

Answering Your Questions

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GOLD v. MONEY

There seems to be a deep misunderstanding about **MONEY**. The fact that gold has traded as a medium of exchange does not make it the **EXCLUSIVE** money. **MONEY** has been everything from sea shells to slave girls as noted by Saint Patrick when he arrived in Ireland. It has been cattle to many and is still **MONEY** among tribes in Africa. But the **QUESTION** if gold is **MONEY** seems to be a loaded one. Gold became desirable because at first it was seen as the tears of god being the same color as the sun. So it was at first owned as an object only by kings and pharaohs. This increased its popularity as it became more common. To own gold was to be like running out and buying dresses worn by Kate or a special pair of shoes worn by a sports figure; it was owning something that the common people were denied. As gold became more common, it began to circulate being more convenient than cattle.

To say that there always was a **GOLD STANDARD** is not true. There was no fixed value for gold and there was no period of such a standard except that of Napoleon and post-WWII. That is a different statement compared to: **Was gold a generally accepted medium of exchange?** The former is **NOT** true while the later **WAS** true. Just because gold was used as **MONEY** on a nonexclusive basis does not make it a "**gold standard**." The gold standard setup at Bretton Woods in 1944 was that \$35 equaled one ounce of gold. That made it a fixed standard. Wage and price controls have been attempted thereby **FIXING** values between **MONEY** and wages, commodities, and goods (e.g. *Diocletian, Nixon*). But these attempts have always failed.

Those who claim a return to a gold standard would somehow solve the problems of the world are mixing facts and fantasy. The Bretton Woods gold standard collapsed because (1) we printed dollars without limit, but (2) kept to the gold standard at \$35 an ounce. The problem of using gold as a fixed standard and the exclusive form of **MONEY** is simple. If there is only 100 ounces of gold and 100 people, the value gold would have is clear. If the number of people increases to 1,000, but we still have only 100 ounces of gold, we get **DEPRESSION**. Assets would **DEFLATE** instead of **INFLATE**. The value of **GOLD** would rise and everything else including wages would decline against gold since everything would increase in supply against a fixed amount of gold. There has **NEVER** been a successful gold standard that ever lasted for



George Warren

this very reason. The real adviser to FDR was the economist George Warren (1874-1938) who understood **MONEY** and **PRICES**. Everyone disagreed, but FDR listened to this man **ALONE** – not Keynes! Because Warren died in 1938, Keynes took all the glory being invited to Bretton Woods where the gold standard was established. Keynes was also British rather than a country "**Farm Economist**" as Warren was rudely called implying he wasn't qualified to see the world. For this reason, Warren even in death remains obscure. In 1932, Warren had written, **Wholesale Prices for 213 Years; 1720-1932** and thus observed **MONEY** and its relation to **PRICES** post-Dark Age. He was tremendously insightful and grasped the relation of both the **VELOCITY** of **MONEY** as well as its **SUPPLY**.

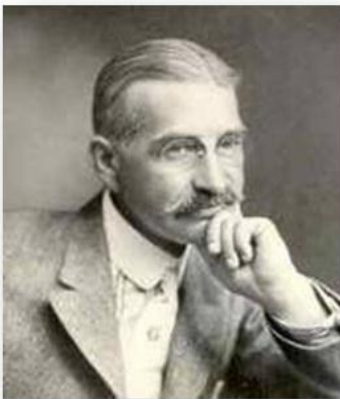
Warren had embarked upon ORIGINAL out of the box thinking. The academics attacked Warren and tried to degrade him as the **Farm Economist**, showing their own ignorance since commodities during this period of review had been 70% of the economy declining to 40 % by the time of the Great Depression. Labor became skilled with World War II and commodities accounted for just 3% of the civil work force by 1980.

The Great Depression ended in each country as they **ABANDONED** the gold standard. What they are shoving down the throat of Greece right now is the very **DEFLATION** that was created by a gold standard. Whenever the supply of **MONEY** contracts and population rises, you create **DEFLATION** regardless what you are using for **MONEY**. This is simple reality.



Morgenthau - Keynes
at Bretton Woods

Jacob Coxley formed a group to protest the unemployment during the 1893 Depression and was the first



Lyman Frank Baum (1856–1919)

to argue for government should create jobs. His followers were called **Coxley's Army** and had grown to 500 men. They marched on Washington to protest and were joined by many thousands. They reached Washington on April 30th, 1894. The USA never obeys the constitution and they arrested Coxley who was exercising his Freedom of Speech and Assembly guaranteed by the **First Amendment** for walking on the grass. They then broke up the march and that was that. America creates a billion laws and then arrests people for something while pretending it has nothing to do with the constitutional right they are exercising. A keen observer/member was L. Frank Baum (1856–1919) who used this overall model for the foundation of his classic work published in 1900 – the **Wonderful Wizard of Oz** where they were off to see the



“wizard” who was Congress. The Scarecrow was the American farmer. The Tin Woodman represented the industrial worker, and Cowardly Lion William Jennings Bryan leader of the **Silver Democrats** who advocated raising the price of silver relative to gold to create more money (inflation). The **Wonderful Wizard of Oz** was the first American book to recast the politics of the era into a novel. This was the era of the great confrontation between gold and silver as money. The **Yellow Brick Road** was of course the gold standard. So this argument over what should be **MONEY** has been going on a long time. **GOLD** is the

hedge against government as we are seeing now – not inflation which implies a neat perfectly steady rise with the supply of money. It runs in bursts of energy because it is the alternative to official **MONEY** when the full faith and trust in government is lacking. It lagged behind stocks after 1985 because it is NOT a hedge against inflation, but turmoil. Gold is far better as the **FREE SPIRIT HEDGE** and should not be the official **MONEY** unless you want **DEFLATION**, a **POLICE STATE** that comes and confiscates your gold, and a label as being anti-government. A **GOLD STANDARD** today would create civil unrest as we see in Greece for the **IMF** is imposing the very policies that created the Great Depression and the lessons of Warren are buried in the halls of history.

Why people are passionate about gold insisting upon it being **MONEY** is very strange. What they are really saying is there should be a balanced budget. They are generally against communism/socialism. To defeat these vices we need political reform, not a gold standard, for that would blow up and give the communists/socialists ammunition to say: **See the gold lobby is wrong!** It is far better to carefully parse what it is that needs to be fixed. Otherwise, you will end up like the character in **My Fat Greek Wedding** where everything can be cured with a spritz of Windex. Gold is not Windex. It gets a bad enough rap because it exposes the error of modern fiscal management. It is the debt that creates the economic chaos. Our national debt is over \$14 trillion in the US. That is more than \$129,000 per taxpayer. What bank would lend every taxpayer \$129,000 **UNSECURED**? The political rhetoric over the debt ceiling that America has to pay its debts is nonsense. Let us knock-off the bullshit. Just tell every taxpayer he has to pony-up \$130,000 right now. That is probably in excess of whatever equity that might remain in all the real estate in the USA. A gold standard will **NOT** fix this mess. It's the debt! The US cannot pay that debt. Has no intention of ever paying that debt. So let us get on with it and just default and start all over again! That will be the end result anyway. So who are we fooling? Just those who prefer to be fooled! This is why gold is now rising. So stop the stupid gold standard stuff that is about as realistic as a balanced budget amendment. Just buy gold and enjoy the hedge. We can't fix the system for there is too much disagreement. It has to collapse!

See: (<http://www.usdebtclock.org>)

