

An Economic Certainty: Gold to Rise as Fiat Currencies Fall

By [The Mogambo Guru](#)

11/05/10 Tampa, Florida – I was casually eating a burrito while having lunch at my desk, and was surprised to see some guy, writing on a “Feedback” blog of TheDailyBell.com, taking exception to David Morgan of *The Morgan Report* saying that “On a longer term basis silver and gold are going far higher in paper terms in any currency you wish to name.”

Idly, I was chewing a rather tasty bite of burrito and thinking to myself, “This is undoubtedly true!” as precious metals are nowadays priced in fiat currencies, and it has certainly been true for every paper currency that has ever, ever existed, including a list of 600-odd fiat currencies compiled by [Addison Wiggin](#) of Agora Financial in a research project a few years ago, undertaken to list all known fiat currencies, past and present, and their fate.

He gave up, he says, after listing all those fiat currencies beginning with the letter A and half of those beginning with the letter B. This tiny section of the alphabet contained 600 fiat currencies, most all of which are gone, gone forever, disappeared long, ago, thus undoubtedly taking a lot of wealth with them.

The total worthlessness of fiat currencies does not tell you about what is known in professional economics as The Great Wiping Out (TGWO), a scientific term first discovered, you may be surprised to know, when a new parent was caught with a baby that desperately needed changing, but was without any fresh diapers, and who decided to just “wipe out” the used-diaper in the host’s bathroom enough to get home, with the disastrous result that there was stinking baby-poop all over everything, including my pants and my shoes, and I think I got some in my mouth but I don’t want to think about it because it is so disgusting and I have been repressing even thinking about it until now, thanks for asking, damn it, and everything was ruined, and I never got promoted before I got fired, which I think was because of what happened in that poor bathroom, but my boss said no, but that I was being fired for being lazy and incompetent, but we both knew the truth.

Nowadays, The Great Wiping Out (TGWO) is a scientific term of absolute precision used by professional economists like me, after being cleverly invented by me in the previous paragraph, to describe the horrific enormity of the total amount of wealth lost by an economy as a result of another fiat currency literally biting the dust due to its over-creation, and making a big, big stinking mess that has serious, catastrophic long-term ramifications.

The beauty of TGWO is that it is easy to calculate, as it is the sum total of everything, as in “Every Freaking Thing (EFT)” leading to the phenomenon known as Total Freaking Loss (TFL).

The amazing thing was that this reader laughably does not mention TGWO, perhaps because I just made it up, or perhaps because it has nothing to do with anything.

Instead, he said, “Nobody, not Mr. Morgan, not you [the reader], nor I, nor economists [even ‘Austrians’], central bankers, investment ‘gurus’, tea leaf readers etc. etc., can reliably, consistently predict future economic events!”

At this, I jump to my feet and shout, with a tone of haughty victory in my voice, “Wrong, moron! I can predict some futures! Nothing is more reliably, more predictably, or more uniquely guaranteed than that silver and gold will go up in price over the long-term when priced in a fiat currency that is being created to excess!”

In response to my compelling argument, you can almost hear the desperation in his voice as he weakly persists, “The unacknowledged fact is that the economic future is unknowable,” which is so outrageous, in light of what I had just said, that I again jump up, this time onto my chair, adding a certain dramatic flair to my outburst, and again I scornfully say, “Wrong, dork-face! And the fact that every person owning gold and silver over the entire last decade made lots and lots of money as their prices went predictably up, while you, with your stupid investments in common equities and ridiculous belief in the stability of the buying power of a fiat currency, made nothing as the major indices have not gone up in 10 years! Nothing!

“And,” I mercilessly continued, “after adjusting your zero gains for the inflation in prices over the last decade, even using the mild inflation statistics of the Bureau of Labor Statistics, you have lost 27%! Hahaha! Moron!”

Of course, if he had read anything about the Austrian business cycle theory by merely going to mises.org once or twice in his whole life, he would know that wild, constant expansions of a fiat currency always lead to ruinous inflation in prices, which leads to social instability and upheavals when people get tired of deprivation because their pitiful little bit of money cannot buy enough food or heat because their prices are rising so high and so quickly.

And, then, if he had, he would know that Mr. Morgan was right, and that “On a longer term basis, silver and gold are going far higher in paper terms in any currency you wish to name.”

And it is that kind of certainty, especially in terms of the dollar that the Federal Reserve is destroying with more multi-trillion dollar creations of money, that makes buying gold, silver and oil such compelling investments so that you thank your lucky stars that “Whee! This investing stuff is easy!”