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# Investing In Gold In Times Of Global Crisis

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**ABSTRACT**

*Investment is placing capital or funds in an asset that is expected to provide results or increase in value in the future. Every investment applies the law the higher the return offered, the higher the risk that must be borne by the investor. So the investor could have suffered losses even more than it could have lost all its capital. Among the various investment instruments, gold precious metal is an investment option with a safe category, as an alternative to investing in the midst of a global crisis.*

## INTRODUCTION

The losses suffered by investors in the 1998 monetary crisis caused a small number of investors to sell their shares and switch to investing in gold during the 2008 monetary crisis. This time the crisis became known as the subprime mortgage crisis in the United States. Where housing loans in the US are given to those debtors who have a bad loan portfolio. In Indonesia, the 2008 crisis is known as the financial sector crisis

The transfer of investment made by investors cannot be separated from the advantages of the gold investment. According to James Turk, founder of Gold Money, the advantages of gold investment are: first, gold is a special and unique commodity, because gold is not consumed so the amount will continue to grow. Second, the world's gold supply is limited to that on the Earth's surface. Because it is not consumed, the total supply worldwide is equal to the total amount of gold on the surface of the Earth. Third, gold is an alternative to the US$ and other paper currencies. Fifth, the purchasing power of gold is stable throughout the ages. Sixth, the value of gold is determined by the market. Seventh, gold is always in a "Bull Market " condition. Therefore, it is very natural that they switch to investing in gold.

Gold investment is a simple form of investment. Because this investment can be done by anyone, regardless of whether they are educated or not. Even in the New Order era, our grandmothers or grandfathers have been involved in this investment, and it is proven that gold investment tends to have a low level of risk. We who live in today will certainly easily be able to follow it well and in a very modern way, because we can get gold price information easily. Gold investment be it in the form of gold coins, gold bars, or gold jewelry has a higher yield when compared to deposits. And much more stable when compared with stocks. According to financial experts, gold investment is in second place after business in the real sector which is doing well.

The three forms of investment have similarities because the material is both made of gold. In addition, the similarity lies in the advantages of these three forms of gold investment that all have real value (tangible), the value of physical objects (intrinsic) and the inherent value/innate in the object (innate). These three advantages of value are not owned by other forms of investment such as stocks, Securities and banknotes.

The Default value (original value) of gold investment is high – if there is no interference from various parties with their own interests, the value of gold will automatically return to its real value-which is indeed high. On the contrary, the default value of banknotes, shares, securities is close to zero, because if there is a failure of the issuing party to fulfill its obligations –banknotes, shares and securities become worth only firewood.

Referring to the early history of money as a means of investment, we will find that in a more standard form gold and silver money was introduced by Julius Caesar of Rome around 46 BC. Julius Caesar also introduced a standard of conversion from gold to silver money and vice versa with a ratio of 12 : 1 for silver to gold. The Julius Caesar standard was in effect in parts of Europe for about 1250 years i.e. until 1204.

In other parts of the world, namely in the Islamic world, gold and silver money known as dinars and dirhams were also used from the beginning of Islam both for muamalah and worship activities such as zakat and diyat until the end of the Turkish Ottoman caliphate in 1924. In its development, gold investment has experienced a significant decline. This event occurred in the period 1980-2000, approximately occurred for approximately 20 years. Historically, these periods have been known as "bearish"periods. This event is often used as an argument for gold investment opponents will have weaknesses in this investment. Gold investment advocates, on the other hand, use the bullish period of 2001-2008 as an argument. That in less than half the time (8 years), the entire decline that occurred in the bearish period has been more than recovered.

Statistical facts just to predict what will happen in the future we need more than just statistical figures. We need information on what actually happened behind the bearish or bullish period. When viewed as one of the investment products (so the world sees it now) - Gold competes with other investments in the world such as deposits, bonds and especially stocks and their derivative products. When people hunt stocks, then the funds for investment in gold automatically reduced and the price of gold tends to fall. This is what happened during the 1980-2000 Gold bearish period. Conversely, when people start to hesitate with stocks and derivative products, hesitate with paper money deposits, then people are looking for safer investment alternatives-then gold is the most promising investment security. This is what has happened in the gold bullion period since 2001 until now.

Prospects in gold investment based on public confidence so far is gold is an investment product that can ward off inflation. And indeed, history proves that gold will be bought up by people in the event of a panic that can endanger the country's economy, such as high inflation, financial crisis, or war. Facts prove that, when there is high inflation, the price of gold will rise higher than inflation. The higher the inflation, the higher the rise in gold prices. The price of gold is usually directly proportional to the inflation rate and changes in the price of the US Dollar. So if inflation increases or the US Dollar increases, then the price of gold also increases. Statistics show that if inflation reaches 10 percent, then gold will rise 13 percent. If inflation is 20 percent, then gold will rise 30 percent. But if inflation is 100 percent, then the price of gold will rise 200 percent. This is one of the reasons why people should consider investing in gold. This is because gold is believed to be an inflation deterrent investment. The higher the inflation, the better the increase in the value of gold that we have. However, it is worth noting that the price of gold will tend to be constant when the inflation rate is low.

Likewise, when China was invaded by Japan during World War II, The Chinese People panicked and they flocked to invade gold so that gold prices rose unusually. In Indonesia, when there was a rush of basic needs in supermarkets on January 8, 1998 (the morning before the announcement of the state budget by President Suharto in the presence of Parliament), gold prices also jumped immediately. In just one or two days, the price of gold immediately rose approximately 1.5 times. And those prices, although fluctuating, tend to rise steadily over time before eventually falling again when inflation returns to below double digits.

In 2022, gold is steadily positioning itself as one of the most promising means of breeding money. Since the beginning of 2021, especially in recent months , the price of this precious metal has continued to rise dramatically. Based on data on gold prices on the London Gold Exchange, the London Bullion Market Association (LBMA). As of November 7, 2021, the price of the yellow named Latin aurum has penetrated US$ 841.75 per troy ounce or US$ 27.07 per gram . Whereas at the beginning of the year , precisely January 2 , 2021, the price was only US$ 640.75 per troy ounce or US$ 20.6 grams, which means that people who buy gold at the beginning of the year and sell it at the end of the year can enjoy a profit of 31.4 %.

It can be concluded that with the same amount of gold we can buy more and more shares or vice versa, with the same number of shares when exchanged for gold will get a smaller amount of gold. The second meaning is, if we believe that gold is stable in value then we know that for the average

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market , if you own stocks, the portfolio of stocks you currently own the actual value may be much lower than we thought.

## METHOD

The research method used in writing this law is a normative juridical approach. Normative juridical approach is a study that uses secondary data sources / data obtained through library materials.This normative legal research usually includes: research on legal principles, research on legal Systematics, research on vertical and horizontal synchronization levels, Comparative Law and legal history. The method of this approach is carried out by studying the legal norms in legislation.

## RESULTS AND DISCUSSION

### A. Forms and advantages and disadvantages of gold investment

Gold investment can be divided into 3 types, namely first, gold Dinar. Second, gold bullion (bullion). Third, gold jewelry. Dinar is a coin made of gold with a content of 22 carats (91.7 %) and a weight of 4.25 grams. Some people think that investing in gold dinars is only intended for certain groups. However, this does not mean that only Muslims can invest in gold dinars, all people can choose this investment instrument. A popular gold Dinar (gold coin) is the ONH gold coin sold in pawnshops. As an investment, gold coins can usually be more profitable than jewelry, considering that buying jewelry requires manufacturing costs that can no longer be claimed when selling the gold. Investing in gold dinars can be done in two ways, namely wakala and personal. Wakala is a dinar money custody institution and transfer service provider. Wakala is an infrastructure that must be provided so that gold investment can run well. Gold dinars can also be kept by the owner himself. In Indonesia, wakala could be the spearhead in the management of gold dinar investments. These institutions are already widely available in several regions in Indonesia. Therefore, potential investors should not hesitate to find a place to buy, sell or manage their gold dinars.

Unlike the case with investments in gold coins (dinars) that do not require large capital, then investing in gold bullion is the opposite, which requires a fairly large capital, 5 grams, 10 grams, 25 grams, 50 grams, 100 grams, 1 kilogram and the largest 12 kilograms. When investing in gold for the short term, it will usually be difficult to get profits if the form is in the form of gold jewelry. This is because when we buy the jewelry then we have to pay the price of gold plus the cost of making it. Unlike the case when one day resell it, then the store will not want to pay the cost of making of gold jewelry. He will only pay the price of gold. In fact, it's still a good thing if the store will accept your gold jewelry. Some stores sometimes refuse the sale of gold jewelry from the public. The causes can be varied. One of them is because they are afraid that later the gold jewelry will no longer sell when sold. So, even if they buy it again, they have to melt the gold. Therefore, investment in gold jewelry is more profitable if stored for the long term. Because usually the price of gold has gone up far compared to when you buy it.

Gold jewelry is available in a wide range of carats, between 18 - 24 carats. For investment, it would be nice to choose gold jewelry worth 24 carats. This is because the possibility of gold jewelry can be resold much larger than gold jewelry 18 karat. Again, investments in the form of gold jewelry will usually give new profitable results in the long run, not in the short term.

Each investment must have its own advantages and disadvantages. So is the case with the dinar coin investment. The advantages of this investment include: First, it has a high da"wah value because the socialization of the Dinar will encourage the socialization of Islamic law itself. Nishab Zakat for example determined by Dinar or Dirham - people will be difficult to calculate zakat correctly if they do not know the Dinar and Dirham. Second, you can follow the Qirad (Dinar trade) program. Third, it has the nature of a unit of account; easily summed and divisible. If we have 100 dinars-today we want to use 5 dinars, then just remove the 5 dinars and save the 95 dinars. Fourth, it is very liquid to be traded because of the ease of being divided and summed up above. Fifth, the resale value is high, following the development of international gold prices; only by deducting administrative and sales costs of about 4% of the market price. So if over the past year the Dinar has increased by 31%, then after cutting the cost of 4% the results of our investment are still around 27%. Sixth, it is easy to trade among users because there are no model and size constraints.

While the disadvantages of Dinar investment, among others: first, in Indonesia it is still considered jewelry, sellers are subject to 10% VAT (according to the decree of the Minister of Finance of the Republic of Indonesia number 83/KMK.03/2002 can be calculated on a net basis between the output tax and input tax gold shop then to be paid" gold shop " seller Dinar is 2%).

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Second, the cost of printing is still relatively high, ranging between 3% - 5% of the value of goods depending on the number of orders.

The advantages of gold Lantakan some of them are: first, not subject to VAT. Second, if we buy in units of 1 kilogram - not affected by printing costs. Third, high resale value. While the weakness of gold floors, among others: first, can not diqiradkan. Second, it is not flexible; if we store 1 kg of gold, then we need 10 grams for cash purposes-it is not easy to cut. This means that it must be sold first which is 1 kg, used partly in cash-partly bought again in smaller units-then there will be a loss of sales/adiminstration costs several times. Third, if we keep small units such as units of 1 gram, 5 grams, 10 grams – then the printing cost will be quite high. Fourth, it is not easy to buy and sell among users because of size constraints. Users who need 100 grams, he will not be interested in buying from other users who have a collection of 10 grams. A user who is going to sell 100 grams cannot sell to two people who need 50 grams each etc.

Excess gold jewelry in addition to investment, can be used as jewelry. While the weakness of gold jewelry, among them: first, can not diqiradkan. Secondly, the cost of production is high. Third, subject to VAT. Fourth, it is not easy to buy and sell among users because of model and size constraints. Fifth, the selling price tends to be low because of the solder / soder and low gold content. Sixth, when sold, the bargaining value of the owner of gold jewelry is low because the gold shop is looking for the highest margin.

### B. Factors affecting the volatility of gold prices

1. Inflation rises more than expected, Each country in determining economic policy will usually look at the level of inflation. The prediction of what percentage of inflation in the country will be a reference in determining interest rates and others. Well, if the prediction of the inflation rate was missed and even exceeded the expected gold prices will usually soar high.7

2. US Dollar exchange rate, In general, a negative correlation is created from the relationship of the US Dollar exchange rate with the prevailing gold price at that time. When the US dollar is weakening, the price of gold will rise. But when the US dollar strengthens, the price of gold goes down.

3. There Was A Financial Panic, When there is a financial panic such as during the monetary crisis in 1998 and also in 2008, the price of gold will skyrocket uncontrollably. This happens because people are reluctant to hold paper money and prefer to keep their wealth in the form of gold.

4. Oil Prices Rise Significantly, Gold prices will rise if world crude oil prices experience a significant surge even though the impact itself does not occur immediately. As during the US invasion of Iraq where Iraq is one of the largest oil producers in the world. As a result of the invasion, oil prices jumped sharply which was then followed by rising gold prices. The same is true today, when a U.S.-led ally attacks Libya. Crude oil prices rose again and broke a new record. As a result, gold prices rose.

5. Increase in demand from the world jewelry industry, In accordance with the law of supply demand, rising world gold demand that is not followed by rising gold supply resulted in the price will rise steadily. China and India are the two countries that spend the most money to buy gold. 54 percent of gold demand comes from the jewelry industry in the world, such as those in India, China, and the United States. Meanwhile, 12 percent came from the medical equipment and electronics industries. This was reported by the World Gold Council and the London Bullion Market Association.

6. Monopoly of gold purchases by central banks, Several central banks in the world, such as: the Federal Reserve System (in the United States), the Bundesbank (in Germany), and the European Central Bank (ECB) have done so. Not only paper money, they have also long had a monopoly on the purchase of gold.

7. Political issues, such as a global recession, disputes between countries, or war can make the price of gold rise, One of them is the issue of Brexit (the exit of Great Britain from the European Union due to the results of the last opinion poll related to the European Union in June 2016). As a result, investors were attacked by panic and began to buy up gold in large quantities.

That by investing in gold, the value of investor wealth will be maintained. proved that in the long term investment in gold precious metal instruments is considered more profitable than investing in gold mining company shares.

The advantages of gold investment are tax free in Indonesia, because gold bullion is included as a non-taxable production commodity. So by investing in gold bullion, it can be indicated that it has invested in tax-free assets. This proves that the price of gold increases in proportion to the movement of inflation (zero inflation). By doing so,

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investing in gold precious metals will still maintain the value of wealth.

## CONCLUSION

Gold investment is a simple form of investment. Because this investment can be done by anyone, regardless of whether they are educated or not. Gold investment be it in the form of gold coins, gold bars, or gold jewelry has a higher yield when compared to deposits. And much more stable when compared with stocks. In its development, gold investment has experienced a significant decline. This event occurred in the period 1980-2000, approximately occurred for approximately 20 years. Historically, these periods have been known as "bearish"periods. This event is often used as an argument for gold investment opponents will have weaknesses in this investment.

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