Why You Should Be Using Gold to Buy Your Groceries

By The Mogambo Guru

02/16/11 Tampa, Florida – Rick Ackerman, of *Rick's Picks* newsletter, ran an essay by his "correspondent and occasional guest essayist Erich Simon."

He starts out provocatively enough with, "The dollar is down about 98% since it became global tender." Immediately, I can feel the beginnings of another Wild Mogambo Outrage (WMO) stirring within me, building into a raging anger at the Federal Reserve for creating so much money, and thus so much inflation, that the currency of my country has been so ruined that it contains a lousy 2 cents – 2 cents! – of buying-power left of that original 1913 dollar, which had (as I surmise) 100 cents of buying power.

Of course, it won't take me more than a couple of "expletives deleted" before I REALLY get into a snit about the current incarnation of the foul Federal Reserve and its insane degrees of money creation, and about Ben Bernanke, the despicable liar and laughable incompetent who is now the satanic chairman of the Fed.

My growing violent outburst was, surprisingly, soon replaced with outright fear, as what I thought was an insightful essay turned into a pop quiz! Yikes!

"Back in 1971," he starts off by way of introduction, "the price of an ounce of gold was $35 – in line with its 1945 conscription. Right after Nixon closed the gold window, the price popped to $42."

Then he continues with the question of the dreaded pop quiz, "All things being equal (and assuming gold doesn't get used up), at what price must gold be valued to compensate for a 98% loss from – call it inflation, debt or whatever you like?"

Just between you and me, I admit that I did not know the answer, and I did not know how to even start to figure it out, and (most importantly) I did not give a rat's ass about his question because I am only here looking for a way to make a lot of money in a hurry by foolproof investing in something guaranteed to go up.

Kindly ignoring my grubby, greedy, "love of money is the root of all evil" selfishness, he kindly provides an answer: "I think the math goes like this: One dollar is now 2% of its former self. If you divide the 1971 'fair market' price of $42 by .02, you arrive at $2,100."

Apparently Mr. Simon could see the look of sudden confusion on my face as to the significance of this, foundering, as I habitually am, in a wasteland of stupidity and clueless confusion. He helpfully volunteers the hint that "The price of gold (POG) is in fact now around $1,365."

On a hunch, I look at his $2,100 "fair market" price of gold and compare it against the current $1,365 price of gold a few times, and after a few hints and a couple hours to think about it, I realize, "Wow! He's right! This would indicate that gold should appreciate by about 50% to achieve its fair market value! Wow!"

I hastily conclude that here is one MORE reason to buy gold, and if I had any sense or any money I would immediately go out and buy some.

And, best of all, I think I can make a case that the 1971 price of gold was not the "fair market" price at either $35 or $42 an ounce, and I think it should have been a lot higher since the entire American population, the largest consumer market in the world and representing about half of global GDP, was prevented from owning any gold at all!

So, the $42 per ounce price of 1971 was an "agreed-upon" price, not a market price.

Hell, the fact that France noticed this glaring disparity and started exchanging their dollars for gold caused Nixon to shut the gold-for-dollars window in that selfsame 1971!

Apparently recognizing the force of my argument and growing weary of arguing with a crazy man like me, he goes on that perhaps an alternate valuation metric would be to "measure gold's purchasing power against a basket of necessities. Such as food."

To this end he notes that "A representative bag of groceries in 1970-71 (California prices) might include a pound each of pork chops (59 cents), potatoes (9 cents), apples (15 cents), onions (9 cents)… a bunch of celery (38 cents), a dozen large AA eggs (59 cents), a quart of milk (33 cents) and a can of Campbell's tomato soup (10 cents). The total for the 1971 bag is $2.32."

Fast-forward to today, "that same bag costs (in Pennsylvania prices): pork chops ($3.95), potatoes (98 cents), apples ($1.16), onions ($1.06), celery ($1.68), large A eggs ($1.86), a quart of milk ($1.02) and a can of Campbell's tomato soup ($1.00). The total is around $12.71."

I am not sure why he went from using California prices to Pennsylvania prices, but I am pretty sure that it is a Secret Code Of Some Kind (SCOSK), probably about how you had better be buying gold, silver and oil as desperate protection against the massive inflation in consumer prices that is guaranteed by such monstrous, profligate money creation by the foul Federal Reserve, and how everybody living in any area between California and Pennsylvania should rise up in angry rebellion and demand the immediate destruction of the Federal Reserve and the re-installation of the classic gold-standard as required by the Constitution of the United States so that we can thus "fix" our economic problems and also thus ensure that they never, never happen again.

Well, Mr. Simon's silence on this last point is, I think, very telling, and he studiously avoids any mention of secret codes by continuing with, "In this off-the-shelf comparison, food prices are 5.5 times higher than in 1971."

That means it takes 5.5 times as much money for the poor to keep from starving than it took in 1971. And a lot more than that since 1913.

That's the sad, sorry, despicable legacy of the Federal Reserve, and especially of its two biggest villains: Alan Greenspan and Ben Bernanke.

Of course, if you had been accumulating gold, silver and oil the whole time, you would be Just Fine (JF), and would have made a lot of money, too! Whee! It just proves that this investing stuff is easy!