

Think Outside the Box: Maverick Investing in the Age of Obamanomics

The most important thing you need to know about investing in the Age of Obamanomics is: *invest in inflation*. Consider two key investments that are perfect for the Age of Obamanomics: precious metals and carefully selected stocks. When we're done with this chapter, you'll know exactly what to look for and how to avoid the pitfalls.

Your investment program should be based in coins and bullion. Invest at least one-third of your assets in gold and silver coins or bars.

Precious Metals Are Basic to a Ruffonomics Portfolio

Gold and silver are perfect pure inflation hedges. Strictly seen as an investment, as the dollar shrinks in value, gold will be worth thousands of dollars an ounce and silver will be worth hundreds of dollars an ounce. Glenn Beck, one of my favorite talk show hosts, said he is "not buying gold as an investment, although it will be a good investment, but as insurance." He doesn't tell us what he is insuring against, but I'll tell you. He's insuring against the plummeting loss of purchasing power of all dollar-denominated investments, even the possible collapse of the dollar.

Precious metals feel so solid. When I was in South Africa, I went ten thousand feet down in a gold mine, and then came up to visit where they were producing gold bars. I held a new gold bar in my hands. It felt like wealth. It was real.

Then I went to the mint that manufactured krugerrands, South African gold coins, and we were permitted to handle these coins. Same feelings. I understand why people killed for them.

Why Gold and Silver Now?

In these current circumstances, not buying gold or silver is one of the dumbest money decisions you can make in 2009-2010. Here are just a few reasons why this is so:

1. Obamanomics: Socialist states *always inflate* the paper currency. Obama, Congress, and the Federal Reserve are diluting the dollar like never before by creating more of it. Accommodating Obama and Congress, the Fed has manufactured trillions of dollars out of nothing at by far the fastest pace in history, and it's accelerating. The government has given trillions to the big banks, which will loan the dollars into circulation or give them to politicians to spend into circulation. This money expansion currently dwarfs several times over the monetary explosion that led to the Carter-driven metals bull market in the '70s. I can't overstate what is happening. Economists may call this monetary-expansion process "inflation" but it really should be called "dilution"—dilution of the money supply and consequently its value. Inevitably, sooner or later, consumer prices rise and laymen then mistakenly call that "inflation." Calling rising prices inflation is like calling falling trees hurricanes. When will the public catch on? Price inflation and gold prices are the

chief measurements of public awareness. Sooner or later, awareness becomes a critical mass, the public catches on, and the metals go through the stratosphere.

2. *Real money:* Gold and silver (especially silver) have been real money over and over again, in all ages of time and on all continents. Ever since Gutenberg invented the printing press 400 years ago, the world has been littered with worthless dead paper currencies every seventy-five to eighty years, due to runaway money printing. *Every time* the dominant currency has been inflated, gold and silver coins have become hugely profitable investments, and sometimes the only surviving currency.

Throughout history, each time a paper currency finally caved in to inflation, gold and silver (especially silver) became the only universally acceptable coin of the realm. Gold and silver as a means of exchange and a store of value have always survived. They have always been symbols of wealth, far more precious in our consciousness than any mere paper.

During periods of hyperinflation, there always comes a time when people refuse to accept more and more counterfeit, inflated money or base-metal coins in return for their hard-produced goods and services. At that point, society instinctively turns to gold and silver. It has happened over and over again, and as George Santayana said, “Those who cannot remember the past are condemned to repeat it.”

3. *It's early in the game:* Gold and silver are *early in an historic bull market* (in fact, as this is written, it's only a Golden Calf), making this a low-risk investment with an awesome upside for the long-term investor. Especially silver. This gold and silver bull market will dwarf the last great one in 1973-80, when fortunes were made by relatively small amounts of money invested by amateur investors (many of them my readers). All of the factors that created the last bull market are here again, only amplified several times.

4. *Supply and demand:* Both metals are far rarer than most people know. All the gold ever mined since the dawn of history, including that in Central banks, gold fillings, and sunken shipwrecks in the Caribbean, etc. would cover a football field about four-feet deep. It would make a cube about the size of a typical 8-room house. Demand is now leaping past new supplies.

Likewise, most of the easy silver has been mined over the centuries, even with primitive methods. For example, during the Roman millennium, they used silver coins for currency and exhausted the Spanish silver mines.

Now that prices are high enough to make gold and silver mining profitable again, it will take as much as seven to ten years to develop new mines, and stagnant supply and rising demand have made higher prices inevitable for the imminent future.

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