Claims about gold

by Tyler Cowen on August 8, 2012 at 6:18 am in Economics, History | Permalink

From a new paper by Claude B. Erb and Campbell R. Harvey:

Gold objects have existed for thousands of years but gold has only been an actively traded object since 1975. Gold has often been described as an inflation hedge. If gold is an inflation hedge then on average its real return should be zero. Yet over 1, 5, 10, 15 and 20 year investment horizons the variation in the nominal and real returns of gold has not been driven by realized inflation. The real price of gold is currently high compared to history. In the past, when the real price of gold was above average, subsequent real gold returns have been below average. As a result investors in gold face a daunting dilemma: 1) seek inflation protection by paying a high real gold price that almost guarantees a decline in future purchasing power or 2) avoid gold and run the risk of a decline in future purchasing power if inflation surges. Given this situation is it time to explore “this time is different” rationalizations? We show that new mined supply is surprisingly unresponsive to prices. In addition, authoritative estimates suggest that about three quarters of the achievable world supply of gold has already been mined. On the demand side, we focus on the official gold holdings of many countries. If prominent emerging markets increase their gold holdings to average per capita or per GDP holdings of developed countries, the real price of gold may rise even further from today’s elevated levels.

Caveat emptor! Here is a photo gallery about gold.

Epictetus August 8, 2012 at 6:45 am

No doubt Messrs Erb & Harvey are far better educated than I am and have a much better grasp of their history, but it is a little suprising to read the assertion that gold trading began in 1975—”... but gold has only been an actively traded object since 1975.” It is widely known of course that it became illegal in the USA for any private citizen to own gold, and that the legalization of gold trading in that fine and great country was allowed as an activity between consenting adults in 1975. However, it would be interesting to see more evidence from Messrs Erb or Harvey to support their claim. Occasionally one hears experts in the US and elsewhere, and once I even heard the great Greek orator Boris Johnson too assert, that options trading was a recent invention, whereas Aristotle refers to it and it seems that Thales of Miletus was one of the earliest currently known punters in that field. It may well be possible that gold was “an actively traded object”—which perhaps simply means a traded commodity—a few years before 1975, and it is hard to imagine, at least for someone far less expert in this branch of financial history than Messers Erb & Harvey, that at least in the days of bimetallic currency there was not some behavioural forebear of today’s traders, venture capitalists, investment bankers and LIBOR riggers who were not trading silver for gold, gold for silver, or wheat for gold and vice versa, and the history of English coinage
and coin clipping suggests that the instinct, drive, determination and technical skills were present in much of the population. But perhaps I misunderstand the points of this pair of academics.

It would also be interesting to see some graphs. Maybe gold is a poor inflation hedge in the short term, but perhaps taking a different time horizon gold might seem a better bet. There are many private investors in venture capital, and tragically I am among them, who would be better off, by several million, to have invested into gold in 2003 what instead we invested into venture capital. It would also be interesting to see data on how gold performed in, say, Germany, Greece or even the UK in the period 1921 to 1931, when the options to invest that actually were available to private citizens are considered—it was for example in effect impossible at the end of this period in the UK to invest capital in anything except UK government bonds, and to take a forced haircut of roughly 99%. It is of course totally impossible that the current situation will lead to anything like that, which was known as the War Loan scandal.

“Epictetus”
Hong Kong

Reply

david August 8, 2012 at 7:23 am

Your sarcasm would be funnier if it weren’t obvious what “actively traded” means in this context.

Reply

Mofo. August 8, 2012 at 8:52 am

Ok can you explain it to a boneheaded non-PhD, because its not really obvious to me.

Reply

bartman August 8, 2012 at 9:54 am

Organized futures markets for gold were instituted in 1975 by Comex and CBOT.

Clearly, there was lots of bilateral trading going on back to time immemorial, but there is minimal price transparency in such a market.

In an organized futures market prices and volumes are transparent, and price moves freely in response to supply and demand.

Reply

david August 8, 2012 at 9:58 am

Gold traded with a plausibly exactly-money-like liquidity, i.e., only after both the advent of financialized commodities markets and the collapse of Bretton Woods.

i.e., where the opportunity cost of holding gold is sensibly argued to be holding money without regard abstractions of liquidity (or concerns over bank solvency; most trade in
‘gold’ for much of the Industrial Revolution was already only in promissory notes, not gold itself). Under those conditions the ‘dilemma(s) faced by investors’ becomes ambiguous and the paper must consider much more than the divergence in real and nominal values of gold over time.

Reply

Vangel August 8, 2012 at 3:20 pm

“However, it would be interesting to see more evidence from Messrs Erb or Harvey to support their claim.”

I would not hold my breath if I were you. It is clear that Erb and Harvey are playing games with changing definitions rather than dealing with reality as it is.

Reply

Orange14 August 8, 2012 at 6:54 am

Warren Buffett’s letter to shareholders this year (http://www.berkshir hathaway.com/letters/2011ltr.pdf) has the best explanation as to why gold is not a good investment (page 18). If gold does not exist in a form that can be readily used for business/consumer transactions, how is it worth anything other than speculation?

Reply

Andrew' August 8, 2012 at 7:31 am

It is treacherous to halfway understand Warren Buffett. When he refers to speculation as opposed to investment, he’s (partly) talking about what most people other than he and other value investors do. Most people don’t make such a distinction, so to them a speculation is a fine investment.

Reply

Andrew’ August 8, 2012 at 7:34 am

Oh, and he’s also not great on gold. He’s preferring to choose to hold cash. Can’t the exact same thing be said about cash, except MUCH WORSE? The people ‘speculating’ in gold right now are not planning to treat it as a buy and hold FOREVER investment that Warren Buffett prefers to pan for.

Reply

rpl August 8, 2012 at 8:38 am

Had you read the letter, you’d have seen that Buffett addresses the question of Berkshire’s cash holdings explicitly. They are there to meet (self-imposed) liquidity requirements. It turns out that when you run an insurance business you have to pay out claims occasionally. When you do it helps a lot to have cash on hand, as people who
have just totaled their cars or had their house burn down are notoriously unwilling to accept their insurance payout in Coca-Cola shares. Who would have thought?

Reply

Andrew August 8, 2012 at 8:46 am

You missed my point. Buffett owns insurance companies so he has access to piles of cash.

We can’t do ANYTHING Buffett does, so not owning a bit of gold because he is making a very subtle argument that few understand because Buffett doesn’t own gold is missing a lot of his points.

Andrew August 8, 2012 at 9:06 am

See, if you know something you don’t have to go read everything. I already know what Buffett thinks of gold. One of his redeeming qualities is he is remarkably predictable. He is predictable because he seeks wisdom that doesn’t change. That’s what I attempt to do, which is why you can build mental models that don’t require details like “what does Warren Buffett think about gold THIS YEAR???” Anyway, here goes:

[begin Buffett]“The second major category of investments involves assets that will never produce anything, but that are purchased in the buyer’s hope that someone else – who also knows that the assets will be forever unproductive – will pay more for them in the future. … The major asset in this category is gold, currently a huge favorite of investors who fear almost all other assets, especially paper money (of whose value, as noted, they are right to be fearful).”[end Buffett]

Gold is a “dead asset.” That is, it is not a Coke bottling company. There is “no calculable fundamental value” to gold. However, the line is a little grayer than Buffett lets on. The value of a Coke plant if people suddenly decide they don’t like Coke is a lot less than the value of gold if gold tanks. Gold will never be zero. But, his point is that still valid. You can’t prove to yourself that gold is undervalued because most of its value is based on price whereas a business with a hundred-year history of creating returns on capital investment can be underpriced and the rough degree of underpricing can be estimated to create a margin of safety that can’t be replicated in gold because gold will not be producing more and more return on capital investment that eventually has to be recognized and the price discrepancy rectified by the market.

rpl August 8, 2012 at 9:19 am
Apart from the obvious observation that if that were your point you should have said that, instead of saying something else entirely, I don’t see how that changes anything. Berkshire’s insurance operations give it the opportunity to invest someone else’s money while getting paid to do so, while most of the rest of us would have to pay for that privilege. Berkshire’s is an enviable investing position to be in, but it doesn’t fundamentally have any bearing on the question of what you should invest (your money or someone else’s) in, except inasmuch as the guy who runs an insurance company has to keep a much larger cash reserve than the guy who is investing his own money, solely.

Regarding the supposed subtlety of Buffett’s argument against gold, I’m left wondering if you read the same argument that I did. Here it is in its entirety:

Today the world’s gold stock is about 170,000 metric tons. If all of this gold were melted together, it would form a cube of about 68 feet per side. (Picture it fitting comfortably within a baseball infield.) At $1,750 per ounce – gold’s price as I write this – its value would be $9.6 trillion. Call this cube pile A.

Let’s now create a pile B costing an equal amount. For that, we could buy all U.S. cropland (400 million acres with output of about $200 billion annually), plus 16 Exxon Mobils (the world’s most profitable company, one earning more than $40 billion annually). After these purchases, we would have about $1 trillion left over for walking-around money (no sense feeling strapped after this buying binge). Can you imagine an investor with $9.6 trillion selecting pile A over pile B?

It’s hard to imagine a more clear and concise explanation than that one, and I see nothing in it that applies specifically to a big-time investor like Buffett and not to an average Joe. As to why so many people don’t understand that argument, I’d guess that most of them haven’t heard it, as Buffett hasn’t been flogging it on the radio three times an hour like the charlatans pushing “gold IRAs” do.

Rahul August 8, 2012 at 9:39 am

@rpl

Would it change the impact of Buffett’s argument if he had mentioned that two years ago his same gold-cube would have been valued at $6.5 trillion and 4-years ago around $3.5 trillion?

His alternative B-cube is yielding around $800 trillion a year?
Andrew' August 8, 2012 at 9:47 am

The point is simply that if Warren Buffett, the full-time, professional, big-time investor says he doesn’t like gold as an investment, that doesn’t automatically mean that everyone not named Buffett can’t feel good about owning a small amount of precious metals in their portfolio.

That’s exactly what I said and haven’t changed anything.

Andrew' August 8, 2012 at 9:54 am

Wait a second:

“Can you imagine an investor with $9.6 trillion”

You can’t see where Buffett’s argument includes big professional investor? It’s in his argument.

By all means, buy some Exxon stock. Actually most clear argument is that an ounce of gold will still be an ounce of gold in a hundred or a thousand years. He uses that as an argument against gold for professional investors, but for people with few investing ideas that is the exact argument FOR gold.

And I’m not talking about the gold hype right now that is gold hype right now because people should have been understanding gold 5 or 10 years ago.

Andrew' August 8, 2012 at 10:31 am

Rahul,

The price doesn’t change the argument that Buffett usually makes about gold.

I’m not buying gold, btw. Now is probably the time to have bought gold for 30 years and be selling some gold into the market and wait for it to drop and then buy it back.

That’s sort of a timing argument. Although it’s not momentum timing, it’s just recognizing that we are at a local fear maxima. I don’t have to believe there will be a greater fear fool, I just have to know that we’ll have another local fear maxima at some point in the future within my investment time horizon which is about 60 years if you are buying stocks. What’s odd about Buffett’s argument is that he’s combining timing arguments with fundamental arguments but not really delineating them.

It doesn’t seem to me he’s being entirely clear. He’s talking about gold, but that’s only because gold is the de fact go-to for times like these. Gold has been a great speculation. And yet Buffett looks for hold forever fundamentals. This precludes gold for reasons completely separate from prices. These are the
times I wonder if he is talking his book more than usual. He knows how to make market-timing arguments, but he wants to focus on fundamentals in his published writing. So, my guess is he thinks gold is overpriced and that is why he is pounding the fundamental problem.

Andrew August 8, 2012 at 10:50 am

Buffett + Insurance:
He is essentially leveraging his position to get more cash so he can make real investments. We can’t do anything like this. He can do it because he is great at investing and since he is great at investing he can be very safe with his insurance operations. Holding gold would be an opportunity cost against his potential profits.

Again, this makes his opinion on gold the absolute best stance for him. But someone has to hold the gold. For the average person, the opportunity cost against your investments is zero return in a bank.

Andrew August 8, 2012 at 11:12 am

Okay, this is probably as clear as I’m going to be able to make it.

Buffett spends a lot of his energy trying to get people to invest because most people speculate. His point on gold is that you can’t invest with it because it is a pure speculation asset. However, people can speculate or invest with stocks.

If your takeaway from him on gold is “I’m not going to speculate on gold, because Warren said not to, but I’m going to rather go speculate on Facebook stock” then you are missing most of his insight and probably doing way more harm than good to your portfolio.

You have to hold something. So, if you hold cash, you are going to be disappointed. You may avoid a gold crash, but you are still going to end up disappointed. But ‘disappointed’ may be the best-case scenario.

Orange14 August 8, 2012 at 1:22 pm

With the caveat that I’m a BRK shareholder, it’s worth noting that the cash in the insurance subsidiaries are separate and distinct from the cash in the BRK investment portfolio that Buffett and the other managers use to purchase stocks and derivatives for that portion of the company. Those cash reserves have to be kept separate because of insurance regulatory requirements..

jpa August 8, 2012 at 8:04 am

Gold is not an investment. It’s preservation of wealth. Holding gold is like saying “I don’t like the risk / reward profile of any other option out there”. Currency used to be this option, but lately they have quite a bit of counter party risk attached to them.
Reply

Rahul August 8, 2012 at 8:55 am

*the real price of gold may rise even further from today’s elevated levels.*”

If this is right then isn’t that an even stronger reason to buy gold?

I don’t understand the authors entirely ; are they saying gold is a wise investment or a bad one?

Reply

Andrew' August 8, 2012 at 8:58 am

If you are holding gold in your hand, it is hard to destroy it’s value unlike say, a bank or insurance company.

Reply

Andrew' August 8, 2012 at 9:13 am

Or cash…Which is why Buffett prefers cash over gold, because he always has good investment ideas to use his cash for. It’s not that he likes cash…

Buffett: “The major asset in this category is gold, currently a huge favorite of investors who fear almost all other assets, especially paper money (of whose value, as noted, they are right to be fearful).”

He needs cash to buy businesses and he can buy businesses at discounts because of his genius (Coke) and because of his brand (Goldman Sachs) and because of his scale (Burlington Northern). We can’t do any of that.

Brian Donohue August 9, 2012 at 1:33 am

But mostly his genius. Once upon a time, that was all he had.

Prior to the 2008 crash and resulting investment opportunities, Buffett was wont to complain about the difficulty of deploying the sheer amount of capital at his disposal, and how much easier it would be to earn a higher percentage return with a smaller capital base.

Anon. August 8, 2012 at 11:44 am

So during the ~25 year bear market that ended in the early 00s, how exactly did gold preserve value?

Reply
Warren Buffett did sell about 200 million ounces of silver just before silver made a 1000% gain.

You mean the same Warren Buffett who says gold isn’t an investment actually owned a precious metal?!!?

THIS CANNOT BE!!!!

It is too bad that Warren did not learn that much from Howard, his father. Howard Buffett understood that gold was the only defence that savers and workers had against government. Warren has not only embraced government money printing and meddling with the economy but he has actually based his investment strategy on it as he looks for companies protected from competition by government regulations and aided by government subsidies. The problem is that the strategy becomes very difficult to depend on during periods where government loses control and the economy has to adjust to the consequences of economic reality.

Gold is a hedge against monetary expansion! (What austrians call inflation).
It isn’t a hedge against price inflation (what non austrians call inflation.)

Why does one need a hedge against monetary expansion if it doesn’t lead to price inflation? I.e., What do you lose if you don’t hedge against it?

Don’t hold your breath- this Austrian argument makes zero sense. If monetary inflation >> price inflation, then the government gets to collect seigneurage without the cost of the inflation tax. Inflation would be great in that case!
Reply

joshua August 8, 2012 at 7:55 am

“”In addition, authoritative estimates suggest that about three quarters of the achievable world supply of gold has already been mined.”

Being completely ignorant, I’ll assume peak gold experts are smarter than peak oil experts. I wonder, though, if this asteroid mining business takes off, what will happen to metals like gold if we suddenly acquire 10x the amount ever mined on earth (with expectations of more)? That might be a kind of “expansion” gold bugs aren’t anticipating…

Reply

Bill August 8, 2012 at 9:53 am

Deep sea mining.

Reply

Roy August 8, 2012 at 5:14 pm

Peak gold experts know even less than peak oil experts. I am an economic geologist with gold mining experience. Outside of the US, Canada, & Australia gold mining is based on extremely limited understanding of gold geology. At $1500 an ounce you would not believe how much gold even North America alone has yet to pull out. Major deposits are still being found in US districts that have been mined over for over 150 years. And in places like Mexico, with very similar geology miners are still completely ignoring the sort of deposits that would make me a billionaire if I found them in Nevada, and they have a relatively sophisticated mining industry.

Once you get into the rest of the world the number of potential plays grows exponentially, the only reason they are not exploited is political instability and lack of expertise. For example I wouldn’t want to sink a few billion of capital investment into a mine if I thought there was any chance of expropriation.

And this is just terrestrial mining, eventually we will be able to exploit offshore areas in nearshore aurogenic environments…

Honestly I don’t think gold is worth what people are paying for it, but as a long term store of value gold is pretty unrivalled for the last 5000 years.

Reply

mulp August 8, 2012 at 7:46 pm

Obviously “authoritative estimates suggest that about three quarters of the achievable world supply of gold has already been mined” is not about mining, but about profits from pump and dump of gold.
The question I always ask is “what is the marginal cost of another ounce of recycled or newly mined gold?”

I’m guessing less than $500 an ounce even paying a 10% return on invested capital. The problem is gold heading to $500 from current price levels would eventually result in so much dumping at some point that the price would fall below marginal costs including ROIC, but any mine built with debt would be in real trouble. As very few capitalists exist today, the only source of money to setup a new mine is cash flow or debt.

In an ideal world, someone with gold mining experience would get VC capital to find a suitable resource not in Alaska or other very wet natural habitat, put together a plan detailed enough to satisfy the SEC, then IPO for all the capital funding with all the investors fully aware it will be five years before the first ounce of gold, and ten years to profit at $x/ounce production cost in ten years. The market will then set the maximum price for gold today and invest exactly enough in mining to maintain that price for decades.

But the traders and pump and dumpers want the cost of a marginal ounce of new gold to be totally obscured.

Reply

Roy August 9, 2012 at 5:07 am

New gold mines are financed every year, by venture capitalists, stock exchanges, and by large mining firms such as Barrick. Believe me when I say that at $1500 an ounce there is a lot of mining investment going on, and this will continue until the fear of a sub $1000 price. Also remember mining firms have a lot of expertise that is of zero value if it is not finding and eventually pulling metal out of the ground. Just because you don’t see a lot of mining investment in long term projects doesn’t mean it isn’t happenings. Right now I can think of almost a dozen small to medium sized virgin plays that are open to investment right now. And these startups are finding investors. I am not saying any of them will ever pay out, but investing in a gold mine is proverbial for a really risky investment.

In addition Aurogenic rocks are almost always accompanied by large amounts of other metals both industrial and precious. Some of the largest gold and silver yields in North America came from mines financed almost completely from other metal production.

Reply

Mexican Amate Painter August 8, 2012 at 8:12 am

To the moon, bitchez! etc etc

Reply

8 August 8, 2012 at 8:18 am
Take a look at a 10-year chart of gold in Indian rupees. If the rupee continues to depreciate against gold, that has serious implications for the global gold market.

Gold is money. The value of the money stock is all the goods and services it can buy. From the start of the Industrial Revolution until today, there has been an explosion in goods and services. There has no been a similar explosion in gold, certainly not since the 19th Century. Until 1980/1990, 60% of the world’s population had not yet fully experienced the Industrial Revolution, some to an extreme degree (China).

As for a hedge, gold is a hedge against extreme outcomes. People thought the U.S. might lose the Cold War in 1980, they thought the U.S. dollar could collapse.

Reply

gvtucker August 8, 2012 at 9:07 am

Gold is only a hedge against extreme outcomes as long as there is someone else that believes it is a hedge. Other commodities like crude oil have inherent value; crude, in this case, has energy that can be utilized. Gold cannot.

If you go back to the crash in 1987, there was quite a bit of widespread belief of gold as a hedge at that time, too. What happened? Gold went up the day of the crash, but as liquidity was needed, gold went limit down the very next day. It wasn’t a hedge against anything.

It’s always nice to be able to sell to the Greater Fool, but it isn’t smart to have to depend on him.

Reply

Cliff August 8, 2012 at 9:34 am

I am going to need more than one data point. Gold did exceptionally well in 2008.

Reply

gvtucker August 8, 2012 at 11:06 am

Gold bottomed out in 2008 at the same time the economy bottomed out. It didn’t provide a hedge against instability at all, it is a Texas hedge now. Since 2008, gold has been highly positively correlated with the equity market.

Reply

Cliff August 8, 2012 at 1:24 pm

And what % was it down at its bottom? What % were equities down? In other words, it performed superbly as a hedge.

The Anti-Gnostic August 8, 2012 at 10:11 am

*Other commodities like crude oil have inherent value; crude, in this case, has energy*
“Value” is a slippery concept. For centuries, all crude oil did was sit in the ground and occasionally bubble to the surface, where it decomposed. Are you saying gold has no “inherent value?” Gold has a lot of marketable applications. And unlike oil, it can be subdivided to ridiculously small amounts, and worked over and over and over and it will still be useful for those applications.

In any event, if you have a lot of valueless gold taking up room in your closet, let me know and I’ll be happy to relieve you of it.

Reply

mulp August 8, 2012 at 8:06 pm

Value is only “slippery” to modern economists who get a mind wipe after completing microeconomics so they no longer understand “value” is directly tied to labor and the labor to add any marginal unit of production.

Capital is just labor production which has not been consumed. Cynically land is only labor used to commit war or theft.

When gold == money, a shortage of gold driving down what labor was worth led to idle labor spent looking for gold with equilibrium being the labor require to find an ounce equal to the labor to produce bread worth an ounce of gold.

When gold == money the mining cost of a marginal ounce of gold was precisely known.

Reply

Brian Donohue August 9, 2012 at 1:44 am

I’m racking my brain trying to recall when I used to ”understand” this gobbledygook.

Tim Worstall August 8, 2012 at 9:01 am

“In addition, authoritative estimates suggest that about three quarters of the achievable world supply of gold has already been mined.”

Snigger.

I fear they’re getting confused about what “reserve” means.

Some 160,000 tonnes of gold has ever been mined. Current global reserves are 50,000 tonnes or so. So, that accords with their figures there. Roughly speaking.

But a reserve in mining speak is not a resource. A reserve is what we know is there, we know how to get
it out, using current technology and that it would be worth getting out at roughly current prices.

Resources are something completely different. Crustal abundance for example is perhaps 20 million tonnes.

Another way of putting this is that there’s an awful lot of gold in the dirt. But we only count as “achievable” the amount of gold that is in ore. Which is fine in a static analysis. But we move dirt into being ore by advancing extraction technology. And believe me, those technologies continually advance and lots of dirt becomes ore all the time.

To take a not gold example of this. A technology just announced takes “reserves”, the ore bit, the bit we know how to extract at current technologies and prices, of one of the rare earths from perhaps 5 tonnes a year to 500. Assuming it works as advertised of course but I don’t doubt that it does.

“Achievable”, “reserve” quantities of metals are an economic, not geologic concept.

Reply

Rahul August 8, 2012 at 9:23 am

The other problem is all these “experts” probably have a vested interest in projecting that gold’s running out……

Reply

IVV August 8, 2012 at 1:52 pm

Another example: Aluminum!

Reply

Spencer August 8, 2012 at 10:35 am

There was no real gold market before 1975 because the price was set by government — first the Bank of England and later by the US Treasury.

Moreover, most of the time they set the price above the market clearing price as evidence by the point that their holdings of gold of gold rose over time.

The 19th century model that that the gold bugs want to return to was not a free market.

Reply

Silas Barta August 8, 2012 at 5:00 pm

There was no real gold market before 1975 because the price was set by government — first the Bank of England and later by the US Treasury.

Wow, how did the US government manipulate gold prices in ancient Greece?? Do they have a
time machine they’re not telling us about?

Reply

John Schilling August 8, 2012 at 12:29 pm

Would it not be correct to say that, before 1971, actively trading in gold took place by way of active trading in gold-backed currencies? There’s no point in a separate gold exchange so long as the U.S. Treasury is always buying and selling at US$35/oz.

Reply

Miles August 8, 2012 at 1:20 pm

Investor option #3: Short gold

Reply

Doc Merlin August 8, 2012 at 1:42 pm

This is unadulterated nonsense. Before 1975 there was a market for gold. It was called the USD money market.

Reply

Doc Merlin August 8, 2012 at 1:43 pm

USD were Gold certificates.

Reply

custom bridal gown August 8, 2012 at 2:18 pm

I do not usually answer posts but I am going to in this case, great information?– I will certainly bookmark your site. Keep up the good operate!’s a Also, I have shared your website in my social networks! post.

Reply

dirk August 8, 2012 at 4:58 pm

“In the past, when the real price of gold was above average, subsequent real gold returns have been below average.”

That’s a real nugget.

Reply

Brian Donohue August 9, 2012 at 1:48 am

rim shot!
Reply

jhonmartal August 8, 2012 at 5:05 pm
	nice article now i am thinking about buying some gold coins and saving them as a collection ....\nthanks for the great share mate

Reply

ohwilleke August 8, 2012 at 8:35 pm

I have to concur with other posters that starting out with an obviously misleading statement like “gold has only been an actively traded object since 1975” utterly undermines the credibility of the entire statement regardless of its actual truth or falsity. In truth, for the vast majority of metal age history, gold has been a form of money rather than a commodity traded for its intrinsic utility (even though, unlike paper money, gold does have considerable intrinsic utility in many applications).

Reply

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