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What is a Gold Bug?

by The Mogambo Guru

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A guy wrote to John Nadler of Kitco and asked, "Who were some of the gold bugs who were persisting in recommending gold bullion despite a two-month decline that so far has taken more than \$200 off the price of an ounce of the yellow metal?"

Instantly, I knew that he was talking about me! Mostly because I never stopped recommending gold and silver ever since the Federal Reserve started going freaking bananas in creating excess money and credit in 1997, and are still doing it today. So it's me he's asking about! Me!

Mr. Nadler ignores me waving my hand to let this reader know who was recommending gold (and still is) and he ponders, "This question got me thinking about what makes a gold-oriented adviser a genuine 'gold bug'?"

I wave my hand excitedly in the air even more excitedly! I know the answer to that one, too! A genuine gold bug is a person who is emboldened by knowing that 4,000 years of continuous economic history proves that EVERY fiat currency has failed, as they will always fail, and that gold will rise, just like it always has, because people have always turned to it as a last resort against losing everything that is still denominated in the depreciating currency! It's a 100% guarantee! How can you NOT be bullish?

Again, Mr. Nadler ignores me, and says, "The best answer I could come up with is that a gold bug is someone who will remain bullish on gold, come what may", which he typifies with the anecdote about a newsletter editor who predicted gold would rise when, instead, it fell in price. When "asked why gold had continued to fall, despite persistent predictions that it would rise, this editor said that it was the market, not he, that had been wrong."

That's right! The market was wrong! My theory is that if the market wasn't consistently wrong, then prices would never change!

Well, apparently nobody is interested in my Stupid Economic Theories (SET), but just look at when the price of gold was at about \$750 an ounce, especially since it was \$20 an ounce at the beginning of the last century, for crying out loud! Is there another freaking asset that you could have held that long that rose as much, and while incurring no expenses or taxes whatsoever? No!

I know he sees me out here, waving my hand like some demented doll in a whirlwind, and he knows that I also know that there is a concerted, coordinated effort on the part of central banks, the International Monetary Fund, the Bank for International Settlements and many others to restrain the price of gold, as they have actually admitted over and over again, and thus the price of gold is artificially low.

So that is probably why Mr. Nadler then said, "Part of that world is the possible existence of conspiracies, including governments and central banks that might want gold to decline. I don't necessarily disagree with that. But, in my opinion, it should not be used as an excuse for an incorrect forecast." Hahaha!

I say, "Wow! This guy grades tough!" Stung, let me see if I have this right so that I might learn from my mistakes; I know that people I don't know are conspiring against my asset of choice with plans that are unknown to me, and yet if I get bushwhacked by them, it's my fault?

You can tell he doesn't want to get into the "fault thing" or my appalling lack of manners, and says that his opinion is such that "if you're looking for an adviser who will tell you when to get in and out of gold, then that adviser should be judged according to whether he was correctly anticipated the rallies and declines."

At this, I wave my hand even more! I can tell you the answer to that, too! You get into gold with a dollar-cost-averaging investment plan when excess money and credit are steadily being created by the Federal Reserve, because this extra money is going to cause inflation in prices, and gold always rises as a traditional hedge against inflation because, well, it always has! Always!

And to finish answering the question, you think about getting OUT of gold, years and years later, when interest rates are well into double digits, everything has turned to crap, gold is selling at astronomic levels, and people run around screaming, "That Rude And Disgusting Mogambo (RADM) was right! We're freaking doomed to a horrible death by inflation in prices that comes after the horrifying increases in money and credit! I wish I had some gold and silver now! And a burrito would be nice, too!"

But again he ignores me, and says, "Several themes emerged that became telltale signs of at least gold-bug-like tendencies. One is the notion that gold's fluctuations don't really matter, since we ought to be investing in it as a long-term hedge against currency devaluation."

Now I am waving my hand, because that is exactly right! Exactly!

"What I am looking for in an adviser," he says, not looking at me, "and what I presume most investors are too, is someone who can accurately and objectively assess the world as it is and, after taking all relevant factors into account, make a profitable forecast about what is going to happen. Part of that world is the possible existence of conspiracies, including governments and central banks that might want gold to decline."

By this time I am bursting, and I shout, "That's me! I can tell you EXACTLY what is going to happen 'after taking all relevant factors into account', because what is going to happen is the same thing that ALWAYS happens when an idiot government starts creating, or allows to be created, excess money and credit, which is that the money in question will expand and expand, and end up with zero purchasing power while gold, when priced in a currency that has no purchasing power, soars to infinite levels when priced in that currency, and that is what has always happened, anyway, and that is why I am 100% sure, dead-bang sure, no-doubt-about-it sure, can't-miss sure that it will happen again!"

And not only that, but the statistics prove that making a profit by short-term trading cannot really be done, especially by the overwhelming majority of those that try, and those that do make a few bucks usually seem to be insiders somewhere.

In fact, accumulating gold bullion during a booming expansion of money and credit using a dollar-cost-averaging buying program (where you buy gold with a fixed percentage of your income on a regular monthly basis, which means that you automatically buy more when it costs less and you buy less when it costs more) will kick the living crap out of the accumulated gains of any trading strategy you can name over the long term, just like it ALWAYS kicks the butt of all the other trading strategies!

And when you add the money you save due to bullion's complete lack of any additional expenses for "account fees", "customer fees", commissions and taxes due on the short-term gains all along the way, there is no other investment strategy that even comes close!

And betting with gold against a fiat currency in the hands of politicians is the biggest no-brainer on the planet! Whee! This investing stuff is easy!