

March 05, 2008

## **Gold Explosion in a Precious Metal Mine Field**

by The Mogambo Guru

*"With an M3 money supply of about \$12 trillion, this means that if gold rose to \$46,153.00 per ounce, the entire money supply could be 100% backed by gold! We'd get back to the gold standard required by the Constitution!"*

People write to me all the time offering helpful suggestions ("Go hang yourself, moron!") and wanting to know things like, "Are you as stupid as you sound?" (Answer: yes), and "How high will gold go?" (Answer: I don't know and I don't know anyone who DOES know or ever DID know!), rather than asking the question that I think I CAN answer, namely, "[How high can gold go?](#)"

The answer is, obviously, infinity, because if [the dollar is worth literally zero](#), gold will sell for infinite dollars.

Another answer is probably found when the Fed says it has 260 million ounces of our gold in custody. With an M3 money supply of about \$12 trillion, this means that if gold rose to \$46,153.00 per ounce, the entire money supply could be 100% backed by gold! We'd get back to the gold standard required by the Constitution!

But nobody wants to hear this stuff, as gold seems so far away from reality at \$940 an ounce. And besides, who in the hell has \$940 just lying around? And if I had \$940, don't you think I would have one of those big, new whiz-bang 460cc drivers that can knock a golf ball "farther and with more forgiveness" than any golf club in all of freaking golfing history? And maybe a new set of those spiffy hybrid irons and an expensive putter that can somehow overcome my complete lack of talent? And a nice new bag to carry it all around in? And some nice golf shoes? Don't you think I'd have those things if I had \$940 damned dollars?

But while golf equipment will undoubtedly continue to go up in price, gold may actually go lower in the short run, as is implied by the Bloomberg.com headline, "Gold Plunges as U.S. Pledges Support for Some IMF Bullion Sales." The article says that "Gold fell the most in almost two weeks, erasing earlier gains, after the U.S. said it would back 'limited' sales of bullion reserves held by the International Monetary Fund, the third-largest holder of the precious metal."

I laughed out loud at the sheer stupidity inherent in the comment made by David McCormick, the Treasury's undersecretary for international affairs, who said that, "Some of the IMF's \$98 billion in gold reserves should be sold to cover a revenue shortfall." Hahahaha! This is too rich! And this IMF is an organization that has 24 executive directors! Apparently, each more clueless than the last, and they want to sell our gold to make up for their incompetence so that they can keep on being incompetent. Hahahaha!

In other words, the IMF mismanaged its own affairs, while forcing others to follow their misbegotten "advice", and now they want to sell the gold we loaned them to pay themselves big money and maintain their expensive, disastrous little empire, because the gold is the only thing they have left that is worth any money! Hahahaha! What

losers!

The article itself doesn't say anything about losing, or about how the IMF is such a failure, or how much I hate their guts, but it did say that, "the price of gold has more than doubled in the past five years," which is not to mention the 41.2% gain in the price of gold over the last 12 months (according to the Economist magazine), which is de facto proof that inflation is screaming like a banshee from hell that is going to eat your guts out through your wallet.

The only prophylaxis known to man against the scourge of inflation devouring your financial guts is to buy gold and silver, which brings up the admission that I have been neglectful of some things here of late, mostly as regards hygiene and manners, but also about relentlessly pounding the table demanding that you buy silver if you want to make the most profit, percentage-wise, because I consider it to be one of the most under-priced elements in the whole periodic table.

I bring up this "periodic table" thing because it implies that I know a lot about chemistry, which I don't, but it makes me sound smarter than I am, which may lead you to the nonetheless correct conclusion that you ought to be buying silver and storing that stuff all over the house. And if your stupid family starts objecting about how you spend all the money on silver instead of buying food and medical care for them, then you can just tell them to shut up, shut up, shut up, too, just like I do my own whining little family!

I mean, how do you explain to these simple Earthling creatures that it seems like every freaking day there is some news about silver, like appearing in new applications in materials and medicine, and in all of commerce in general? And how do you explain the supply/demand dynamic of silver to them, which is due to vastly increase in demand because of its irreplaceable usage in all electronic and electrical applications, to say nothing of its astonishing antiseptic qualities?

And if you think the usage of silver to date has been excessive, then you ain't seen (as they say) nothin' yet, in that there is already a structural deficit in silver as more is consumed than is mined out of the ground, and most of that silver has been used up thus far in history to make consumer items that lasted, and will last, probably less than 10 years from date of manufacture, and so all of it will have to be replaced, again and again, all made with more and more silver!

And with China coming on-stream, with all that attendant NEW demand for silver in all the NEW demand for all those applications, how can it be languishing at such low prices, when inflation in consumer prices is running somewhere between 5% and 13%, when gold is over \$900 an ounce, when the money supply is expanding at 15% freaking percent, which makes me scream out in anguish, and people turn to each other and ask, "What in the hell is that God-awful noise that sounds like a sick raccoon choking on a pork chop bone?"

There are far, far too many variables for my Puny Mogambo Brain (PMB) to comprehend, and in desperation, I shove Jason Hommel of silverstockreport.com out onto the stage, who says, "The world produces about 650 million ounces of silver per year. All of that, and more, is consumed by industry, silverware, and jewelry." So what has made up the shortfall? "Only recycling and investor selling has made up the difference," he says. But, "as investor selling slows and turns into buying, silver prices will soar, and vastly

outperform gold, because silver is probably more scarce than gold these days, with maybe only 1 billion oz. of silver in the world, or less."

Still, even after hearing this, the stupid kids sit there, staring at me, not understanding a thing anybody says about silver, and conceitedly thinking only of how their bloated stomachs ache, and how their pustules ache, and their teeth ache, and how they need to see a doctor about some stupid rash or some stupid fever or something, and blah, blah, blah, which means (if nothing else) expensive prescriptions to fill.

So I try impressing them with a little math, and I tell them, "The gold-to-silver ratio is, historically, about 15:1. This means that gold at \$930 indicates that silver should be selling, on average, for \$62 an ounce! Right now! And yet silver is selling at less than \$19 per ounce! It's historically waaAAAaaay under-priced, you morons! Can't you see that?"

I could see that I was again losing them, and so I resorted to the tried-and-true approach; greed. So I bent down and got real close to their faces, which accomplished two things at once. Firstly, if I lower my voice as if I am revealing some secret, they pay more attention. Secondly, I insure less questioning by being that close to them, as it lets them smell my musky bodily odors, as I have been too busy to take a bath, furtively shuffling their "college money" around and forging their signatures on various documents to buy more silver, and then sitting in the middle of the living room, making stacks of silver, counting it over and over and laughing and laughing and laughing and having a wonderful time.

So I say, "And [when gold hits \\$2,000 an ounce](#), can silver at \$135 be far behind? And when silver explodes in price, like we both know it will, then we will be rich, rich, rich, and I will give you your share and you can move your nasty little rebellious teenage butts out of my house and never come back!"

It still didn't work. They just want to talk about how hungry they are. And now there are social workers banging on the door, so I have to listen to them yammer, yammer, yammer at what a bad father I am, too, as if I don't hear that enough from my family.

But when silver explodes in price, like we all know it will...!