Bring back the gold standard

A call for a return to stability

Gold-backed currencies are today a thing of the past. But the time has come for much-needed stability, which can only be provided by reintroducing the gold standard in monetary affairs.

Gold has played a central and positive role in human history since the dawn of civilization. Without a gold-backed currency we are destined to face crises and military conflicts throughout the world. If proof of this is needed, the events of the 20th century and the dawning 21st century provide the best examples. The current financial system—or non-system as I call it—is based on deception and a mammoth debt burden that can barely be serviced anymore. A lot of the negative factors in the world can be traced back to the end of the gold standard.

Unfortunately, it is not widely known that the 19th century was a period of prosperity and economic growth without inflation. In those days the world's major currencies remained stable over a long period. It was the age of the gold standard.

The lifespan of currencies

French franc	1814 – 1914	100 years
Dutch guilder	1816 – 1914	98 years
Pound sterling	1821 – 1914	93 years
Swiss franc	1850 – 1936	86 years
Belgian franc	1832 – 1914	82 years
Swedish krona	1873 – 1931	58 years
German mark	1875 – 1914	39 years
Italian lira	1883 – 1914	31 years

(Source: Pick's Currency Yearbook 1977 – 1979)

How the gold standard worked

The basic rule of the gold standard was a fixed price for gold, ie each currency was convertible into gold at a specified rate. The currencies were backed by gold and redeemable in gold on demand. A country's monetary reserves consisted of only gold. On an international level, importing and exporting gold was unrestricted. All balance of payments deficits were settled in gold.

Gold thus had a disciplining influence on a national economy. It limited public spending. It provided citizens with a currency that maintained its value and was internationally recognized. The system maintained its stability automatically. This is one reason why politicians do not like gold. Gold forces them to balance their budget. The gold standard was the result of centuries of experience.

I assert that if the gold standard had been maintained, World War One would not have lasted very long at all. Without deficit financing, the war would have lasted for six months at the most. The return to the gold standard after World War One was a fait accompli. But it lacked wisdom and conviction on the part of those in charge.

At the Conference of Genoa in 1922, the gold exchange standard was introduced. This meant that, apart from gold, the central banks could also hold dollars and pounds as reserves. Suddenly, dollars and pounds were equivalent to gold. That was inflationary because dollars and pounds were now accounted for twice: first in the country where they were issued and second in the country that held them in reserve.

In order to lower the interest rate level, the Federal Reserve thus pumped even further liquidity into the system. »»»