

NBS discourages gold

William R. Henry, Chairman and President of National Bank of Southfield, offered some advice to those considering gold purchases.

"National Bank of Southfield will not actively trade in gold and we will not recommend same to customers," Mr. Henry said. "However, if a customer wants to purchase gold, NBS will arrange for the purchase and has vault capacity for its proper storage."

Henry pointed out that gold is a commodity and is highly speculative. He does not recommend its purchase as an investment due to the abnormal risks involved in purchasing the metal.

"We are viewing it as a service to NBS customers," said Henry, "but we're warning customers that we consider it a highly speculative investment."

"In order to protect the gain relative to wealth from holding gold as the world collapses, an additional purchase is necessary — an automatic weapon and rounds of ammunition."

— William Henry,
president National Bank of Southfield

"IF OUR CUSTOMERS have made up their minds to buy gold, we will arrange to get cost quotations from our banking sources. These quotations will include all charges, such as shipping, assay costs, handling charges and other costs."

"These additional costs can be as much as 25 percent of the actual cost of the metal itself," Henry

continued. "And gold purchases must be fully paid in advance of delivery."

"Everybody's geared for gold except the customer," Henry said.

The NBS president advised potential buyers of gold to keep their gold in bank vaults or be prepared to pay an additional assay fee when they re-sell the metal.

"As long as the gold is kept in bank vaults under the trust receipt, the original assay is acceptable at re-sale. But if the owner takes the metal home, it must be re-assayed," Henry said.

"GOLD HAS BEEN a forbidden fruit for more than 40 years," Henry observed. "But as of Dec. 31, Americans are again able to own the metal. There is excitement and a smell of profit in the air as potential suppliers gear up to supply gold, and potential buyers debate the pros and cons of ownership."

"No one knows yet whether the newly won right to indulge in the precious metal purchases will lead to a land-office business or just a passing fad."

"One can, however, make some prejudgments based on a blend of logic and a working knowledge of the driving motives — avarice and fear," Henry asserted.

"There are two arguments for owning gold," he said. "The pri-

mary one assumes that inflation is the eternal enemy and because gold is considered to be better as a protector of purchasing power than anything else in an inflationary world, the price of gold will continue to soar, perhaps to \$300-\$400 an ounce or even higher.

"The backup or clincher looks for chaos and collapse as the reason to hold gold. This argument asserts that the world is entering into a deep depression; governments may crumble and their currencies will become worthless."

In such times, this argument assumes, the recognition of the intrinsic value of gold ensures that it will always be accepted, even if dollars are not.

"BUT THESE arguments have not been validated by experience," Henry continued. "It has not worked well as an inflation hedge, whereas financial assets have protected purchasing power through the price premium embodied in market interest rates."

"But what if inflation does not turn out to be the problem?" Henry asked. "What if the fears are of depression and perhaps collapse of the total political system? The value of a gold hoard depends on just how bad things get."

"If depression, widespread bankruptcy and inflation are the order of the day, but the political system holds — with it the currency — the best thing to hold is cash in savings or government securities. Then the value of everything else — commodities, art, jewelry, land — will fall relative to money and bargain will abound for those few lucky enough to have cash."

"If gold is monetized, it does no better than cash; if it is a mere commodity, it will do substantially worse."

"IT IS ONLY when a political system collapses and its currency ceases to be accepted that a gold hoard would pay off," Henry continued. "And in this extreme case, gold futures, or bullion in a vault, are likely to be worthless because they probably would not be claimable."

Gold buried in the cellar will be the thing to have. But then in order to protect the gain in relative wealth from holding gold as the world collapses, an additional purchase is necessary — an automatic weapon and rounds of ammunition."

"The law of avarice drives wealth holders into a diverse array of assets, from stocks to antiques. This distribution is determined by the rates of return available from each and the wealthy keep shifting the variety of their holdings until the risk-adjusted rates of return are equalized across all available possibilities."

"This suggests that large scale purchases of gold will take place only if the expected rate of return for gold at current prices is greater than that available from any other financial or real assets, including gold coins and silver that are already legal to hold."

"Clearly, some people will buy gold and there may be a big surge in demand in 1975, but, in light of the above considerations, the potential profit in holding gold is questionable at best," Henry concluded.

Taubman opens new center

The Southfield-based Taubman Co., Inc. general contractor and leasing agent for the Lakeside retail development center in Sterling Heights participated recently in topping off ceremonies for the multi-level commercial center facility.

The ceremonies signaled the beginning of final construction stages for the 1.4 million square foot enclosure which will house Crowley's, Hudson's, J. C. Penny's and Sears department stores. Tenants will include approximately 140 specialty shops and services.

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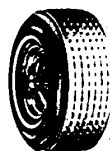
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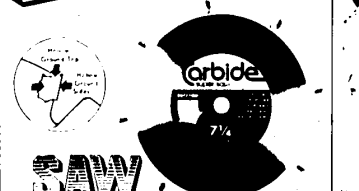


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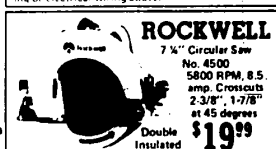


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