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## Why the Gold Price Doesn't Matter

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[GuardianCommodities.com](http://GuardianCommodities.com)

Unlike mining stocks, gold is not an investment. Gold is money. It is a store of wealth. Gold's 5x growth this past decade is significant not because its nominal price has increased, but because the prices of most other assets have increased less.

The gold price simply doesn't matter. Gold's value as measured in a fiat currency is arbitrary. Sure, adept traders can take advantage of short term price fluctuations, but bullion owners invest for the long term, and they do so to protect their wealth.

Some are calling for \$5,000 (or even \$10,000) gold. It might happen. Who knows? But if all other assets grow at the same rate, the sum gain is zero. Gold growth in dollar terms does not guarantee increased wealth.

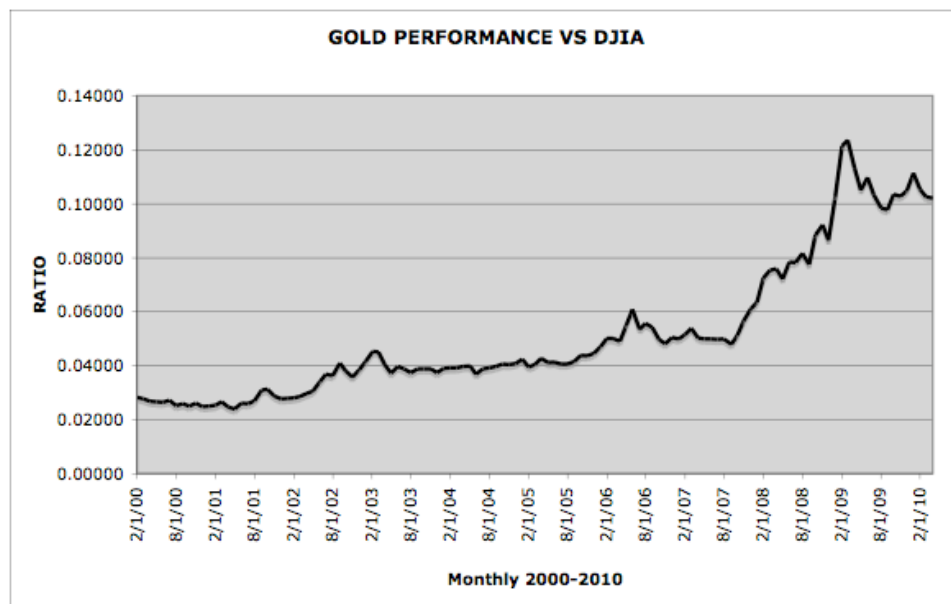
On the contrary, it is wholly conceivable that the gold price could fall and you could make a fortune! If gold settles at \$1,000/oz, but the DJIA, S&P, home prices, car prices, etc, all fall at a greater rate, your net gain is the difference to the downside. In other words, your net purchasing power would increase!

### Purchasing Power

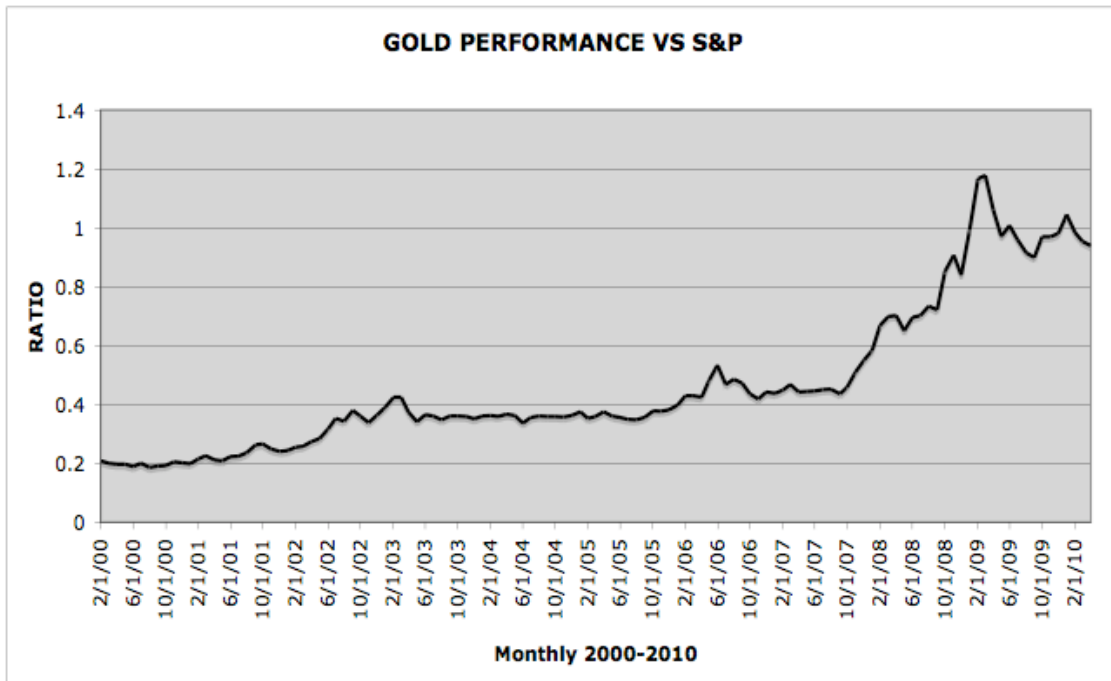
The real statistic worth measuring is purchasing power.

The graphs below depict what I mean. Gold's real value is determined not in the price of a fiat currency, but as a ratio to other assets, and this is where gold has really shined over the past decade.

During the "lost" decade, in which the Dow and the S&P 500 flatlined, gold's performance became all the more significant for owners who had the foresight to hedge against a deadening economy.

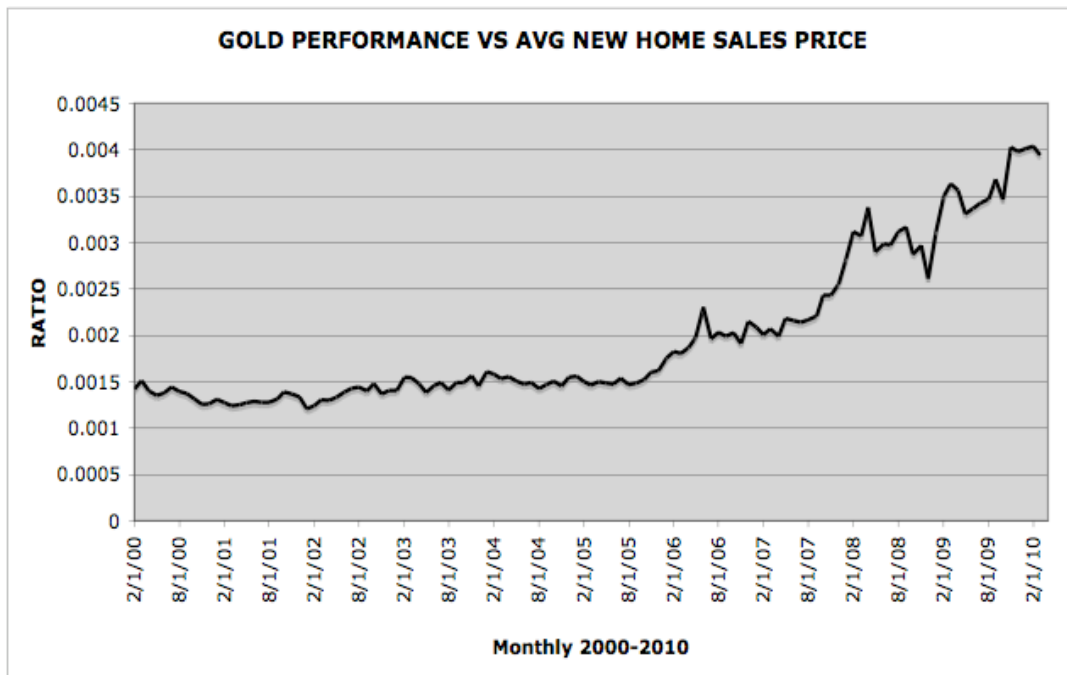


\*Gold divided by DJIA



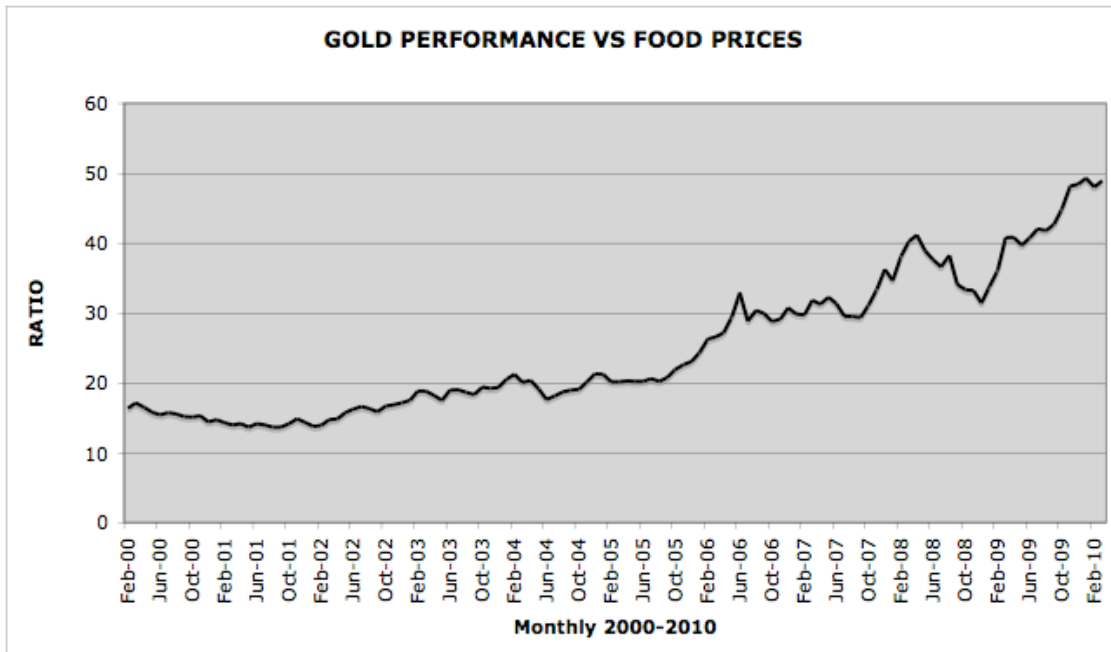
*\*Gold divided by S&P 500*

Despite the incredible housing bubble in the middle part of the decade, gold consistently rose against home values. In 2000, it took 705 ounces of gold to buy the same house you can purchase today for just 253 ounces.



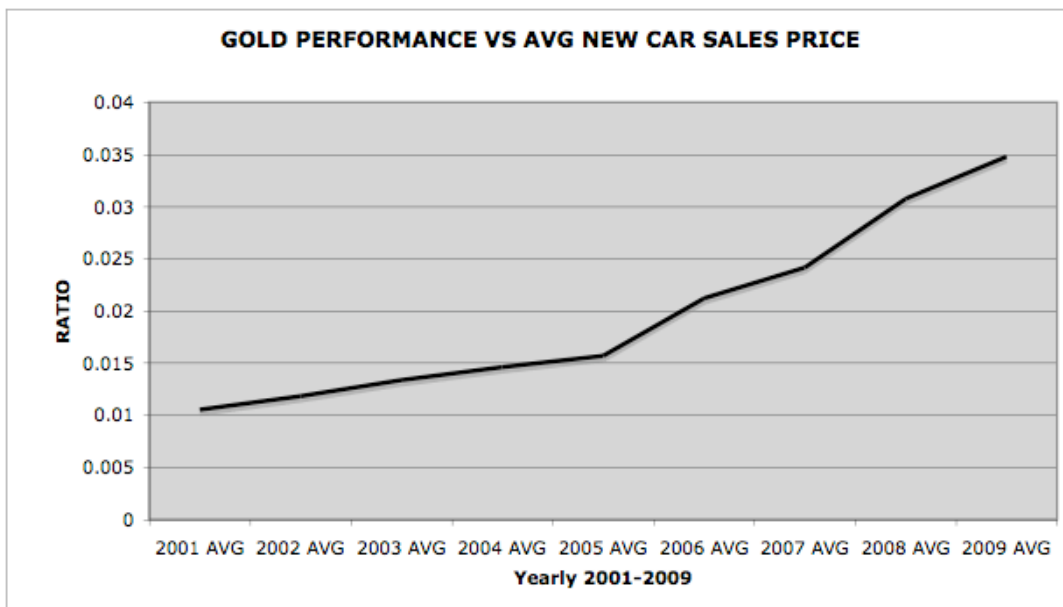
*\*Reference for average new home prices [here \(24k pdf\)](#)*

Are food prices rising? You bet. But not as much as gold, according to the [Bureau of Labor Statistics](#).



\*([Bureau of Labor Statistics](#), US City national average composite of prices: Pasta, Flour, Bread, Ground Beef, Turkey, Milk, Butter, Cheddar Cheese, Apples, Bananas, Potatoes, Lettuce, Broccoli, Sugar)

In 2001, it took **95 ounces of gold** to buy the same car you can purchase today for just **25.5 ounces**, according to the [National Automobile Dealers Association](#).



\*Source National Automobile Dealers Association, [www.nada.org](http://www.nada.org)

Sure, for gold bulls it can be an obsession waking up every morning to check the Kitco spot price. But in the long term, the move to gold holds far more significance than a ten or twenty-dollar price swing. If you can keep your head (and shirt) when all about you are losing theirs, that in itself will be a great triumph.

History will record our age as the time of the greatest economic meltdown the world has ever known. In the end, it won't matter if gold is selling for a trillion dollars or fifty dollars. What will matter is what you can buy with it.

'Til next time, that's my [Saab Story](#).

**Tarek Saab is the President of Guardian Commodities and a former finalist on NBC's "The Apprentice" with Donald Trump. He is an international speaker and syndicated author.**  
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