China’s gold holdings should be adjusted to a tripling of

What does this mean for China? Gold may be a barometer of the success or failure of economic policy. Investors in the barometer, it is better to adopt a responsible economic policy.

Economic policies

As long as China pursues a prudent economic policy, its existing gold reserves sufficient to ensure the normal operation of the economy. In fact, a sound economic policies smooth operation of the economy and may even do not need any gold reserves. Think: China has more gold reserves can develop better and faster? Probably not. Next, we have to think about whether China will be better depends on the foreign exchange earnings of gold, the dollar or the euro.

The safest way is to governments and individuals to follow sound economic policies. First, governments, businesses and households should be appropriate to borrow. Second, the Government should strive to eliminate the long-term deficit. Third, China should maintain a modest trade surplus. Fourth, the Government should ensure that the social welfare system (such as pensions and health care) is sustainable.

We may be difficult to find a country’s gold reserves and its economic health of a direct relationship. Follow is the fundamental strategy of prudent economic policies.

Author: Claude B. Erb, Campbell R. Harvey

Note

Erb, Claude B. and Campbell R. Harvey, 2013. The Golden Dilemma For more interesting information, obtained through the following links SSRN: http://ssrn.com/abstract=2078535

(Translation: Wang Xiaolu, Duke University, Department of Economics, Master Grade)


in April 2009, China announced the purchase of 454 tons of gold. However, the acquisition lasted six years, equivalent to an annual purchase of 76 tons.


Erb and Harvey (2013) pointed out that if the price of gold to revert to its mean value, the
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target price will be $ 780.

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