

The Gold Bug in All of Us

By [The Mogambo Guru](#)

11/29/04 Someone dares to disagree with The Mogambo...and he takes it all in stride. Has the Mogambo lost his edge, or does he realize that there is some validity in another point-of-view?

Alert reader Jim E. sent me a New York Times article by a guy named James Surowiecki, who has written an interesting article: Why Gold? Jim thought the guy was the "dumbest S.O.B that ever lived" and of course, I was excited to hear about a guy who was a bigger and dumber S.O.B than me!

So, I go to the link that Jim provided, and was sped, straightaway, to the very article to which he referred. I never heard of this Surowiecki guy, and I assume that it was some dumb filler by a new intern or something, but it was an interestingly told, but old story, with a distinct bias, about how gold is just a metal, and when you buy metal you are not investing in plants and machinery and production, and how gold is the ultimate in speculation and blah blah blah. He deems belief in gold as "a testament to the tenacity of popular delusion. What is gold, after all? Strictly speaking, it's a commodity." Well, duh! He then goes a step over the line when he dismisses me, as "Gold bugs are classic cranks." Although he did not mention me by name, if you read between the lines you could easily tell that he WAS talking about me! The bastard!

The dispiriting thing is that he makes some valid points about gold. For example, "Gold's buying power has plummeted," he says. "In 1980, ten ounces of gold would have bought you a nice car. Today, it would get you a nice bike." I don't know where he buys HIS bikes, but around my house we don't spend \$4,450.00 for no stinking bike, especially when there are so many perfectly good free bikes just sitting, abandoned, in neat little rows next to schools and playgrounds! Weird, huh? (I figure it is part of some space alien thing or another. My warning is "Watch the bikes!") But I am not going to begrudge the guy just because he can afford fancy-schmancy bikes, while I am on this pink My Little Pony bicycle that is four sizes too small for me, but which does have this handy little white plastic basket in front, and featuring a smiling pony with a rainbow-colored mane.

James Surowiecki: Gold, Gold, Gold, Silver, Silver, Silver, Oil, Oil, Oil

But with a slightly different perspective, Peter Brimelow and Ed Rubenstein, of CBS.marketwatch.com, write, "The remarkable thing about gold is that really has been a store of value. Adjusted for inflation, a dollar invested in gold in 1801 has fluctuated around about a dollar ever since. For now, the point is that, on the evidence of these charts, gold is hardly overvalued." And from the look on The Mogambo's face and the way he is pounding the table trying to convince you to buy gold, gold, and silver, silver, silver, and oil, oil, oil, there is also some evidence that gold is waaayyyy undervalued. Both these guys are saying so! And while we are talking about it, so is silver, which has the most compelling fundamentals of any asset on the planet.

But even Mr. Surowiecki admits, "So there's a little bit of the gold bug in all of us." Then he goes into the very reason to own gold, "Still, in a world of 'swaptions' and strips, gold's allure is increasingly atavistic. The idea of gold as a platonic currency, universally valuable across time and space, reflects a basic distrust of markets, a fear that in a world of paper money wealth is just an illusion." Yes! Yes! That's it exactly! Fear and illusion and distrust! And don't forget treachery and bankruptcy and ruination! That's the whole lesson of history of economics! And if Mr. Surowiecki doesn't like it, then that explains perfectly why he is writing in a Leftist newspaper, parroting the typical Leftist dogma that governments are to be trusted, and that the Founding Fathers were wrong when they insisted in the freaking Constitution itself that money shall ONLY be silver and gold! The guys who participated in the American Revolution and created the freaking government did not trust government, for God's sake!

Now everyone is looking at me and quietly arming themselves with baseball bats and those damned Tazer zappers because they can tell that I am getting pretty wound up here, and those little tattletale machines I am hooked up to are all going "beep beep beep!" With a mighty effort, a Mighty Mogambo Effort (MME), I calm myself down, my brawny chest and broad shoulders heaving mightily, and I take a deep breath, flip the selector to full-auto and shoot off a clip of expensive bullets into a bush that is acting strangely. He goes on: "For gold bugs, paper money turns us all into Wile E. Coyote – we're running on air, and we'll plummet once we look down and realize there's nothing holding us up. The gold bug's apocalyptic mentality maintains that someday the global economy will look down and the result will be chaos. Gold is the only thing that will still be valuable after the bottom drops out." Yes! This is it! Get this Surowiecki on the phone! Ring ring ring! Damn. Nobody home, and he forgot to turn his answering machine on. So, if you see this guy, tell him that the Mogambo says, "Yes! Exactly right. Mr. Surowiecki, if that IS your real name! This is the reason that people own gold! And it is the reason that ALL thinking people eventually own gold, too, because all that stuff you talk about is what WILL happen, not only to Wile E. Coyote, but to us, too, because that is what DID happen ALL the other times in history, and that is why I am so sure that it will happen again, just as sure as I am that a fat dog will eat a hamburger!"

James Surowiecki: A Long Way off

He sums up: "One could say that gold is the biggest, most durable bubble in history. Someday, even this one may pop." To that, he is also right. But that day is a long way off, as we have not even gotten a good start on paying penance for the economic sins that we have committed, a particular circumstance for which gold is particularly suited.

And we committed these economic and financial sins against our own Constitution, against the Laws of Economics, against all of economic history, against common sense, and against the wishes of The Mogambo, all of which proves that we are a monumentally stupid race of people. And if you examine the Laws of Nature, you will notice that she is not kind to the stupid. In short, we deserve to be eaten, so that others, who are more economically fit, from a Darwinian perspective, may survive. And then, Mister Smarty Pants Journalist, what are YOU going to do?

For the last 5,000 years in a row, all the people who needed an answer to that question always came back to gold, because there IS nothing else. But many will come to appreciate that fact too, too late. Ugh.

Regards,

**The Mogambo Guru
for The Daily Reckoning
November 29, 2004**