

The conflict between liberty and democracy will keep the gold price high for decades

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Why did the gold price suddenly start rising in the early part of the last decade?

The standard answer would be that when the commodities boom got underway in about 2004, gold as the ultimate commodity led the charge.

But there was more to it than that.

The commodities boom was driven by the rapid industrialisation of China. This was billed as part of a new economic “Supercycle” and hyped up to the nines by promoters, but there’s no doubt that it did suck in metals by the millions and millions of tonnes.

The metals in question though were largely of the industrial type - iron ore, copper, zinc, nickel. Fortunes were made and lost. But gold was only affected obliquely – Chinese demand for gold only went up as an increasingly prosperous middle class looked for secure safe havens in the event that the Chinese currency prove after all not to be a secure store of value.

But such is the mindset of the middle classes in developing countries the world over.

And it wasn’t middle class demand in China that pushed gold up from US\$400 an ounce at the beginning of 2005 to nearly US\$1,900 at the height of quantitative easing and which even now is keeping it at well over US\$1,200 - this bearing in mind that in the fifteen years before 2005 gold rarely blipped over US\$400.

On the other side of the coin, serious investment professionals, guided in part by sage and famous advice from the Financial Times that labelled gold as a “barbarous relic” have steered clear of gold for years.

In fact, in terms of the size of global economic trade, gold is a fairly small market. Based on first half 2017 figures, annualised demand is around 4,000 tonnes, or 140 mln ounces, which equates to around US\$176bn, or just over a fifth of the market capitalisation of [Apple Inc \(NASDAQ:AAPL\)](#).

Indeed, the total value of all the gold in existence above ground has been put at US\$6.3 trillion by the World Gold Council, roughly equivalent to four months of US GDP.

So, it’s a big enough market for specialists and experts to play in, but also small enough for serious hedge funds to avoid without raising serious questions from their investor base.

Which brings us back to our original questions: why did the gold price rise so much in the last decade? Why is it still so high? And who is it that's buying?

In this regard it's no coincidence that right-wing talkshow hosts in the US also advocate buying gold. From the perspective of the urban elite, the reason is simple enough: US right-wingers are infused with apocalyptic and anti-government rhetoric, they are willing the system to fail, and in the event that it does they are reckoning that gold will be the best store of value.

The reality is a bit more subtle though. What's actually playing out now across Europe as well as America is a confrontation between liberty and democracy. Advocates of democracy do not see this, especially in Europe where many countries have never known liberty without democracy. For such as the Germans or the Spanish, with their share histories of Fascist rule, the two are synonymous.

But in the US, which threw off kingship and whose citizens have been relying on closely defined definitions for more than two centuries, the distinction between liberty and democracy is very stark.

For a start, the word democracy is not once mentioned in the US constitution, while the word liberty is mentioned often.

The US system is actually all about safeguarding the liberty of the individual - against other individuals and, more importantly, against government itself.

The government that the Constitution guards against might take the form of the so-called "tyranny" of George III, or the oligarchic rule that could conceivably have followed his overthrow. But it also encompasses the tyranny of democracy of the type that caused the defeat of Athens in the Peloponnesian War and the ultimate end of the Greek phase of Classical civilisation.

The Founding Fathers were steeped in the Classics, as were all educated men in Western civilisation in those days, and they were not messing about.

So when a modern-day liberal leftist like Paul Mason writes that "Democracy is dying", as he did in the Guardian this week, that's not a statement that in any way conflicts with the freedoms enshrined in the US Constitution, or not at least as the Cato Institute would have it.

Mason is one of the great standard-bearers of the activist left in the UK, a friend of former Greek power-broker Yanis Varoufakis', although no particular friend of the EU, and he's one of the few left-wing intellectuals who can both hold an argument and popularise it.

His views are not widely supported but they are listened to. So if Mason says "democracy is dying" it's something to be carried by mainstream media in the UK.

And on his central point many of his intellectual opponents do agree: democracy is dying. That may not be a bad thing, but if it comes to a fight, and democracy comes to town in the way it did for the Branch Davidians at Waco or the Weaver family at Ruby Ridge, then gold and guns are your best bet.

