
BOOK REVIEW: All that glitters . . .

The history of man and the metal

The Power of Gold: The History of an Obsession. By Peter L. Bernstein. Foreword by Paul A. Volcker. John Wiley & Sons, Inc. 372 pp.

Reviewed by Linda Park, MLIS, risk management program coordinator, First National Bank Alaska Anchorage, Alaska. From the reviewer: "This review reflects my own opinions about the book and its contents; it does not represent or reflect the views of my employer."

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The Power of Gold was originally released in 2000. The late Peter Bernstein was not only an renowned economist but an avid historian. In 2000 all was well in the world of banking and finance, and then, the gold ball of finance dropped and became tarnished (which real gold does not actually do) in the eyes of the public.

Much has changed since the boom days. You don't have to go far to see shops set up to buy gold and silver, or to see their advertisements, for instance. What better time in the world of banking and finance than 2012 to again release the Power of Gold: The History of an Obsession? This re-release includes an outstanding foreword written by Paul Volcker.

True confessions time: I am not by nature a history buff and it was one of my worst subjects in school. I am not into reading long books that I actually learn from, but read more to, in a word, escape. However, I found myself totally absorbed in this book to the point of looking up unfamiliar words, and reading some of research supplied in Bernstein's extensive bibliography.

The amount of research Mr. Bernstein did for his book is beyond mind-staggering. I felt as if I was transported with words from the first discovery of gold as something of value and status in B.C. to current times with gold at or close to an all-time high.

Gold and its pull

As a native Californian and now proud to be an Alaskan, I have heard about gold mining all my life. Both of my states, at times in their history, formed the center of various gold rushes. I think on the trials, the errors, the elation, the despair. Is it any different in the current world of finance and banking? I don't think so.

In the author's own
words…

"Hoarding is similar to buying an insurance policy. Like an insurance policy, hoarding gold has a cost, for the idle metal earns nothing. However, you sleep better knowing that you hold some kind of a hedge against the chance that the catastrophes you fear may actually occur."

--Peter Bernstein

It is clear reading this book that gold is power, and is an obsession. From the ancient rulers who adorned anything and pretty much everything in gold at the expense of those who mined it, to the obsession of those in the 1900s that hoarded it.

Bernstein has written that rarity, a very informative, well-written, very-well-documented economic page turner. As he advances the reader through the centuries, through the history of finance in the world, it becomes clear that history does indeed repeat itself. Some section headings help preview the drama: "Prologue: The Supreme Possession"; "A Metal for All Seasons"; "The Path to Triumph"; "The Descent from Glory"; and "Epilogue: The Supreme Possession?" The chapter headings can be equally dramatic: "The Sacred Thirst"; "The True Doctrine and the Great Evil"; and "World War Eight and the Thirty Ounces of Gold."

His footnote comments throughout the book are both insightful and at times hilarious.

For all the gold in
Fort Knox

Later in this book, it appears from his writing and research that the wealth of a country depends on the amount of gold it has. Does it really? Keep reading.

In 2012 is gold now more of an adornment than a show of wealth? Early on Bernstein states "In the process of doing research for this book, I tried to obtain access to the U.S. official gold reserve at Fort Knox, Ky. I was told it is an army base and that no visitors are allowed. The U.S. Treasury reports that we own \$11 billion in gold, but if nobody can get down there to have a look, how do we know that the gold is really there?"

We Americans trust that it is. Just as we as bankers trust in the banking system as a whole, though we all touch only a tiny part of it individually.

Our world has gone from precious metal currency, to coin and paper, to plastic. What is next?
As bankers, we are asked to do more with less, to be safe and profitable, to understand and implement new and ever-changing regulations.

In the course of its long, detailed discussion, the book prompts questions of what we may see in the future. It is thought provoking, to say the least.

For example, as noted in the Forward by Mr. Volcker, the price of gold is five times what it was a decade ago and 50 times the value it was in the 1960s.

The power of gold, it is a history and it is an obsession.

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