

## Why Rising Debt Will Lead to \$10,000 Gold

by Nick Barisheff

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Good afternoon, it's a pleasure to speak about gold at this Outlook for 2012.

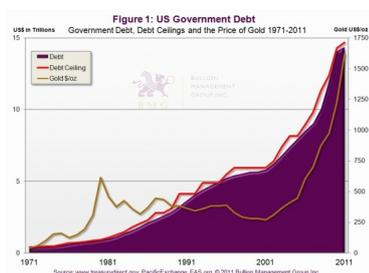
Today, I'd like to focus on one important idea: the direct relationship between the rising price of gold and

In order to understand gold's relationship, it's important to understand that gold is money. It is not simply

The world's central banks know gold is money: after decades of modest sales they have become net bu

As money, gold has provided the most stable form of wealth preservation for over three thousand years

This chart clearly shows that US federal debt (purple) and the price of gold (gold) are now moving in lock



Based on official estimates, America's debt is projected to reach \$23 trillion in 2015 and, if the correlatio

And it's not just the US. Most Western economies have reached unsustainable levels of debt that will be

There are four possible ways to reduce government debt:

One: Grow out of it through increased productivity and increased exports. This is highly unlikely, as West

Two: Introduce strict austerity measures to reduce spending. This has the unwanted short-term effect of

Three: Default on the debt. This will make it difficult to raise future bond issues.

Four: Issue even more debt, and have the central bank in question simply create whatever amount of cu

Most politicians will select option four, since few have the political will to choose austerity, cutbacks and

Last August, the world watched as the US government struggled to come to an agreement on raising the

In Europe, matters were even worse. Greece did try to write off half its debt, but Germany and France re

In order to compensate for slowing growth, governments attempt to devalue their currencies and thus im

A recent Congressional Budget Office report predicted the US federal government's publicly held debt w

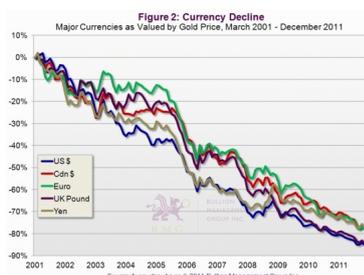
It's interesting to note that in almost every recorded case of hyperinflation, the point where inflation exce

These events gave me the confidence to title my new book \$10,000 Gold. The book connects the many

To make matters worse, the irreversible macro trends I discussed in last year's Empire Club speech are

Governments find themselves between the proverbial rock and a hard place, as even austerity measure

Loss of purchasing power against gold continued unabated last year. The US dollar and the British poun



As we remind our clients this is not a typical bull market. Gold is not rising in value, currencies are losing

The sovereign wealth funds as well as the more conservative central banks will have little choice but to

While central banks have been net purchasers of gold since 2009, the real game changers will be the pe

In considering where gold will be at the end of 2012, I looked back to my first Empire Club talk of 2005. I

These can be frightening times, but gold always offers hope. We may not be able to heal the global econ

A number of people have approached me recently and said they wished they had listened five years ago

*The best time to plant a tree is 20 years ago.*

*The second best time is today.*