

This Is What Gold Does In a Currency Crisis

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To say that gold is in a bear market is to misunderstand both gold and markets. Gold isn't an investment that goes up and down. It is money in the most basic store-of-value sense. Most of the time it just sits there, and when its price changes in local currency terms that says more about the local currency than about gold.

But when currencies collapse, gold shines.

Consider the above from the point of view of a typical Russian. The ruble is tanking (no need to understand why — all fiat currencies go this way eventually and the proximate cause is almost irrelevant). Russians who trusted their government and kept their savings in, say, a bank account, are losing their shirts. But those who own boring, doesn't-pay-interest, in-a-bear-market gold have seen their capital appreciate in local currency terms by about 60 percent in just the past month. They're not "making money," but they are preserving wealth.



This is how it has gone always and everywhere when governments have destroyed their currencies. In the Roman Empire, revolutionary France, revolutionary America, most of Latin America in the 20th century, and now big parts of the developing world, local

currencies evaporate but gold just sits there, buying the same amount of stuff as ever, impervious to the games governments play.

It won't be long before this chart is replicated in a whole lot of other places. But by then it will be too late to prepare. The gold will be gone and those who trusted their governments will have to make do with promises.