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Taking some shine off gold's allure as investment

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Gold has traditionally been seen as the ultimate store of value. But for some time this belief has been up for debate. While gold bulls continue to push this line, sceptics take a different view, preferring equities or property as more effective inflation hedges. These assets have the merit of yielding income as well.

An article on CNN Money recently took a close look at the merits of the precious metal as an effective hedge against inflation. "Though gold briefly outpaced other assets when consumer prices spiked in the 1970s, over the past century gold has often performed worse, after inflation, than stocks and bonds."

The article noted that lower-returning assets were supposed to expose you to less risk. But Duke business professor Campbell Harvey, noted gold "is so dangerously volatile it cannot be relied upon to provide a hedge for inflation or disaster", according to CNN.

The show provided examples. "Gold plunged about 33 percent between October last year and June, wiping out more than two years' worth of gains. Harvey adds that over the long sweep of history, the price of gold has averaged about \$800 (R8 300) an ounce in today's dollars."

Part of the argument depends on how you define the long term. "Harvey found that 2 000 years ago Roman centurions received salaries in gold worth about what similarly ranked US army officers earn in dollars today. Trouble is, except maybe for Mel Brooks, people don't live 2 000 years."

Gold's role has also been undermined by the low levels of inflation globally despite the quantities of cash sloshing around global markets after five years in which central banks have pushed money into their markets. At some points it has seemed as if deflation rather than inflation would be the real threat.

But inflation is not gone for good and there will always be people who are bewitched by the romance of gold.

ICT policy

Some progress appears to have been made in charting a comprehensive national vision in information and communications technology (ICT). The ICT Policy Review Panel said yesterday that it had hosted an inter-departmental workshop in Pretoria, which was the next phase in engaging people in a series of activities in the review of the country's ICT policy.

Few successes have been ascribed to Dina Pule, who was recently relieved of her title as minister of communications and is probably more famous for the allegations of corruption against her and her links to a murder plot against members of a government committee that were investigating the allegations. Ironically, the panel established by Pule last year has been operating successfully.

A statement published by the panel said that the participants in the workshop were from the departments of Science and Technology, Basic Education, Higher Education and Training, Health, Trade and Industry, Home Affairs, Public Service and Administration, and Arts and Culture, as well as the Independent Communications Authority of SA – often described as the toothless industry regulator – and the State Information Technology Agency.

The comfort is the acknowledgement that the policy overhaul should not take place in a vacuum and that the policies formulated by the Communications Department were a critical enabler of the machinations of business and the wider society.


Joe Mjwara, the chairman of the ICT Policy Review panel, said the workshop was for the panel to hear what other departments were conducting in ICT, their priorities and what they required to ensure that service delivery was faster and more efficient. The challenges highlighted by the departments were shortages of specialist skills and the costs associated with the use of ICT. Mjwara also acknowledged the

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useful ICT research already available and the need to avoid duplicate research.

Fracking

Fracking for natural gas in the Karoo is undoubtedly a controversial project, which was yesterday acknowledged by the Cape Chamber of Commerce executive director, Viola Manuel, who admitted there were "different opinions within the chamber" on the topic.

"What is clear is that it will be a big decision and before decisions of this nature are made, we need to put all the facts on the table. If there is as much gas as the US Department of Energy thinks there is (about 485 trillion cubic feet) it will be a game changer with the potential for a huge positive impact on the economy."

If the gas was limited "we may be better served by our own offshore gas and imports from neighbouring countries," Manuel argued.

The problem was that South Africa would not be able to make that decision until it had confirmation of the size of the resource.

Following the chamber's recent energy symposium, it was clear that the country had no option "but to bring gas into the energy mix" because it could be done quickly, she said. It could also be done relatively inexpensively and was an "ideal complement" to renewable energy. "In fact, without gas back-up, wind power makes little sense. Increasing the use of gas for power generation and other industrial purposes will do a great deal to reduce this country's emissions."

On the plus side, shale gas was of geopolitical importance. The US had been able to end oil imports and the influence of the "infamous" Opec cartel would now disappear.

"Cartels are bad news at any time." South Africa, with a plentiful supply of gas, could drastically curb oil imports, reduce pollution from coal "and do wonders for our balance of payments".

Perhaps Manuel's best advice was to maintain a cool head while a rational debate was held about fracking. "We need information not emotion." page 20

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