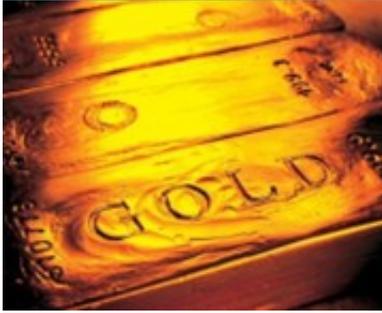


Detail - articles



Mankiw: Only one reason to hold gold

August 2, 2013 15:37

Author: **Editors** , Patria Online

A friend with me a few weeks ago he asked whether he should do his investment portfolio include gold . This issue started to think after watching the rapid changes in the price of this metal, which occurred in the past. In 2005, the price of gold at \$ 500 an ounce in 2011 to \$ 1800, then dropped to the current 1300 dollars . Instinctively, I wanted his question answered in the negative. Like most economists, that I know myself pretty boring investor. In my portfolio occupy 60% stocks, 40% bonds , mostly in index funds with low costs. Whenever I see a celebrity on television offers gold coins, shaking his eyes. For me, the accumulation of gold like stockpiling ammunition and in anticipation of the apocalypse. I did not want to take my advice was based only on feelings. I know that some investors see gold as a key part of their portfolio. For example, Richard Fisher, who acts as president of the Federal Reserve Bank of Dallas, communication held by the Fed in 2012 gold valued at over one million dollars . So I dove into the academic literature focusing on this commodity and found the following: Zlata is not much. According to estimates, The World Gold Council, a total of 174,100 tons mined. If this amount divided by the world population, we get less than one ounce per person. According to a recent study from the National Bureau of Economic Research, carried out by Claude B. Erb and Campbell R. Harvey, but the value of gold reaches about 9% of the total market capitalization of stocks, bonds and gold in the world. Approximately half of the gold is held in the form of jewelry, about 20% of the central banks. If we wanted to establish the proportion of gold in our portfolios on the available quantity stood by his weight about 2%. fair return on gold is low. In the long term, although its return exceeds the growth of consumer prices, but only slightly. Robert J. Barro and Sanjay P. Misra estimates that between 1836 and 2011, earned gold in real terms was 1.1% per year. Short-term government bonds, then the estimates generated by the 1% return, long-term bonds 2.9% and 7.4% shares. Erb and Harvey used the original scale very long-term development of the price of gold . Compare the salary of the armed forces by the Roman emperor Augustus paid one legionaries and centurions 40.9 ounces of gold . The U.S. military reaches today's salary Soldier and Captain 38.9 ounces of gold . Over the last 2000 years as a major change occurred. price of gold is highly volatile - his return is close to the one return on short-term bonds, volatility but rather resembles the volatility of the shares. This investor could lead to the fact that this asset completely avoid. But there is one factor. This diversification and the fact that the price of gold on the one hand and the prices of shares and bonds on the other hand, there is little correlation. Its inclusion in the investment portfolio can reduce overall investment risk. It's hard to say what part of the portfolio it should be. From my aversion to gold but I dropped it and in my opinion, for example, that 2% of the portfolio may make sense. *author is N. Gregory Mankiw, who is a professor of economics at Harvard.*

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