

Never Enough Gold Jewelry

By [The Mogambo Guru](#)

11/26/07 It's no secret that the Mogambo is insanely bullish on gold – well, at least, it's no secret that he's insane – but in the essay below, the Masked Economist explains why gold is such a good bet.

Ambrose Evans-Pritchard at [The Telegraph.co.uk](#) reports that the U.S. Academy of Sciences calculates that "some 26 percent of all the copper and 19 percent of all the zinc that ever existed in the earth's crust has already been lost to mankind, mostly wasted in milling or smelting or buried in landfills."

Gregory Wilkins, of Barrick Gold, says that the same thing is happening in gold, as "Global mine supply is going to decrease at a much faster rate than people generally believe. Many of the new mines that people are anticipating will never come into production."

Kevin McArthur, chief executive of Goldcorp, is quoting Mr. McArthur as agreeing, and that "global output was on a relentless slide."

The point of the whole thing is that "The era of 'peak gold' has arrived", which is truly momentous, because it means that the "easy to get at" gold has been gotten to, and the rest of the gold left in the earth is harder to get to, and thus the rate at which gold is being discovered, has collapsed when compared with the old days, which is just like the collapse in new discoveries of oil, which is where you get the phrase "peak oil", and they both have crucially to do with how a rising demand growth curve and a falling of supply growth intersect at that place called Lonely Street. Oops! Sorry! That's Elvis Presley!

I mean, falling supply and rising demand intersect at that precise point that is scientifically referred to as "Expensive like you wouldn't freaking believe!" And since everything from fuel to fertilizers to plastics to medicines to everything you can name under the sun is made from oil, then you are going to see inflation in prices like you will not freaking believe, which means that the currency will buy less per unit like you will not freaking believe, which means that people are going to be hungry and broke and miserable and rioting like you will not freaking believe.

And here is where I reveal why I am so insanely bullish on the future of gold, and how I am actually salivating at the prospect of having so much money that I can spend my time gallivanting about in a carefree manner, playing golf, and hiring lawyers to, as my old high school said in its school song, "fight until we have victory, and all our enemies have gone away", which I always thought was kind of a stupid creed, since my enemies could be massing just over that hill in preparation to attack us, and our best course of action is to immediately track them down and kill them all in a frenzied orgy of blood, and then dance like ghouls on their dismembered bodies, swaying to the hypnotic sounds of captivating rhythms on the bass line, but they called me mad! Mad! Hahaha! I'll show them madness!

But this is not about stupid sanity hearings or about psychiatrists recoiling in horror at what I "see" in their stupid ink blots, or how traitorous neighbors and family members are lying their heads off in their testimony, but about why I am so bullish on gold. Easy. Mr. Evans-Pritchard reports that inflation is hitting gold mining, too, and "Costs are rising at \$60 an ounce annually. They will average \$460 by next year. From tires to diesel fuel and the geologists' salaries, mine inflation is running at 15 percent."

Inflation of 15 percent! Yow! At that rate, dividing 15% into 72 as per the "Rule of 72", this means that costs will double in about five years! That means that it will cost \$920 an ounce to mine gold in five years, which means that gold is selling right now for \$140 below the cost of mining gold in five years!

And while supply may be falling, Junior Mogambo Ranger (JMR) Ed S. sent me a posting from the Gold Anti Trust Action Committee that Reuters reported that "Global gold demand in the third quarter rose 19 percent year-on-year to 947.2 tonnes on the back of robust inflows into bullion investment funds and improved jewelry consumption, industry-sponsored World Gold Council (WGC) said on Thursday."

Even more significant, Milling-Stanley said, "The increase in investment demand has replaced jewelry buying as the major source of growth for the third quarter." It was then that I wished if I knew of any time in my whole freaking life when some woman ever said to me, "Don't buy me any more jewelry! Buy gold bullion as an investment, instead!" And I laughed.

The details, in case you are interested, are that they all wanted more jewelry, and that their wishes were answered, in that "Total gold supply for the third quarter was 1,045 tonnes, up 16 percent year-on-year due to significantly increased official-sector sales."

And in a related news item, the St. Louis Post-Dispatch reported that some outfit called Missouri Coin "sold seven times as much gold and silver as it did a few months earlier." Wow! A 700% increase!

And this is seemingly borne out by Junior Mogambo Ranger (JMR) Chad K., who writes, "I went to purchase some silver today. There is now a 4-8 week waiting period and prices cannot be locked in." She says that "I am glad I started listening to you weirdo gold bugs a few years ago and purchased when the dealers actually had some."

Me, too, Chad! Me, too!

Until next time,

The Mogambo Guru
for *The Daily Reckoning*
November 26, 2007

Mogambo sez: If it weren't for gold, we would be in a mess with no place to go for safety. If it weren't for silver, we wouldn't have such a startling upside potential.

And if it weren't for corrupt people in and out of government who have created the mess, neither one of these assets would make us as filthy stinking rich as they are going to make us, as the ultimate value of fiat currency is always literally zero, meaning that when all the money is gone, the skimpy 5 billion ounces of gold extant in the world will be, theoretically, ALL the money, and the people who have some of it will have their share of everything! Wheee