

Gold pays nothing. Its value is a promise people keep making to each other

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Maxim: *Gold is a store of value only because people agree it is.* — Howard Marks

Howard Marks argued that gold holds value solely because people agree it will. That belief has survived millennia, and it has also left buyers waiting decades to get their money back.

Every other asset you own pays you something. Gold asks you to trust that the next buyer will trust it too.

In January 1980, gold touched \$850 an ounce. Buyers at that price then waited 28 years to see it again: only on 2 January 2008 did gold pass its January 1980 high, [CoinNews reported](#) at the time. Inflation made the wait longer still. Writing in 2010, Howard Marks noted that gold had gained only about 2% a year since its 1980 high, and cited the Leuthold Group's estimate that it would have needed to be near \$2,400 just to match that peak in inflation-adjusted terms.

The 1980 peak was not a one-off. Gold fell 52% between September 1980 and June 1982, and 48% in a slide from November 1987 to August 1999 that lasted almost twelve years, according to the [World Gold Council](#). More recently, it dropped 42%, from \$1,814 an ounce in August 2011 to \$1,060 in December 2015.

None of those falls was caused by a collapse in gold's usefulness. The metal was the same metal. What changed was how much people agreed it was worth.

What Marks actually said

In December 2010, with gold near record highs, Howard Marks of Oaktree Capital devoted a client memo, "All That Glitters", to the metal. His central point was blunt: "gold works as a store of value solely because people agree it will," he wrote, according to the [memo](#). Gold, in his telling, "just happens to be the metal people began to lust after a few millennia ago."

The problem for an investor is valuation. A share is worth the cash a business will produce; a bond is worth its coupons and principal. Gold produces nothing, so "there's no analytical way" to value it, Marks argued, and it is "only worth what buyers will pay" for it. Without cash flows there is no fair value to compare with the price, and no anchor when the price runs far ahead or falls far behind.

Marks was not dismissive. He pointed out that the US dollar, too, now rests on nothing but people's belief in it, and that since gold has worked for hundreds of years, it probably will keep on doing so. He even allowed that he might hold a position "just in case". His question was never whether gold is real. It was what price makes sense for an asset whose value is a shared agreement, and what happens if faith in it rises or erodes.

Why the agreement has held

The striking thing about gold is not that its price swings, but that the belief behind it keeps returning. The world's central banks, which manage the reserves of entire countries, bought a net 1,045 tonnes of gold in 2024, the third straight year above 1,000 tonnes, the [World Gold Council](#) reported. When institutions that can print money choose to hold gold, the agreement Marks described looks durable.

For Indian savers there is a second force. Gold is priced in dollars, so a weakening rupee lifts its rupee price even when the dollar price is flat, which has helped Indian returns over long stretches. Still, it has not made gold a substitute for productive assets. Looking at rupee gold and the Sensex from 1979 to 2019, M. Pattabiraman of [freefinca](#) found gold's 30-year rolling returns ranged between about 7% and 12% a year, below equities, while its risk was closer to shares than to bonds.

The pattern continues. Gold hit fresh records in January 2026, around ₹17,900 a gram in Delhi for 24 carat, and stood near ₹1,47,440 per 10 grams on 16 October 2026, according to [Goodreturns](#). The belief is intact. The price of the belief moves.

Five questions before you buy gold

1. **Why am I buying it?** As insurance against a falling rupee or a crisis, gold has a long record. As the engine of long-term growth, it has none: it pays no interest, dividend or rent.
2. **Could I wait a decade?** History says you may have to. Gold's bear markets have lasted from under two years to nearly twelve. Size your holding so that a decade of no gains would not derail any goal.
3. **What price am I paying?** Marks's real question was price. Buying after a long, loud rally is a different bet from buying steadily, a little at a time, through good years and bad.
4. **In what form?** Gold funds and exchange-traded funds track the metal's price with low costs; jewellery carries making charges that come off the top. The government has also stopped issuing new Sovereign Gold Bonds, citing high borrowing costs, [Angel One reported](#) in February 2025.
5. **How will it be taxed?** The rules for gold funds have changed twice since 2023, so check the current treatment before you buy rather than relying on what applied a few years ago.

The decision rule follows from Marks. Hold gold for what it is, a store of value that depends on continued belief, not for what it is not. Keep it to a modest share of the portfolio, buy it in steady instalments rather than in a rush, and let shares and bonds, which produce income, do the compounding.

A belief worth owning, at a price

Gold has outlasted many currencies and empires. That record is the best argument for owning some. But the same record shows buyers at the 1980 peak waiting 28 years to break even in dollars, and buyers in 2011 waiting years more. The agreement held. The price of joining it did not.

Marks summed up the question as whether people's faith in gold will increase or erode. No one can forecast that. What an investor can control is how much of their future rests on the answer.

Sources

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