



Caswell **CORPORATE COACHING** Company

Making good companies even better - worldwide

NEWSLETTER
January 2016
Volume 16,
Issue 1



William E. Caswell

Bill Caswell is an experienced coach of CEOs and senior executives around the globe. The author of 14 books, Bill has penned the 12-book series *The Respect Revolution* written, by a CEO for CEOs, as a guide to getting your company to *Excellence* and keeping it there.

***Jump-start
your good
business to
'better'
4-hour seminar:***

- **21 Jan,**
Guadalajara,
Mexico
- **10 Feb,**
Ottawa, ON
- **10 Mar,**
Toronto, ON
- **11 Mar,**
Kitchener, ON

Price: \$950

Limit: 10 persons
per session
For more
information go to:
www.caswellccc.com

The Fantasy of Gold

Among our teachings at CCCC is that emotions trump logic, and nowhere is this more true than in the arena of finance. Stock markets frequently go up and down depending on the mood of people or their level of confidence in the economy. For example today, people lack confidence in the market – a feeling no less. And as a result, the economy has no chance to be robust, but sputters along thereby contributing to humans' current self-fulfilling negative prophesy.

Gold, likewise has its emotional story which spans the timeframe of the human race from ancient Mayans, Aztecs and Egyptians to the present.

Let's face it, compared with other metals, gold is useless. Lead, iron, copper, etc. can all be put to productive use. Gold is merely pretty. It has very little material function, so in ancient times it was used for decoration – to signify power of the leaders, for the most part – gold crowns, robes, thrones and even gold toilets.

Only in the 1500's to 1800's did gold take on a value for trade, when gold coins became the monetary exchange medium. Gold coins required the same leap of faith as silver coins or paper money. The faith was that others would value the specie as much as you yourself would. What could be more emotional?

And from the pure investment point of view, gold plotted over 200 years from 1802 to 2002 increased by a factor of 4.5. That is \$1 of gold in 1802 was worth \$4.52 in 2002. This compares with stocks and bonds increasing about 10,000 times in the same time frame, so gold proved to be not much use here either. Temporarily, gold can have its up and downs depending on supply and demand of gold-mine production and on other emotional factors – such as, in current times, the value of the United States of America. When the American economy is bad, people invest in gold and the value of gold goes up; when America recovers, people invest in U.S. dollars and the value of gold falls.

Humans have had a long-standing love affair with gold. Mention a gold-strike somewhere, and thousands stampede there with dreams of getting their hands on riches – and it has been this way since the time of the pyramids, if not before.

One point of this paper is to suggest that you not waste your hard-earned money to invest in gold. By its very nature, as the standard for currency, gold cannot go up in value (at least not any more than the currency's inflation) which remains at zero increase, relatively speaking. If you attended our PMBA last October, you will recall that we told you that the house you live was a poor investment¹ and now we add gold to that list. Ooops! Sorry.

Somehow over the century of the 1800's gold became the standard for finance. People believed in gold. They could have believed in silver or cigarettes, but they chose gold. Countries, one after the other, accepting this human leaning, adopted gold as the financial standard.

¹ Between 1890 and 2015 house prices have risen 20% (or 0.2% per year) when adjusted for inflation, whereas stocks and bonds have risen more than 10,000 times under the same conditions.

CCCC offers:

1. Read about the CCCC management methodology for **\$40** electronically or **\$400** with a set of 12 books (2,700 pages) in a hardboard case.

2. Learn about the CCCC management methodology by attending the week-long **Advanced Management Skills**, September 6-13, 2016 **\$7,500**

3. Act on the first step of resolving your key issues with a tactical planning session by CCCC at approximately **\$9,000**.

4. Engage fully in the *Climb to Excellence* right from the start (3 year step-by-step program) guiding you to *Excellence*, **\$150,000** (\$4,200/mo.)

(Britain fought it for centuries opting to make silver, sterling, its standard – but ultimately the most powerful country in the world at the time, caved in). And it is still that way today.

A gold standard means that every other form of currency reverts to gold at some point. People have retained their insecurities about the value of other forms of money and so, nations have reverted all the currencies to a gold standard, some with the promise that any time, you could go to a bank and cash in your \$10 note for the equivalent in pure gold. Subsequently, to be good on their word, the banks (via central banks in each country) needed to have lots of gold on hand – at least enough gold to honor the paper money run should there be some financial malaise².

So, at last, there is a use for gold: it sits 7 stories beneath ground level, thousands of tons of gold, as the emergency (reserve) money supply, in every major country in the world. Fortunately, gold is chemically inert so it won't rust or decay; it needs no looking after.

But realize that this standard is a figment of everyone's imagination. It makes us feel good. If somehow money actually did collapse, there is never enough gold in any country's reserve to cover all the currency in circulation. It simply won't work. But does anyone care? Does it really matter? Probably not. (All the gold mined over the entire human history will make up one cube of 30 meters by 30 meters today).

The point of this discussion is to reinforce the point that emotions trump logic – even on a major scale such as with our economies – something we all worry about quite a bit. I, for one, want to keep you aware that emotions often rule our logic, for events both big and small.

Bill
© W. E. Caswell 2015

Bill is always available for comments or questions at bill@caswellccc.com

Caswell Corporate Coaching Company (CCCC)

Ottawa Canada

613-232-1243

www.caswellccc.com

² Gold serves as an anchor for international trade as well.