FORVM GEOPOLITICA
Independent Commentary on a Fractured World

Claudio Grass on precious metals – Part 1: Gold

Precious metals are not only of economic importance, but are also becoming a geopolitical factor. Claudio Grass on gold.

Claudio Grass

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Introduction by Peter Hanseler

II know Claudio Grass personally and hold him in high regard as a person and a dialogue partner. It is our pleasure to introduce him as an author on our blog.

Claudio Grass is an independent consultant, publicist and passionate advocate of the free market economy and libertarian philosophy. He follows the teachings of the Austrian School of Economics and is convinced that sound money and human freedom are inextricably linked. He offers solutions for direct and unencumbered physical ownership of precious metals, stored outside of the banking system, as the ultimate insurance against the ongoing problems in our monetary system. Claudio is also an official ambassador for the Ludwig von Mises Institute in Auburn, USA.

Our blog has written about gold several times, the last time in 'Gold – a geopolitical issue of the greatest personal importance'. There we discussed the principles – Claudio Grass writes about the market and his expectations.

About Gold

There is no question that gold owners have been finally and spectacularly vindicated over the last months: the "barbarous relic", the "worthless shiny rock", as many have called the yellow metal, once again proved its value as a true safe haven. In the face of inflation, intense geopolitical turmoil and widespread uncertainty, investors fled to safety en masse, as they consistently, repeatedly and predictably have done for decades (if not centuries), inevitably pushing the gold price to unprecedented heights.

Apart from the significant financial gains that gold investors have seen, true gold bugs also finally reaped the indisputable satisfaction of being proven right and being rewarded for their patience and the strength of their conviction. Those who had invested in gold for the right reasons and who did so before this latest surge, those who stood steadfast by their beliefs, who remained calm and composed in times of widespread doubt and those who held their nerve when others panicked, were the biggest winners of this rally and deservedly so. For years, countless mainstream financial analysts and "experts" dismissed gold and argued that its time had passed, that its safe haven status was no longer relevant and that it couldn't be relied upon as a shield against inflation.

However, the precious metal proved them all wrong, yet again. It performed exactly the way it was supposed to, it demonstrated beyond a shadow of a doubt that it is still universally recognized and trusted as a solid shelter from any storm.

And yet, despite this bold demonstration of strength and reliability, there are many investors that wonder whether it is too late to buy gold, whether it is too expensive and whether it is smarter to wait until the price retreats from these historic highs. Quite a few of my clients, partners and friends have asked me these very same questions. Of course, I understand where they're coming from. After all, the vast majority of them are seasoned investors, they know the elementary rule of "buy low, sell high", and they are justifiably apprehensive about buying something that is priced at all time highs.

This apprehension certainly seems rational, prudent even, at first sight at least. However, upon closer inspection, it quickly becomes apparent that this line of thought fails to take into account the full picture. Thinking about gold from this narrow perspective presents a widely misleading picture. Gold is not comparable to stocks or to the currency market; it cannot and should not be evaluated in the same way. Highs and lows do not represent the same thing and should not be interpreted in the same manner. When the price of a stock rises, it means that the company's value did the same (or that the market believed it did, or will). But when the gold price rises, it means something else entirely. This higher price doesn't say anything about gold itself. It indicates that the currency it is measured against has lost value. This is a much more important signal and when a surge like the one we've been witnessing persists and consolidates, it has far reaching implications for the entire economy. It sends a strong message about the confidence (or more precisely, lack thereof) in future stability, prosperity and security.

This is why a "record high" gold price is not a meaningful signal in the same way that a record high in a stock price is. It does not suggest that gold is "toppish" like a stock would be. Gold doesn't have a "top". Its price fluctuations do not ebb and flow according its "performance". Its value is constant and unchanging and its price only moves when everything else around it moves. Students of monetary history clearly understand this: gold is the standard by which everything else is measured.

Bearing all this in mind, it is much easier to answer the original question of whether it is too late or too expensive to buy gold now. The price surge of the metal is not to be understood as a trading signal or as part of some intricate technical analysis pattern. It signifies so much more than that. It reflects the true sentiment of the market and it reflects the honest fears and doubts of all who participate in it. It clearly shows there is a fundamental crisis of confidence in the current system and its capacity to provide what it promised or even to keep functioning as it has for the last decades. There is a massive shift underway on multiple levels, geopolitical, economic and monetary, and it has now become too obvious for anyone to ignore.

> *'Without the gold standard, there is no way to protect savings from confiscation through inflation. Then there is no safe store of value (...). The fiscal policies of the welfare state require that there be no way for the wealthy to protect themselves. That is the sordid secret of the welfare state's tirades against gold. Deficit spending is simply a measure to 'hidden' confiscation of wealth.'*

ALAN GREENSPAN IN HIS ESSAY 'GOLD AND ECONOMIC FREEDOM' FROM 1966:

"Business as usual" will simply not cut it anymore. The "print and spend" policies of the past, the QE lifelines, the liquidity injections, the zero and negative interest rates, the blatant debasement of the currency, the market manipulation and all the direct and indirect bailouts will not work as they did before.

And its not only because the central bankers have overused these "weapons" and have by now exhausted all their options - this is a widely recognized problem that has been pointed out by hordes of economists and countless sensible investors for years already and still remained unaddressed. It is plain as day to any thinking person by now that creating money out of thin air in order to prop up a failing economy and to try to postpone the long-overdue bust is not a sustainable approach. It is equally apparent that the side effects of this "cure" are worse than the disease itself.

The covid crisis made it clear, even to those who failed or refused to see it: the unprecedented government spending spree, the "covid cheques", the wholesale business loans that were never expected to be paid back and the previously inconceivable amounts that governments wasted (totally unchecked) throughout the pandemic, caused much more and much bigger problems than they solved.

Indubitably, there were some people who benefited from these policies, but their number surely pales in comparison to the vast majority of the population who was severely harmed by them; in many cases, irrevocably so. The readily predictable inflationary wave that inevitably followed all this fiscal and monetary largesse drove innumerable households in dire financial straits and decimated whatever had remained of the middle class.

Apart from the above-mentioned practical, economic reasons that guarantee that these timeworn "print and spend" measures are doomed to fail this time around, there are additional political and social factors that also support this case. For one thing, the average western citizen is simply fed up with all the grand promises and the hollow rhetoric and all the clichés and all the great ideas and magic solutions that politicians dangle in front of them. The average citizen is also equally sick and tired of being gaslighted, of being told that the economy is doing great, that inflation is a thing of the past and that they are fortunate enough to be living at a time of roaring growth, opportunity and prosperity. Hardworking people who have been watching their paychecks shrink and have been struggling to make ends meet for over two years are being asked to reject the evidence of their own eyes. They are being told to ignore the cold hard facts of their daily life, to disregard their direct lived experience and to discount the hardships they have to endure. They are being asked to suffer in silence, to pretend that their own version of their own reality is hopelessly distorted and unreliable and to accept the State's narrative as gospel, even if it directly contradicts what they see right in front of them.

In this context, it is near impossible to imagine how a system so corrupt, so despised, so inhumane and so misanthropic can continue to function, even on a very basic level, for much longer. Its fuel, namely the irreparably debased, inherently worthless and criminally fraudulent fiat currencies, is increasingly being questioned. More and more people are recognizing the fatal flaws and the deception that lies at the heart of paper money, especially since technology brought us far superior, decentralized, secure and efficient alternative means to transact with each other. On an even more fundamental level, the most basic function of money is also being challenged: it is becoming increasingly obvious that state currencies cannot be relied upon to serve as a store of value. As doubts and concerns keep growing and spreading, and as the search for alternatives intensifies, the State's grip on the monopoly on money weakens. Without the power to manipulate and control money, the current system is inescapably doomed to collapse under its own unsustainable weight.

This is the true nature of that great shift that I mentioned before. This is what the gold price surge is trying to tell us. As regular readers surely know, I frequently highlight how important it is for any successful investor to be able to tell the difference between "the signal and the noise".

Gold's ongoing bull market and the record highs that came with it are not meant to be dissected and misinterpreted and misused by speculators looking to ride a trend and make a quick buck. This is merely the noise. The signal is revealing a much bigger picture: there is a tectonic shift underway. It can, and most likely will, reshape, redefine, reinvent and reconstruct the world as we know it. Faith-based, intrinsically worthless "assets" like fiat money have no hope of surviving this transition. Discerning investors are clearly realizing this and that's why they are flocking to the oldest and most dependable of safe havens.

So no, it is not "too late" to buy gold, far from it. The great shift is still in its infancy and this latest gold rush we're seeing is only the beginning. It is not too expensive either. Even at all these record highs, the price you will pay for the protection that gold provides is much lower than what its absence will cost you down the line.

ARTICLE TAGS:

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