discovered near Sacramento, hundreds of thousands poured across the California line desperately wanting to believe they could dig their way to the American Dream

technique first used by the Romans in Spain, known as hydraulic mining, using water to wash the bedrock, was also refined in northern California. Rivers were diverted to create highly pressurized water jets that removed entire mountainsides. The gold was recovered by complex washing systems involving mercury and cyanide. The remaining rock and silt was left to wash downstream along with the chemical residues. This eventually clogged the plains of the Central Californian Valley, poisoning farms and waterways. In some places the valley floor is buried 150 feet below the rocks.

The Californian Gold Rush lasted two decades. The ruinous effect hydraulic mining had on the farms of the Central Valley eventually brought it to an end. In 2014, although there are still vast quantities of gold in California, the Golden State is fortunate to have many other sources of wealth and could easily relegate goldmining to history. But we live in interesting times. Memories are dimly short and addictions extremely hard to break. The per-ounce price for gold is soaring. This magical source of power and wealth still beckons. And as the residents of the San Juan Ridge already know, there are still those for whom gold is more precious than water. ■

**Jane Theobald** is a jeweller, woodcarver, educator and restless traveller who left behind the Cornish coast to settle amongst the rivers and mountains of Northern California.

**Digging and panning for the elusive nuggets: a 19th-century image of a Californian Gold Rush camp.**



Mary Evans/Corbis/2004/CCF/Corbis



### PHILIP PILKINGTON on the delusion of worshipping the gold standard.

**When you descend deep down the rabbit hole** of goldbug culture you find some distinct personality types. Perhaps the most straightforward of these goldbugs come across as simple sales people – perhaps even con artists – looking to sell readers, listeners and viewers a financial position in gold or gold-related investments. Their mantra is that ‘fiat money’ is condemning us to a hyperinflationary apocalypse. Paper currency will soon become worthless. Society will then decompose. Only those clever enough to buy gold will come out on top – Kings of the Wasteland, laughing at the naive fools who had faith in banknotes.

Then there are some goldbugs who take it a step further and overlap with softcore (and not so softcore) conspiracy theorists. Such people also push the idea of hyperinflation but add in conspiracies involving dumbing down

the population through water fluoridation, advanced Skynet-like computer systems geared toward the extermination of humanity, or central banks run by members of the mysterious Illuminati.

Goldbug culture weaves fascinating narratives that seek to circumvent the reality of the political and economic systems under which we all live. It spins colourful tales whose emotional impact is based on a fearful paranoia and distrust of social institutions. At worst it tumbles into the pathological end of the political spectrum. But otherwise quite sane people can also carry around in their heads conceptions of how our economic systems function that draw their attraction from similar fantasies. This more modest make-believe draws its power from simple morality tales drawn from analogies with daily life – a government finances itself like any



ordinary household, 'money-printing' leads automatically to hyperinflation and so on.

All such fantasies have one thing in common: they speak to the certainty people crave in an uncertain world. Economic and financial systems are enormously complex and capitalism, improperly managed, has an inherent tendency toward instability. When the system unravels, people need to form narratives to explain what is going on around them. Such narratives can be grossly misleading and quite disempowering for those who cling to them. They are then seized on by those who seek to protect vested interests and utilized to ensure that people do not ask realistic, but dangerous, questions.

#### **Narrative breakdown**

Perhaps it is best to start in 1971, the year that the Bretton Woods system began to break down. The Bretton Woods system tied most of the world's currencies to the US dollar and tied the US dollar to gold. This situation worked extremely well for the US between 1945 and the late-1960s when it was running trade surpluses with the rest of the world. It did not work quite so well for underdeveloped countries who ran trade deficits, became indebted to the IMF and the World Bank and ruined their economies through the so-called 'stabilization programmes' that those institutions forced on them. The simplistic narrative that the era of the post-War gold standard was one of unqualified prosperity ignores the fact that the trade surpluses that allowed the US to prosper were mirrored by trade deficits and indebtedness elsewhere.

The Bretton Woods system broke down in 1971 when the US began to run trade deficits. It needed more imports from abroad in order to fight the Vietnam War which was becoming more expensive by the day. After a period other countries, most notably France, started to ask the US to repay its debts in actual gold. Knowing that the US was badly overextended, then-President Richard Nixon moved to close the gold window in August 1971. Since then most of the world economy has been operating by what is called a fiat currency system – one where governments decide how much money to print. Imbalances and distortions within the Western economies continue to grow.

Unfortunately, too many people, on both the left and the right of the political spectrum, draw a causal link between the suspension of the gold standard and such imbalances. But this link is spurious at best. A far better way to think about this is that as confusion set in around the suspension of the gold standard and the tectonic shifts then taking place in the world economy – most notably the rise of manufacturing giants Japan, Germany and later China – powerful forces seized an opportunity

to radically redistribute income. The monetary system responded to this by propping up incomes and hence the consumption of the bottom segment of the population by extending huge amounts of private credit. By 2008 this debt Ponzi scheme collapsed in on itself and stagnation set in. The underlying inequality in income distribution ensured limited consumption among 95 per cent of the population at the bottom of the ladder.

#### **Distraction and spin**

The bunker economists tell people that a return to the gold standard will solve our problems but it definitively will not. When household consumption collapsed in the wake of 2008 the government had to step in to provide spending to keep the economy afloat and the unemployed fed. A gold standard would merely lash constraints on government finance, cut off this lifeline and send the world economy into a tailspin. This is exactly what those on the extreme right wing want, because it would mean that they could engage in austerity programmes like the one thrust upon Greece. This, in turn, would allow them to demolish large parts of the welfare state and strip the government of its assets through privatization programmes.

In order truly to understand the forces that led to the 2008 crisis we must understand income inequality. With wealth concentrated so heavily at the top-end of town, most people have no choice but to borrow to maintain their living standards. If we simply cut off this borrowing by trying to constrain money creation, these people will lose the two lifelines they have left – namely, government services and access to credit – and the economy would collapse completely. If we want to deal with the imbalances that lead to overextensions of debt we have to go right to the cause: inequality.

Too many are fooled by the simple narratives spun by bunker economists. Scared and confused, they become distrustful of government institutions and turn in on themselves, hoard gold (if they can afford to) and become disengaged from the political process. Unable to understand the complex problems we face, they turn to shyster investment managers who prey on their fear or to conspiracy merchants who misdirect their attention away from reality and toward Hollywood-like fantasies. Gold is nothing but a shiny distraction – a glistening lie that lulls people into feeling a false sense of stability in an unstable world. Our world remains unstable precisely because those in power have built it that way. ■

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**Bunker economists tell people that a return to the gold standard will solve our problems. It would merely lash constraints on government finance and send the world economy into a tailspin**