

Sample Article

Could Gold be the Currency of the Future?

There can be no doubt that the last decade has seen a period of global depression like no other recorded. Major industries have struggled, large multi-nationals have failed and entire economies have been brought to their knees.

Many of the problems can be firmly stated to have been caused by the farcical situation that currently means that in many cases, money is quite literally not worth the paper it is printed on. This is a situation which has become steadily worse since the gold standard was abolished in preference to fiat currencies. Those calling for international financial reform are once again beginning to lobby for its reintroduction.

What was Gold Standard?

Gold Standard was a form of monetary regulation whereby the issue of paper currency into circulation was backed by gold reserves. In simple form, gold standard was a way of saying that the bank notes in your hand represented an equivalent value of gold held in your nation's bullion vaults, in theory you could have asked for it to have been cashed in and received the equivalent value in actual gold.

The Benefits of Gold as a Currency

One of the greatest benefits of a gold based currency lays in the fact that it is the perfect way of applying limits to government spending. In effect, the government cannot raise the amount of money in circulation above that which its gold stocks guarantee. This helps to protect the populace from hyperinflation and prevents the national currency from becoming debased or diluted.

The Downside of Gold Standard

In times of crisis, such as wartime or global depression, when a government needs to raise significant funding, a fiat currency enables the production of as much money as is needed, even though it may decrease the overall value of the currency, a very useful tool in certain circumstances. In contrast, a gold standard system restricts this, as the amount of printed currency in circulation is limited by the gold stocks of the nation.

Gold Standard in History

With the signing of the Gold Standard Act in the 1900s, the USA moved into an era of a nationally restricted currency tied to gold stocks. Due to severe economic problems during the

great depression of the early 1900s, President Roosevelt made a sweeping change in 1933. He made the private ownership of gold illegal, and forced the American population to sell all of their personally owned gold to the government for \$20 an ounce. This gold was then revalued at \$35 an ounce, thus generating significant national revenue at the expense of US citizens. This was the beginning of the end for the gold standard.

The entire collapse of the gold standard came in 1971 when President Nixon severed the link between the US dollar and national gold stocks, effectively making the US dollar a fiat currency.

Why Bring Back Gold Standard?

When fiat currencies first began to replace gold standard restricted currencies it was for a very good reason. Global depression and two World Wars meant that many nations had overspent, if all of the currency in circulation were to be exchanged for gold, there would not be enough gold to cover it. In effect it was possibly biggest confidence trick of all time.

However, the problems we are now seeing with the global economy are caused by an interesting counterpoint to the original move away from gold standard. The very fact that a nation may print and circulate as much currency as they feel they need, leads to the currency itself being devalued. When the currency becomes devalued on a global scale, imports become more costly. When imports become more costly, the cost of living goes up in the home country and inflation runs rife. How does the government fix this? It prints more money of course! And the circle perpetuates with the situation growing worse.

By re-adopting gold standard, governments are restricting themselves from taking advantage of the way fiat currencies work. If you had a machine at home that printed money wouldn't you be tempted to use it for any and every cause? Governments now recognize that devaluation of fiat currencies is caused by them using that same machine all too frequently and only a return to a gold standard currency will cure their habit.