Myrmikan Research

November 11, 2025

Daniel Oliver
Myrmikan Capital, LLC
doliver@myrmikan.com
(646) 797-3134

This Time It's the Same

Speech given at the New Orleans Investment Conference

November 4, 2025

For the past sixteen years I've given presentations on why to buy gold—but I don't think that's useful to this audience at this time, when the gold thesis has become self-evident.

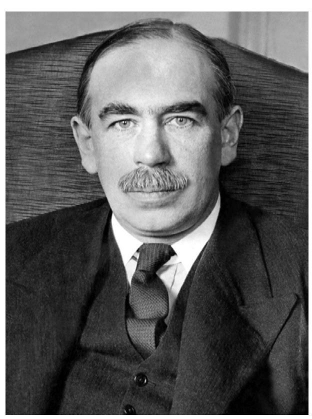
So I tried to think of what you might not know, or not know very well, and what might interest you.

I read recently that men think about the Roman Empire at least once a week if not daily—I'm not sure if that's true, but I'll give you your quota just in case because it's clear to me that studying the past can orient the present and reveal the future.

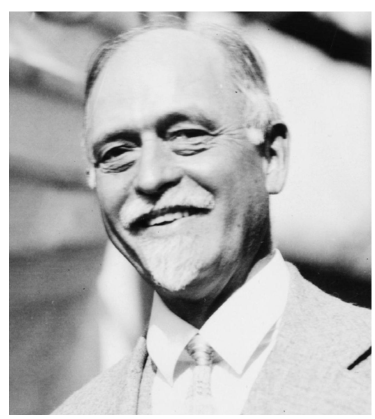
I'm not the first to have this idea: John Adams wrote to Thomas Jefferson in 1812: "When I read them [Thucidides and Tacitus] I Seem to be only reading the History of my own Times and my own Life."

Adams was speaking of politics, of course, but over the next 20 minutes I'd like to demonstrate that his insight applies equally well to finance.

To start with the opposition: the two great economists of the early 20th century were Irving Fisher and John Manyard Keynes—they founded the idea of economics as a science, driven by formulae and datasets.



Y = C + I + G + (X – M)



MV = PT

Based on new scientific theories, Charles Hamlin, the very first head of the Federal Reserve exclaimed: "Under the Federal Reserve system we shall have no more financial panics." The Great Depression was merely a bump in the road.

Arthur Okun, chairman of President Johnson's Council of Economic Advisors, wrote in 1970: "Recessions are now considered to be fundamentally preventable, like airplane crashes and unlike hurricanes."

But the airplanes kept crashing. The culprit? After the 2008 panic, Stanford economist John Cochrane complained: "The problem is that we don't have *enough* math."

I'd like to suggest to you that they were all wrong—that economics is not a science at all but a humanity: the story of man's attempt to manage and relieve scarcity.

Consider the wisdom and humility of Albert Gallatin, America's longest serving Treasury secretary, when he observed in 1831:

> And when we see that nations, differing in language, religion, habits, and on almost every subject susceptible of doubt, have, during a period of near four thousand years, agreed in one respect; and that gold and silver have, uninterruptedly to this day, continued to be the universal currency of the commercial and civilized world, it may safely be inferred that they have also been found superior to any other substance in that permanency of value which is the most necessary attribute of a circulating medium.

I want to stress his words: *it may safely be inferred*. Gallatin was drawing wisdom out of history, not trying to impose his theories upon a chaotic and ungrateful world.

History also shows us how and why banking developed. The coin was a wonderful technology to save the trouble of assaying and weighing, but they were cumbersome for large transactions and subject to some variation. Banking was the effort to make coin more liquid.

The famous Bank of Amsterdam, for example, accepted coin and issued redeemable paper that was completely uniform and, therefore, better than coin.

About the Bank of Amsterdam, Adam Smith wrote: "no point of faith is better established than that for every guilder, circulated as bank money, there is a correspondent guilder in gold or silver to be found in the treasure of the bank."

History also reveals, unfortunately, that such stark purity never lasts. Once everyone is using the bank money, the state—through jealously or ignorance—adds its imprimatur to the money.

Imagine that the Bank of Amsterdam were to lose 10% of its bullion: there would be a run on the bank.

But what if the state has decreed that debt and taxes may be paid with the bank money at par value? Depositors cease to care what assets the bank is holding.

It is precisely this process that transmutes market money into political money.

Once this step is taken, a curious thing happens. In a normal market, an additional supply of a commodity lowers its price. But once the government is subsidizing the money, additional money bids on assets to lower interest rates.

We don't need theory to tell us what happens next: history is sufficient. Looking back 2,000 years, the Roman historian Suetonius tells us: "by bringing the royal treasures to Rome in his Alexandrian triumph, Augustus made ready money so abundant, that the rate of interest fell, and the value of real estate rose greatly."

Sound familiar? Wasn't this the story of the 2000s? Greenspan made rates fall artificially and the value of real estate rose greatly.

What befuddled the Fed then was that goods prices kept falling even as asset prices kept rising. It shouldn't have been a surprise: high asset prices create overcapacity, which then lowers output prices.

This was also nothing new: even in the midst of rising real estate prices, prices of goods in Rome fell around 25% from the reign of Augustus into Nero.

So the Caesars were fighting the very problem the Fed was fighting all those years from the 1990s: "Making sure *IT* doesn't happen here," Bernanke warned us—IT being dreaded deflation.

And what did Augustus do to combat deflation? Seutonius tells us: "He often gave largess to the people, but usually of different sums: now four hundred, now three hundred, now two hundred and fifty sesterces a man."

Isn't this what Bush did? And then Obama? Trump and Biden? Stimulus payments for all?

This solution was only temporary. If falling rates create an asset bubble, and asset bubbles create overcapacity and falling prices, then sooner or later borrowers must discover that they can't meet their debt obligations.

John Adam's favorite Roman historian, Tacitus, provides us the record of what happened during the Panic of A.D. 33:

> But now . . . [because of] a stringency in the money market . . . creditors demanded payment in full, and those upon whom the demand was made could not, without losing credit, fail to meet their obligations. So they ran hither and thither with entreaties, then the praetor's tribunal resounded; and the purchase and sale of property, resorted to as a remedy, worked just to the contrary . . . the more heavily burdened any one was with debt, the harder he found it to dispose of his property, and many were ruined in their fortunes.

What a beautiful description of a systemic margin call—the culprit of all market crashes. How many were ruined in their fortunes in 2008? Or 1929?

Marx and Keynes and Milton Friedman had no interest in the ancient world because there are no datasets to plug into their formulas, and they argued that the modern world, being industrial and not agrarian, is different in kind not degree. But that one quotation demonstrates their error: the past was the same.

And did the Roman state ignore the panic? Respect the free market? Let the overlevered senators blow up?

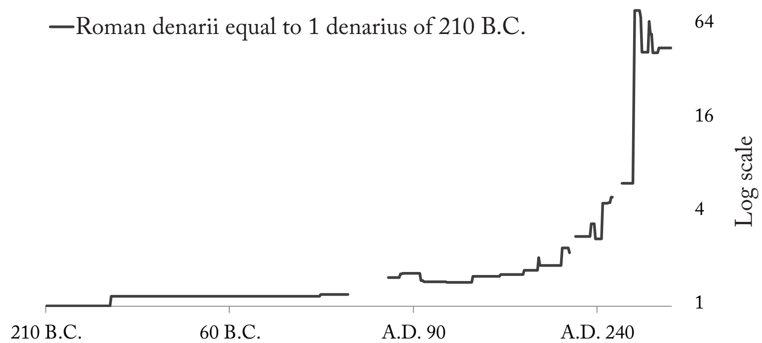
No! Tacitus continues:

> Dignity and reputation went to crash with the loss of fortune, until [Tiberius] Caesar came to the rescue, and deposited 100,000,000 sesterces in banks, the debtors having the privilege of borrowing for three years, without interest, on giving landed security to the state for twice the amount of the loan. Thus credit was restored, and gradually it was found possible to borrow from private persons also.

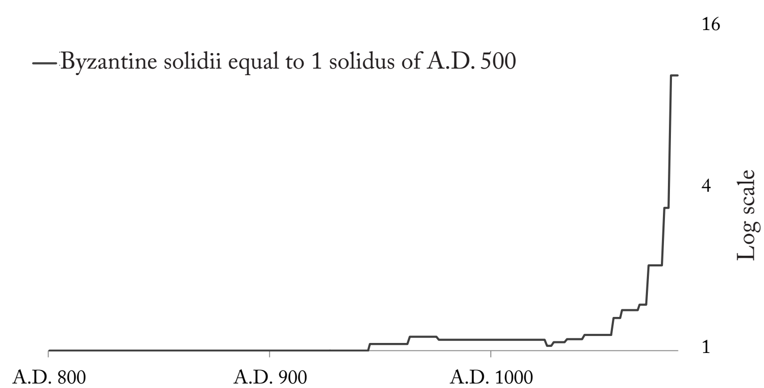
I am not aware that Hank Paulson or Bernanke ever specifically credited Tiberius Caesar as the genius behind TALF and TARP. But the very purpose for the Federal Reserve was to prevent bank runs using the same methodology as Caesar.

As we know, the solution worked too well. Once the banks and the economy got used to the low interest rates, they became dependent upon low interest rates. And soon the state was debasing the currency in order to create more.

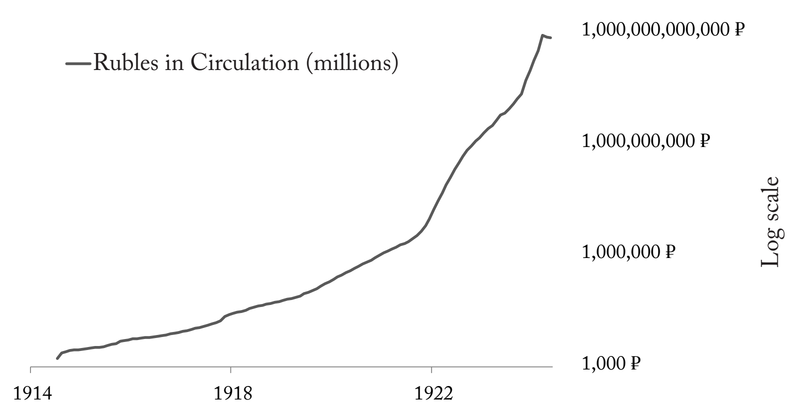
As Rome reduced the silver content of the coinage, prices went vertical. Note the logarithmic scale: once they started printing, they had to keep printing at a faster rate.



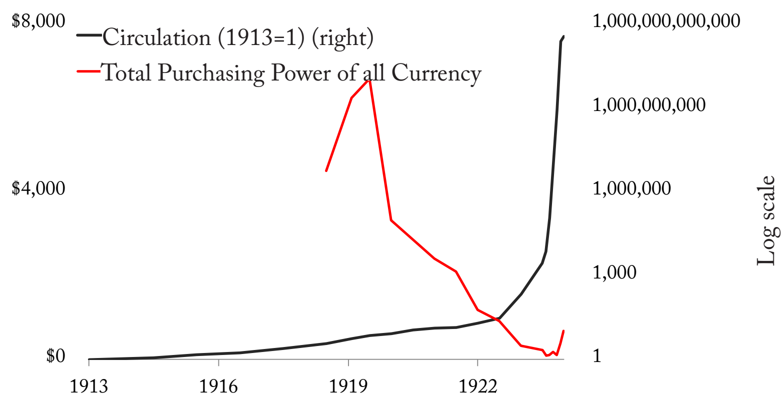
This phenomenon is ubiquitous. The Byzantine solidus, for example, remained stable at 4.5 grams of twenty-three-karat gold from the fourth century AD until the tenth century—six hundred years—but once they started debasing, the rate of debasement kept accelerating.



For a modern example, here is the Russian hyperinflation. Note the bend in the curve on the logarithmic scale in 1922. They all look like this: China, Argentina, Hungary—pick your country.



And, of course, the famous German example.



In this case, we do have more math: the red line shows the total value for all German marks in U.S. dollars. In other words, it wasn't just that as the Germans printed, each mark became worth less—the value of the entire circulating medium became nearly worthless.

This is why—in the midst of hyperinflation—the authorities kept worrying about the scarcity of money, driving them to print money ever faster.

Monetary stimulus is only half the story. The other half is fiscal stimulus. And, again, we have some ancient examples.

By the reign of Diocletion in AD 290, the Roman economy was in tatters from all the debasement. So what did he do?

The Roman historian Lactantius tells us:

> He built Palaces for himself, for his Wife, and for his Daughters: and to these he added a Hippodrome, an Arsenal, and a Mint house: And when he had finished a Building at the cost of ruining some of the Provinces by it, he found some fault or other in it, and then he pulled it down, and gave orders to rebuild it in another manner: nor was this second Building secured from a new caprice, upon which it might be likewise perhaps leveled with the ground.

Observe how closely these words of Lactantius track what Paul Krugman blurted out three days after the World Trade Center was destroyed: "Ghastly as it may seem to say this, the terror attack—like the original day of infamy, which brought an end to the Great Depression—could even do some economic good.... Now, all of a sudden, we need some new office buildings ... [and] rebuilding will generate at least some increase in business spending."

Krugman actually wrote that, as if tearing down buildings could be a good thing.

But Diocletian had a problem, as Lactantius tells us:

> The number of those who received his pay, growing greater than that of those who payed him Taxes, there was such an increase of new Impositions, that those who laboured the ground being exhausted by them, they deserted the Empire, and by this means the best cultivated Soils were turned to Deserts and Woods.

In our time, it is the environmentalists turning productive assets into deserts and woods—as those of us in the mining industry know all too well.

Whatever the cause, theory and history tell us what happens when the state spends more than it has coming in—especially on wasteful projects—and has to debase the money to afford it. I'll let Diocletian describe the result in his own words:

> [Who has] not actually observed that in commodities which are bought and sold in markets or handled in the daily trade of cities, the wantonness in prices has progressed to such a point that the unbridled greed for plundering might be moderated neither by abundant supplies nor by fruitful seasons? . . . that it forces up the prices of commodities not fourfold or eightfold, but to such a degree that human language cannot find words to set a proper evaluation upon their action?

Fortunately, the English language does give us names: most of you probably know that after trillion comes a quadrillion, a number which, like trillion, is never used until suddenly one day it will be ubiquitous.

And a quick tip to help navigate the future—the next three are: quintillion, sextillion, and septillion.

Diocletian thought he had a solution to high prices: price controls. He told his subjects: "[To those that] seek private gain and are bent upon ruinous percentages of profit—to their avarice, ye men of our provinces, regard for common humanity impels us to set a limit."

More recently, Biden said something similar following his money printing: "Let me be clear to any corporation that hasn't brought their prices back down even as inflation has come down: It's time to stop the price gouging."

Diocletian did not actually come up with the idea of stimulus—he was following a model set by Athens. The Greek philosopher Plutarch recorded the Periclean building program of the fifth century BC:

> [Athens should] devote its surplus money to the erection of buildings which would be a glory to it for all ages, while these works would create plenty by leaving no man unemployed, and encouraging all sorts of handicraft, so that nearly the whole city would earn wages, and thus derive both its beauty and its profit from itself. . . . Each trade, moreover, employed a number of unskilled labourers, so that, in a word, there would be work for persons of every age and every class, and general prosperity would be the result.

It turns out that Keynes did not invent the idea of stimulus: here it is from two thousand five hundred years ago!

And what happened to all of those workers when they finished building the Parthenon? Parthenons and pyramids do not produce revenue. And the workers need more work. So Pericles sent them to war against Sparta.

Because war is the greatest stimulus, as John T. Flynn wrote in the 1930s: "You cannot have a war industry without a war scare; and having built it and made it the basis of work for several million men you cannot demobilize it and you will have to keep on inventing reasons for it."

Everyone expected a so-called peace dividend when the Cold War ended: instead we got two Middle Eastern wars and then the war on terror and now war in the Ukraine. We have to keep on inventing reasons for war.

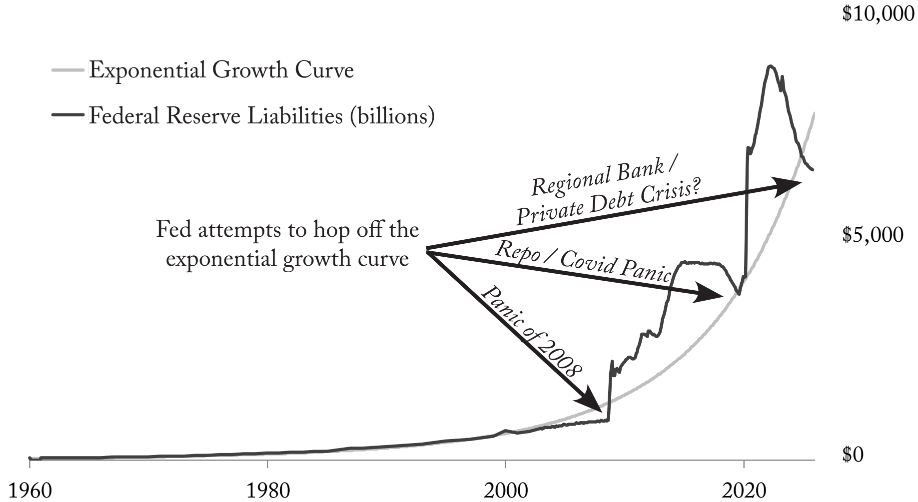
Don't take Flynn's word for it—here is Biden's Secretary of State, Tony Blinken, boasting that the Ukrainian war spending helps the American economy: "If you look at the investments that we made in Ukraine's defense to deal with this aggression, 90 percent of the security assistance we provided has actually been spent here in the United States, with our manufacturers, with our production, and that's produced more American jobs, more growth in our own economy. So this has also been a win/win that we need to continue."

Think about that: we need to continue war to grow our economy.

Frank Chodorov wrote in the 1950s: "war is the state's escape from a collapsed internal economy." This is why we nearly always find war at the end of a credit cycle.

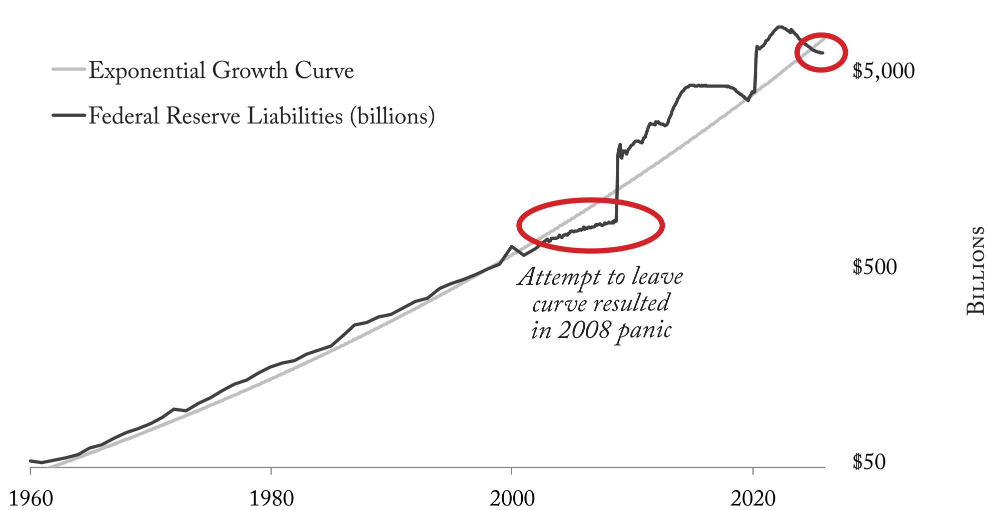
Sadly, the U.S. is following the path forged by many failed empires before it. We see on the chart that every time the Fed tries to hop off the exponential growth curve of money, there is a financial crisis.

Size of the Federal Reserve's Balance Sheet



We've just crossed the line again, and already the Fed's repo lines are ramping up—it had to deploy $80 billion into the banking system last Friday.

We're not lost yet. If we look at that same graph on a log scale—to compare against the others—we are still some distance from the bend in the curve where things go crazy.



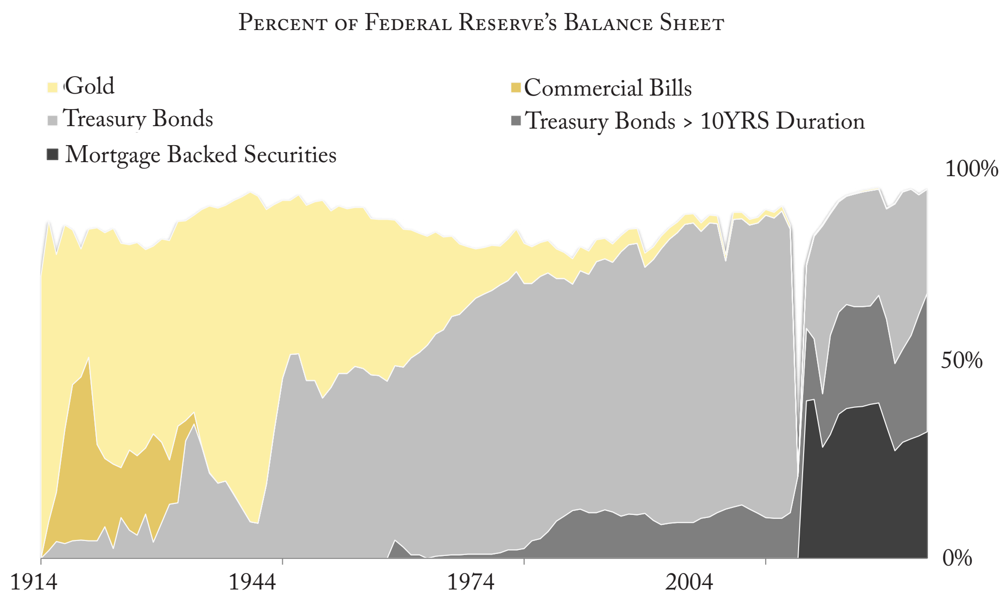
Perhaps there is still time to defeat history, to hop off this curve.

It would be painful. It was, in fact, the Fed's attempt to do just this that resulted in the 2008 panic: too much debt demanding payment by currency that didn't exist.

That would happen again: We would have to accept widespread default, a 1930s style crash.

And there's a second problem: It's not just that the Fed has been creating more dollars at an exponential rate. It prints dollars by buying assets, and the new assets on the Fed's balance sheet are supposed to give the new liabilities value.

But we see from the chart that the Fed is buying assets of ever less quality, in the same way that the roman coins had ever less silver.



This chart assumes gold at the official price of $42.22 per ounce. With gold at $4,000 per ounce, gold represents 15% of the Fed's balance sheet.

Historically, in normal times, gold covered between a third and half of bank balance sheets, both public and private. At the current size of the Fed's balance sheet, gold coverage of a third would be $8,500 per ounce. Half would be $13,000 per ounce.

The market price of $4,000/oz is still a bargain.

And there are three big caveats. First: those coverage ratios—of between a half and a third—were when the other assets were solid: 90-day commercial bills or short-term government bonds—not 30-year government bonds of a bankrupt Congress.

Second, we know that the balance sheet is going to get bigger in the next crisis, which may already be arriving as private credit starts to wobble.

Third, unlike other central banks, the Fed doesn't own the gold on its balance sheet—the Treasury does, from when Roosevelt confiscated the nation's gold in 1933. So revaluation helps the Treasury, not the Fed. [See Myrmikan's February 11, 2025 letter for a discussion of this point.]

This fact opens up two possibilities: one is that a gold revaluation grants the Treasury new funds, which it spends, making inflation worse.

The second is that, at some point, the U.S. could cut the Fed loose. We've done it before. America has had two previous central banks that were abolished. Perhaps, in a crisis, with diminishing options, the government will find the courage to shutter a third and reissue Treasury notes backed by tax revenue and gold.

It's a thin hope. But history tells us that the alternative is escalating monetary and fiscal stimulus, economic chaos, and war.