

# The Only Two Reasons to Own Gold

By [The Mogambo Guru](#)

05/25/09 Tampa Bay, Florida I always get a real kick out of hearing that “the consumer is 70 percent of the economy,” mostly because it gives me a chance to heap ridicule and scorn on whoever said it, and I say that **the consumer is 100 percent of the economy!**

One CAN say that, with or without the heaping of ridicule and/or scorn, but at least with an arrogant and smug authority that comes from 100 percent certitude, that “The Mogambo is 100 percent certain that the consumer is 100 Freaking Percent (100FP) of the economy!”

I make this Bold Mogambo Assertion (BMA) for two reasons. First, I hope that by debunking this silly “the consumer is 70 percent of the economy” crapola, I will win a Nobel Prize or some other award that has a cash-award component of the prize winnings, perhaps one that has a LARGE cash-award component.

My argument is that **the ultimate consumer pays the price for everything** by buying and consuming, for instance, a frozen pizza or delicious candy bars, and maybe something nice to drink, knowing that a slice of the purchase price is used to pay back creditors and producers for the use of capital, labor and land invested in producing these – and more! – delicious ‘ready-to-eat’ snacks and treats of high caloric content, of which the sugary, chocolaty and salty varieties I find particularly good. Yum!

And speaking of spending, I was surprised to see that **the current-account balance of the USA has collapsed to \$673.3 billion in the last 12 months**, down from its high of over \$800 billion, and the trade balance has fallen to \$730.4 billion in the last year, which is down about 20 percent from its high of a couple of years ago, too.

And while the 12.8 percent fall in industrial production in the last year seems like bad news for us Americans, it is worse by whole orders of magnitude other places. **Japan has industrial production down 34.2 percent over the last 12 months, and in the euro area it is down by 20.2 percent.**

Just when I thought I would go berserk at such horrific economic news, I see John Stepek at Money Morning newsletter had a subhead that caught my eye, which was “Three sound reasons to own gold.”

I admit that I did not read the article, but as far as I know, there are only two good reasons to own gold; to preserve wealth when prices are stable, and to make a lot of fiat wealth when your government acts so stupid as to create, or allow to be created, excess money and credit that eventually destroys the currency, especially when undertaken so as to enlarge the size of government, like now, which makes the problem of inflation worse because those more government weenies have a bigger incentive to save their own phony-baloney jobs, but can only make things worse.

Like, I said, I did not read the article because I am lazy, but the advice to buy gold is the lesson of the last 4,500 years of governments acting irresponsibly when given control of a fiat currency with which they could create as much money as they wished; **inflation in prices inevitably caused chaos, misery, starvation and revolution.**

I tried to explain to the employees that inflation in prices was essentially just a mismatch between gains in income, if any, versus gains in prices that must be paid with that income, which I hoped would prove to be a valuable insight when I then told them how I was slashing their salaries by a lousy 5 percent, and if they did not like it, then they could all go to hell because we are on our way to bankruptcy anyway.

I was going to suggest that the lesson, which they would immediately grasp if they were not so stupid, is to immediately buy as much gold, silver and oil as they could, but they were not in the mood to hear good advice gleaned from history, and instead wanted to whine about their puny pay cuts.

If they were not so stupid, they would see that buying gold now would easily make up for their meager income reductions, and if they had been buying gold, silver and oil all along, they would be miles ahead!

Whee! This investing stuff is easy!