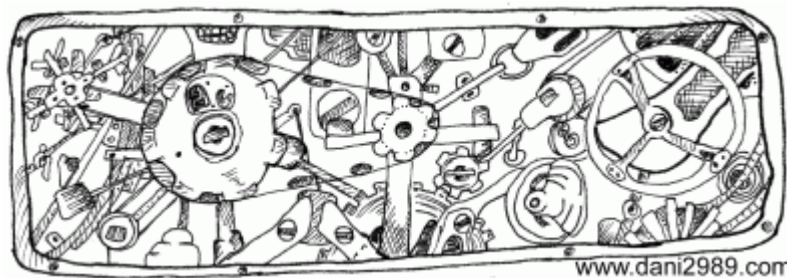


## Gold in a complex world

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If you read a little the economic press (one should not misuse the good things), you know that inflation does not exist any more since the years 1980, that the retirements are guaranteed, that pollution is a weather problem and that the oil peak of production is too remote to speak about it. These subjects are tackled with an optimism that only a clown under Prozac is able to write, but it happens sometimes that a writer decides to ruin his reputation by approaching these topics with a little less good mood. This description, somewhat optimistic of the economic world, is not only one mirage, it is also a truth since allowed by all. An answer simple and optimistic, veiled what is necessary to good information.



### **I. An almost perfect world.**

Here are four axes of reflexion :

#### 1) Inflation :

The word taboo “inflation” almost an insult. Will know that since 1980 “geniuses” found the miracle solution which makes disappear inflation. It is henceforth a plague of the past. Today, one does not manufacture any more paper money in excess for stage with the public deficits which them same became driving of growth and either of inflation. Since centuries, princes, presidents, bankers are make catch up with by inflation, but not our “geniuses”. Will once know it for all, churls, they are equipped with an infinite wisdom that did not have their predecessors. Have confidence and forget gold.

#### 2) Retirements.

Problems and retirements, two words which do not go sets. Small reforms, perhaps two and veiled a solved problem. The unfavourable demographic curves are not any more one concern, forget the growing old population of Europe, Japan and even tomorrow of China (more long term). One should not especially ruin the good mood of the consumer who would suddenly want to save up, still a naughty word “savings”.

#### 3) Peak of production.

The peak of production is more difficult to deny. An increasing quantity of population which consumes a limited quantity of oil, gold, money, of zinc, one day the peak of production should be reached. The oil peak of production thus exists, but it is very very far, so much far it does not deserve to speak about it! Idem for the peaks of production of the other matters that oil! In here is a strange idea that must surely be even more remote than oil.

#### 4) Pollution.

Who says peak of production says strong rejection of these resources consumed in water, in air, in ground, and then pollution. A simple rule exists for pollution: if it is nearby it is benign,

if it is far one can accept a small amount of bad news. Serious pollution always takes place in China or in India. When they are nearby to us, it less serious, even benign, small, is confined, controlled. Especially, one should not worry the consumer that stresses as certainly it as the headlights of a car panic the rabbit epileptic.

To summarize, not inflation, not budgetary skid, guaranteed retirements, oil plentifully, and pollution at the others, all are thought, reflected, calculated, anticipated. You doubt it? Bad spirit, “geniuses” left straight of the tales “*Thousand and One Nights*” transformed inflation into growth, deal with your retirements, guarantee a clean and infinite consumption to you. And you, you doubt! Ungrateful!!!!

## II. Complex overlap.

### A) Simplification.

Inflation, the retirements, oil, gold or pollution, are vast and complex subjects, they are summarized, simplified with excess with have strong amount of optimizes happy. The subjects are often built in a binary format: A problem A solution, A accident A culprit, A crisis A person A responsible. With typical example: raises oil, it is because of China, raises gold price it is fault of the hedge fund, even if they are components of the equation, this vision remains a narrow vision of the subject, it is easier to talk about the rise of demand for China oils (linear) that policies energetic and peak of production (complex system), it is easier to accuse the hedge fund than explain the problematical of gold in the world.

### B) Interaction.

I isolated these 4 topics, whereas they are indissociable, they are closely depend. How to understand inflation without the raw materials? Pollution without the resources and the economy? The resources without demography? It is impossible. All is depend in a whole with infinity of connections, in which we can punctually extract explanations linear and simple which are only partial visions. Universalization (internationalization) made fall last watertight bulkheads between the systems. Impossible to think a country’s economy without placing it in the world economy, impossible to understand the rise of oil without understanding its stakes geopolitics, its history, its geography, its sociology same its psychology. To hold the beginning of idea of what the world is today, the discipline and scaling is impossible to circumvent.

### C) Complexity undesired.

This complexity is the heart of the problem. Why talk about complex and often pessimist subjects, whereas the subjects must be simple and optimistic? I often read comments one the economic dated processing which holds more film of science fiction than analysis, whereas the things are often much simpler. With kind of self censures natural have glances complicating and pessimist. What is the interest to approach complex and pessimist topics if nobody wants its?



### **III. Inter-connected.**

#### **A) An increasingly overlapping world.**

It is reassuring to split up a complex problem and to study it by removing the most complicated parts, but the answers are partial. Sciences are atomized in tiny subjects of study in which the barriers between disciplines are solid and proscribed invariances of scale. However it is impossible to understand the complexity of the world without crossing the borders between: economy, history, mathematics, demography, geology, ecology, physics, psychology....

If you want to understand why the gold price has increased for several years and why some understood it before, whereas others shouted with the heresy, it is necessary to accept to cross the borders between the various disciplines and to exceed these proper prejudices. The gold, distribute all over the world, is a common value. It cannot be isolated from the rest of the world to approach it only from the point of view of the economy. Otherwise we are likely to find ourself in the situation of this French academic, specialist in the raw materials, who considers that gold does not even deserve that one speaks about him when one questions it on his price. Gold is the reflection of the complexity of the human reports, many factors affect the gold price: the population (demography), inflation (economy, statistics, history), the price of energy (geology, economy, statistics, geopolitics, policy, geography,), the fall of the reserves (geology, history, sociology, metallogeny), the habits (ethnology, sociology, psychology)... If you want answers, accept complexity.

#### **B) Observation.**

Intuitively we guess all the complexity of these problems, the limits of the demographic growth, the exploitation of the natural resources and the rejection of pollutant. However we often prefer a simple and reassuring answer, even if, very often distorts, with a reality complex and distressing. It is in our nature.

Gold is the reflection of this complexity and our contradictions. At the time when it had to disappear, it comes back in force. If you wish to explain this return by another skew that that of the conspiracies of hedge fund, you will doubt the control of inflation, the money supply, of financial balances, to question you on his exhaustion, the management of resources and of the rejections, on the consumption of energy to produce these a few grams of gold. Therefore to accept that gold can be other thing which a barbarian relic is so difficult, it calls into question so far many stereotypes which we accept only because they reassures us and not because they are convincing.

#### **C) Evolution.**

There are simple questions about gold which contain the presupposed erroneous ones sometimes so much that it is impossible to give an answer. It is necessary for answering to redefine a perception of the world.

Information (media) is often a blade description of a fact optimistic and make childishly, lit by many prejudices and too seldom a setting in prospect for the event in a complex world. The problem today for many investors is the distance between the real world and the perceived world. In the information systems, this one is increasingly large, it is a major obstacle to a coherent decision-making. It is today vital to accept this complexity and to be wary of the temptation of the fast short cuts which can ruin you as quickly as they do not reassure you.

I cannot conclude on the idea that the world is complex and dark, even if it is not is a great discovery. I prefer to finish these three pages of sarcastic remarks by a council of clear investment, although general. I hope for it advised, it is based on my own perception of this complexity.

Here what for me is the triptych of the investment today and for the very long term :

- **Demography.**
- **Resources.**
- **Environment.**

Even if I devote myself more to resources than demography or environment, I am persuaded that they are the three axes impossible to circumvent for the investor in the very long term.

**Dr. Thomas Chaize**

*“And yet a relation draws itself, a small relation which is spread like the shade of a cloud on sand, a form on the slope of a hill”*

Wallace Stevens *“expert of chaos”*.

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