



Politics The US wants to cash its gold reserves

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America has exhausted the limit of borrowing to cover the budget deficit By Andrey Terekhov

Yesterday, the US reached its borrowing limit of funds to cover the budget deficit. President Barack Obama has warned about a risk of a new serious recession in the US and a collapse of the global financial system unless Congress allows the US government to continue borrowing. US economists suggest resolving the problem of money shortages through the sale of federal assets and gold reserves. However, Nezavisimaya Gazeta's (NG) experts advise not to succumb to alarmist sentiments.

Obama's new warning was issued on the Sunday talkshow "Face the Nation."

"If investors around the world thought that the full faith and credit of the United States was not being backed up... it could unravel the entire financial system. We could have a worse recession than we already had," said the president. White House officials believe a catastrophe is bound to happen, unless Congress is able to raise the debt ceiling.

In essence, Washington fears a technical default. The current US sovereign debt threshold of \$14.3 trillion was established by legislation that was adopted by Congress in February 2010. This law secures the bonds issued by the US Treasury. When the limit is reached, the US treasury loses the right to issue new debt. Meanwhile, it constantly needs money: to meet its obligations, the government needs about \$125 billion a month. It has been predicted that the budget deficit will amount to a record \$1.6 trillion in this fiscal year. Thus, the US is forced to continue increasing its debt.

The US Treasury has warned that through "extraordinary measures" (including by borrowing from the federal pension fund), it will be possible to make it until August 2. Against this background, various ideas are being expressed in the US on how to come up with the money. Yesterday, the Washington Post reminded readers that the US is by far not a poor country. The federal government owns about 650 acres of land (nearly one-third of the country's territory), 1 million buildings, energy companies, as well as the interstate highway system.

And finally, in the legendary Fort Knox, the US keeps its gold reserves of more than 147 million troy ounces (5,046 tons). Today, an ounce is sold for \$1,500.

"Given the high price it is now, and the tremendous debt problem we now have, by all means, sell at the peak," says Ron Utt, a senior research fellow at the Heritage Foundation, a conservative American think tank.

Chris Edwards, director of tax policy studies at the Cato Institute, has a similar view point.

However, Russian experts believe that the situation is not so dramatic after all.

"Today the US does not need to start selling its gold reserves and major federal assets," the director of the Center for North American Studies at Imemo, Elina Kirichenko, told NG. *"That would be a dangerous move able to undermine confidence in the country's financial system."*

NG's source noted that the US Congress has never denied the government the right to raise the debt ceiling. An approval will be granted from legislators after difficult political negotiations between Republicans and Democrats, she says. Loud alarmist statements are an important weapon in political struggles.

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According to Kirichenko, the US's debt-to-GDP ratio continues to be lower than in other developed countries. The most vulnerable part of the debt – owed to non-residents – amounts to about one-third of the total burden (the remaining two-thirds are owed to American individuals and companies, as well as account for federal trust funds). Meanwhile, the expert believes that the sudden dumping of US securities by foreign investors is unlikely. For now, there is not a more attractive object for secure investments. In times of crisis, these investments are regarded as less profitable, but risk-free.

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