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Gold or Paper? The Secrets of Real Money that Formal Schools Never Teach You

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ABSTRACT

People tend to save their hard-earned money in the form of their own currency as they receive it. However, evidence demonstrates that most currencies have depreciated over time. In contrast, gold has consistently shown its capacity to retain value since the very long run.

BACKGROUND



Figure 1: Illustration of the loss of purchasing power of some fiat currencies

- Purchasing power is the amount of goods and services that can be bought with one unit of a currency (Bhutada, 2021).
- The US dollar has lost 98% of its purchasing power since 1971 (Ramos, 2023).
- The Euro has lost 39% of its value since 2001 (Webster, 2024).
- The Indonesian rupiah has undergone a depreciation of more than 99% since 1946 (Yasepta, 2019).
- While on the other hand, gold has maintained its value in terms of real purchasing power for a long time (Harmston, 1998).

OBJECTIVE

The aim of this study is to compare the ability of fiat currency and gold in maintaining their value over time.

METHODOLOGY

The methodology used in this study includes reviewing related sources such as journals, articles, research studies, books, and the author's lived experience related to the topic.

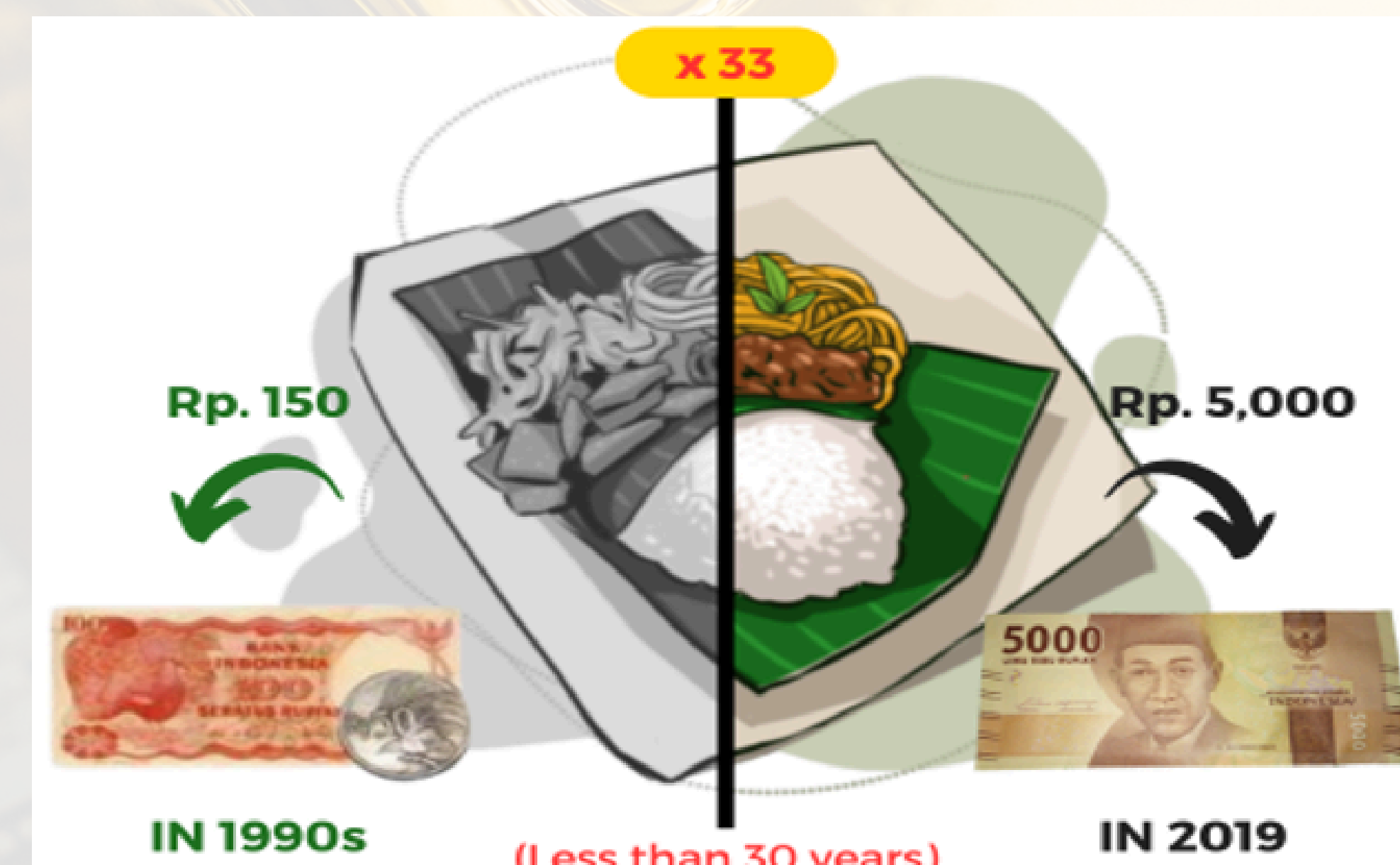


Figure 2: Comparison of the purchasing power of the Indonesian rupiah in the 1990s and 2019

KEY FINDINGS

- **Gold has been crucial** to the international monetary system since **550 BC** until August 1971, when President Richard Nixon ended the U.S. dollar's convertibility into gold (Money and Gold, 2018).
- **Under King Nebuchadnezzar** around **600 BC (over 2,500 years ago)**, an **ounce of gold** bought 350 loaves of bread (Mariottini, 2008). **Today, it buys the same amount or more**, with bread at \$2.50 per loaf and gold at \$2,400 an ounce (Besart, 2024).

- The Prophet (ﷺ) gave Urwah **one Dinar (4.25 grams of gold)**. Urwah then bought two sheep with it, and sold one of the sheep for a dinar (Ibn Majah, n.d.). This indicates that around **1,400 years ago, one dinar could purchase one to two sheep**. In 2019, 4.25 grams of **gold still have the purchasing power** to buy one to two sheep (Yasepta, 2019).

RELATIVELY SIMILAR IN VALUE

(4.25 grams of gold)

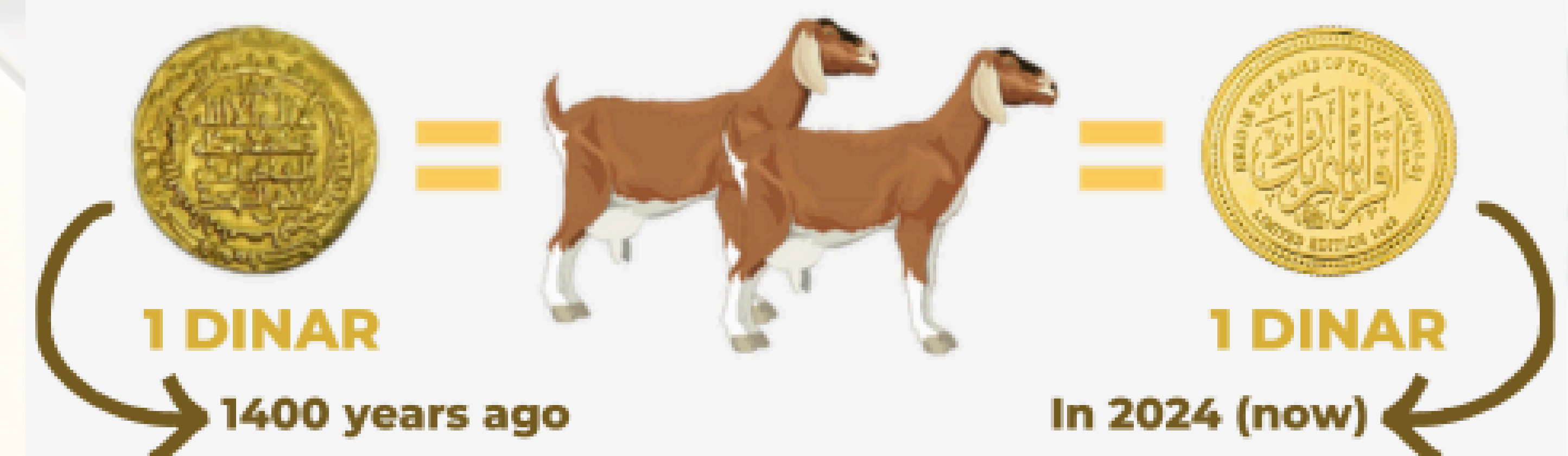


Figure 3: Comparison of the purchasing power of gold over 1,400 years

- **In the 1990s**, the price of a packet of nasi uduk was approximately **Rp 150**. By 2019, **in less than 30 years**, the minimum price for the same meal **had risen to Rp 5,000** (Yasepta, 2019).
- **In 1913, one US dollar** could buy **30 Hershey's chocolate bars** (Bhutada, 2021). **In 2024, the same 30 Hershey's chocolate bars** cost **\$34.99** (Hershey's Store, 2024).

CONCLUSION

Fiat currencies generally lose their purchasing power over time, whether it is the US dollar, the euro, the Indonesian rupiah, or any other currency (Yasepta, 2019). On the other hand, **gold has consistently preserved its value** for more than 2,500 years and continues to demonstrate this stability. **Thus, gold represents a more reliable option for preserving wealth** compared to fiat currencies, due to its enduring stability, liquidity and acceptability.

REFERENCES

