

# Doug Casey: “Gold is Going to the Moon”

An interview with the editors of [BIG GOLD](#), Casey Research

*As part of our survey of expectations for gold in 2008, one of our BIG GOLD editors interviewed famous contrarian investor and Casey Research Chairman Doug Casey. Here's his take on what's to come.*

**BIG GOLD: Gold has passed its 1980 nominal high. Why do you think it's breaking out now?**

**Doug Casey:** The fact that gold has moved above its 1980 high is meaningful only in an academic way; today's dollar is worth only a fraction of a 1980 dollar. From here on, it's best to avoid thinking about anything just in terms of dollars. What's developing now is likely to be the biggest monetary crisis of the past 100 years, potentially the biggest since the U.S. Civil War. This isn't a prediction, just an appraisal of the tumultuous possibilities that are opening up. Americans are going to have to learn to think more like Argentines: if an Argentine tried to keep track of value in the local peso, he'd be bankrupt in 5 years.

**BG: There are those who agree with you about a possible crisis but believe we'll see deflation instead of inflation, or at least deflation before inflation.**

**DC:** What we're facing is a monumental monetary crisis that can take one of two forms. It can be deflationary, where billions and billions of dollars are wiped out through bankruptcies and defaults, and the remaining dollars become worth more as a result. Or it can be inflationary, where the world's central banks keep dollar assets from being wiped out by supporting the issuance of debt --- which is what they're currently doing, by propping up failing banks and homeowners who can't pay their mortgages. Those are your two alternatives. You can have either one – it's really a flip of the coin as to which you get.

It's also possible you can have both at the same time. You could have deflation in some areas of the economy, such as real estate, which is happening now, and inflation in other areas of the economy, where prices are going up, as with food and oil.

I'm of the opinion that government is so big and so powerful now, and the average person – idiotically – relies on it so heavily, that much higher inflation is inevitable. They're certainly going to do their very best to keep a deflationary collapse from happening, because they all remember what it was like in the U.S. in the 1930s. Yet not too many people think about Germany's inflationary collapse in the 1920s. It was much more unpleasant.

Inflation is the enemy of the person who works, saves and invests. But it's the friend of the speculator.

**BG: Why do you think gold stocks have lagged while gold has taken off?**

**DC:** Gold stocks are a play on gold. But they're also stocks. The best environment for them is when both gold and the general market are moving up, and lately the stock market has been

problematical. People are going to panic into gold, because it's cash – money in the most basic form. Gold stocks are not money; they're speculative vehicles. And despite the strength in gold, the costs and risks of finding and building mines have gone up just as fast in the last couple of years. There's no necessity for them to move in lockstep with gold itself. That said, I think gold stocks are really going to howl as gold goes into the Mania stage.

**BG: The water in the pot is definitely getting hotter. Where do you think gold is going this year?**

**DC:** Gold has been in a bull market since 2001. It's gone up, on average, about 25% per year compounded, and there's absolutely no reason the bull market should stop now. On the contrary, there's every reason to believe that the gold bull market, having gone through its Stealth stage and still being in its Wall of Worry stage, is going to hit the Mania stage. To sell now would be to leave the big money on the table.

My best advice is, be right and sit tight. And that means staying long until you see a golden bull tearing apart the New York Stock Exchange on the front cover of Newsweek magazine, at which point it will be time to sell.

**BG: What price do you think gold will hit in 2008?**

**DC:** Strictly gazing through a crystal ball, I think it's going over \$1,200, no problem.

**BG: What about the long-term price for gold?**

**DC:** Just to reach its previous high in purchasing power, gold will have to go over \$2,500 – probably more like \$3,000 after you discount the phoniness in the government's CPI numbers. But because this crisis is much more serious than the one in the late 1970s and early '80s and much more far-ranging, \$3,000 is actually a fairly conservative number. I'll say it again: gold is not just going through the roof, it's going to the moon.

**BG: What advice would you give to readers of Big Gold about how to invest in gold and gold stocks in the coming environment?**

**DC:** The first thing is, you've got to have a lot of physical gold in the form of gold coins. Second, make sure a large chunk of those coins is outside the political jurisdiction where you live. If you live in the U.S., they've got to be outside the U.S. If you live in Canada, they've got to be outside Canada, and so forth. Third, gold stocks are definitely going to howl, so you definitely should have a good position in them.

As important as gold and gold stocks are, though, I suspect we're going to see foreign exchange controls of some type or description in the years to come. That means if you don't have assets outside your native country, you're going to be caught like a lobster in a trap. I think it's very important to diversify internationally. Buying foreign real estate is one prudent way to do so because, even though there's been a worldwide property mania, there are still some places where property is very cheap, leaving plenty of upside. In addition, if you pick a locale where you'd

like to live, you'll have a comfortable place to wait things out – which is a serious plus, because I think things in the U.S. are going to get really ugly in the years to come. And most important, the government can't make you repatriate foreign real estate.

**BG: What if I don't have the ability to buy real estate outside the country I live? I know you can have a foreign bank account and a safe deposit box, but I have to report those, so how does that help me?**

**DC:** You have to report a bank account, but you don't have to report a safe deposit box.

**BG: What if I have over \$10,000 of coins in that box?**

**DC:** It doesn't matter. It's just like having a million dollars of foreign real estate – not reportable. Of course they can change these arbitrary laws – probably to make them more restrictive and invasive – at any time.

**BG: Thanks, Doug, for the practical advice. Anything else you'd like to say to Big Gold readers?**

**DC:** Hold on to your hat; you're in for the ride of your life.

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