



## The Gold Standard

The journal of The Gold Standard Institute

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### The Gold Standard Institute

The purpose of the Institute is to promote an unadulterated Gold Standard

[www.goldstandardinstitute.net](http://www.goldstandardinstitute.net)

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## Contents

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Editorial .....	1
News .....	2
Letters to the Editor .....	3
Is a new Gold Swiss Franc in the cards? .....	3
False Belief #8: GATA Is Irrelevant.....	4
Do Banks Create Money Under the Real Bills Doctrine? .....	6
History Repeats.....	7
How Much Gold Does One Need to Retire? – Part II.....	8
Infinite Money .....	10

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## Editorial

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### *The Gold Coin Standard*

Thomas Allen, in his writings, refers to what is commonly called the ‘gold standard’ as the ‘gold coin standard’. Whilst they are in fact the same thing, I believe that the distinction made by Mr. Allen has much merit.

The term ‘gold standard’ is bandied around by many who do not quite comprehend what it is... it is not only the usual culprit, the mainstream media, who is at fault here. The gold standard literally means the ‘gold measure’; it means that gold is the measure of wealth. The very fact of a fiduciary element, a paper element un-backed by gold, immediately negates gold as being the measure and introduces a contaminant into the purity of not only the money supply, but the concept.

Just having a proportion of gold backing paper money does not constitute a gold standard. It should not be necessary to explain what the ‘gold standard’ is, the dictionary already does a fine job, but when the monetary language become as debased as the money itself (cause and effect?), it becomes necessary to clarify the matter under discussion.

Admirably, Professor Antal E. Fekete also makes the distinction by referring to ‘the unadulterated gold standard’ thus providing clarity to the same point. In my humble opinion Mr. Allen’s phrase, though less precise, puts it in a manner that can be grasped more readily.

The term ‘the gold coin standard’ makes it clear beyond any doubt that gold must be the measure, that gold and only gold can be money. Yes, it is theoretically possible for paper representations of money to circulate successfully provided that they are 100% backed by gold. The problem has been that every government in history has eventually succumbed to the urge to introduce paper in excess of the money supply. It is the lack of integrity of politicians and bankers that inclines sensible people to gold coin itself instead of representations.

A free market in money would be an entirely different matter of course. Certainly the checks and balances of a free market would provide reliable and

trustworthy representations of money. Talk of free markets in either goods or money is sheer conjecture at this point in our history though. The world has never witnessed markets as manipulated, distorted and corrupted as over the last 50 years. In the whole course of history markets have never been less free.

Whether either 'unadulterated gold standard' or 'gold coin standard' ends up in common usage is not the main point. What is important is that we are clear what we mean when we communicate on the subject of the gold standard. It is very hard to achieve something when the targeted result means different things to different people.

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## News

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Black Humour or Serious Commentary?

*"I think the whole idea of the economic situation we're in right now suggests even more than normal we need to have monetary policy in the hands of capable policymakers rather than just simply based on the supply of gold..."*

Tara Sinclair – professor of economics and international affairs at George Washington University

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On the 31st August CNBC ran a poll with the question: 'Do you support a return to something resembling the gold standard?' Though it is a pathetically vaguely worded question, the response at the time I read it was:

Yes- 67%

No - 26%

Unsure - 6%

Total Votes: 10246

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[Wall Street Journal](#): Forty Years of Paper Money.

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[China Business News](#): Abandoning the gold standard was an error we are now all paying for.

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[Boston Herald](#): Arlington bank stocks gold coins.

[www.gallup.com](#): *Thirty-four percent of Americans say gold is the best long-term investment, more than say so about real estate, stocks, savings accounts, or bonds. Men, seniors, middle-income Americans, and Republicans are more enamored with gold than are other Americans.*

According to the King Report, the above poll refutes the claim by gold bugs that gold is not in a bull market. Could it be more likely that the 34% know that gold is the best place to have their money but have no money with which to buy it? Or is it that a bull market is when people are buying, not when they are just talking?

Or is it all wrong and what we are really witnessing is not a bull market in gold, but a bear market in paper money – a bear market that ends at a bottom of zero? My money, real money, is on the latter.

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[Gold Basis Service Testimonial](#): The only person that we are aware of who called the major correction in the 'price' of gold in August was the Senior Research Fellow of The Gold Standard Institute – Sandeep Jaitly

As a subscriber I can personally testify that I have never come across a more reliable indicator than Sandeep's basis service. PB

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[Mineweb](#): Finally we have a gold mining company who understands what it is that they are mining.

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[The Australian Financial Review](#): Value cut adrift in a sea of paper money.

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[The Daily News Egypt](#): Gold Prices Surge in Egypt as Investors Seek Safe Haven.

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GATA: China knows that the U.S. government strives to suppress the price of gold according to a 2009 cable from the U.S. Embassy in Beijing to the State Department in Washington published by Wikileaks.

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## Letters to the Editor

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Just sped-read issue No 8... no time to read quietly and slowly. Then I got to the article saying I needed 3000 ounces of gold to retire and got deeply depressed...

I didn't need to know that. Isn't my grandfather's gold pocket watch enough?

And if one is a heavy smoker (of Indonesian cigarettes) does this mean he won't need 3000 ounces to last him through retirement?

T. James – Australia

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Someone is trying to marginalize you. I couldn't find this month's Journal which I read religiously every month and discovered it in my junk folder with a rating of Very High. It must be that you're getting to them and they're trying to make you go away. That means you're doing a good job. I second it and say keep up the great work!

Thanks,  
Edgar Chase, Doctor of Oriental Medicine

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Did an article in The Gold Standard get you hot under the collar? Feel compelled to share an insight provoked by an author's commentary? "Letters" to the Editor are welcomed by email to [pb@monetarymetals.org](mailto:pb@monetarymetals.org).

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## Is a new Gold Swiss Franc in the cards?

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There is talk on the Internet that the Swiss parliament is looking at the possibility of putting a new, 'official' Gold Swiss Franc into circulation. If this is true, then the ramifications for a 21<sup>st</sup> century Gold Standard are tremendous. The source of the story is Herr Thomas Jacob, and apparently the Swiss People's Party, the largest political party in Switzerland, is supporting the introduction of a Gold Franc.

There are many good reasons why the Swiss parliament out of all the countries in the world

should be first to look at Gold money seriously; Switzerland has a long, positive historical link to Gold. Switzerland was the last country to cave in to American pressure to abandon Gold after the collapse of Bretton Woods and to sell Gold from its central bank vaults to help suppress the paper price of Gold. Indeed, to legalize central bank Gold sales, the Swiss constitution had to be re-written... under duress.

Switzerland has been a safe haven for Gold fleeing chaos, economic collapse and warfare for centuries. Also, Switzerland has the highest per capita ownership of Gold in the world; although admittedly most of this Gold is in bank vaults, not in citizens' hands like in India.

The Bank of International Settlement, the 'Central Banker's Bank' ...located in Basel Switzerland... has until recently kept its books in Gold units, rather than paper; until pressure from Washington forced it to abandon this system.

Mind you, I for one am convinced that in a 'back room' of the BIS there are still Gold 'Gnomes' keeping the faith by keeping a second set of books in Gold units. It only makes sense; what other stable unit of measure can they possibly use? The rapidly depreciating Dollar, the imploding Euro, or the skyrocketing Franc? Maybe Zimbabwean Dollars, right.

The implosion of the Euro is the very reason that the Swiss are just now considering re-establishing a Gold Franc; the pressure being put on the (paper) Franc is intolerable. As the Euro disintegrates, Europeans are looking for a safe haven for their wealth. The USD is also collapsing, so moving wealth from Euro to Dollar would be like flipping from the frying pan into the fire... not good.

Consequently, there has been a growing demand for the paper Franc... Why? Because it is Swiss money, money within sniffing distance of Swiss Gold. This makes holding the Swiss Franc highly desirable... at least compared to holding the Euro or the USD. Unfortunately, relentless buying of the Franc is causing it to rise in value vs. the Euro and the Dollar. This makes Swiss products uncompetitive in international trade... and wakes up the old mercantile instincts.

In an effort to stem the tide, the Swiss National Bank (the central bank of Switzerland) recently intervened in the markets, selling Francs and buying Euros, in a futile effort to hold down the value of the Franc. They now hold a huge short position in the Swiss franc. This position has lost tremendous value already, and can only lose more and more as the Franc relentlessly climbs... or more precisely, as the Euro declines ever faster. The SNB's intervention has been an unmitigated disaster.

Mr. Christoph Bloch, head of the Swiss People's Party, has openly called for the resignation of the President of the SNB... claiming that Mr. Hildebrand 'behaves like a speculator and is therefore not qualified for the job of President'.

It is clear what the situation is; the Swiss are between a rock and a hard place. Either they accept a declining competitive position due to the soaring value of the Franc, or attempt more intervention (i.e. printing more Francs, and buying more Euros) to try to stem the tide. Neither choice is conducive to a positive outcome for Switzerland... or the SNB. The ECB... and the Fed... can print a lot more paper a lot faster than the SNB can! The Swiss Franc is bound to lose the 'currency race to the bottom'.

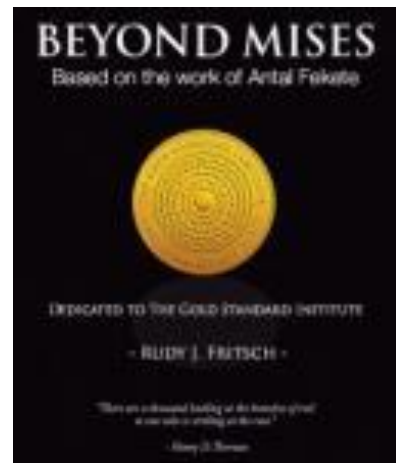
But there is a third way; if a new Gold Franc is put into circulation, the pressure on the paper Franc will disappear in a nanosecond... and demand for the real Gold Franc will soar to unprecedented heights. In one fell swoop, the Swiss can dodge both the rock and the hard place; the paper Franc will resume its fall along with the Euro, keeping Swiss industry competitive... and when the Euro (and the paper Franc along with it) hit zero... they will have a highly valuable Gold currency already in circulation.

In any race, the first horse out of the gate has a huge advantage... and the first country to openly embrace Gold will also have a huge advantage. If the Gold Franc is re-established, Switzerland will be first out the gate... with a bunch of also ran nags chasing it desperately; you can bet on that.



Rudy Fritsch

Rudy's book *Beyond Mises* was written to make Professor Fekete's work and Austrian economics accessible. It can be ordered directly from <http://www.beyondmises.com/>



## False Belief #8: GATA Is Irrelevant

*"Toutes les turpitudes de notre régime, j'en ai toujours trouvé la source dans des interventions de l'État. Les systèmes malthusiens donnent à leurs auteurs toutes les apparences de l'action généreuse, alors qu'ils organisent la misère et la ruine."*

TRANSLATION: "The source of all our problems is State intervention. Statists appear to have good intentions, but all they do is to bring us misery and ruin."

~ Jacques Rueff.

Misery and ruin, indeed: although this is not immediately obvious, of course. But, as the inevitable truth inevitably unfolds, the consequences of decades of conceit and deceit by the managers of the global monetary system are now revealing themselves for all to see. Yet, too many are still operating with their eyes wide shut.

The prevailing Keynesian delusion is so great that it still persists, despite all that has been done and has clearly not worked well since the beginning of the Global Financial Crisis (GFC) in 2007. Buying time with conjured money into existence does not solve anything. It may, as a strategy, give hope; but that is false hope and it can lead to misery and ruin for those who believe in such lies or deceit. The GFC

has been reported for months now to be a past event. Don't believe it.

The crisis is ongoing. It is not just financial. At its core, it is a monetary crisis. And it is about to get a lot worse. But that will not be admitted as such, until there is no choice in the matter. There is far too much at stake. That is why you must protect yourself now from the wealth destruction that is coming, as a result of ongoing bad economics applied at the State level. Let us not forget central banking: a modern plague causing money to die.

It seems as though it will take shock therapy to break the spell central bankers and their acolytes still have on the masses. That is unfortunate, dangerous and totally unnecessary. Indeed, all that is needed is to accept the facts as they are and get on with fixing the problem rather than endlessly deferring the inevitable. Yet, it amazes me to see how so many still seem to be unaware or unconcerned that there is a global SYSTEMIC crisis.

Maybe they just prefer to continue believing in the same failed economic theories and that gold does not matter anymore, now that we have evolved so much... After all, is that not what most everyone in academia has been teaching for so many years? Well, at least it is not everyone. One such exception is a man for who I have the greatest respect and whose work should be far more widely recognised: Professor Antal E. Fekete.

He has, for many years now, offered freely his deep knowledge of what sound money is and what the role of gold has been and remains in human affairs. He now teaches courses at the New Austrian School of Economics (NASE), based on Carl Menger's economic principles and his own scholarly application of Menger's ideas. I just attended his third course in Munich and have to say it was better than anything I learned at university to do with economics!

There are a number of other sources of knowledge that you can tap into in order to begin to make some sense of what is going on in our currently insane, or at least comatose, financial world. One such source is GATA, in whose founders I have a great deal of admiration for their courage and sheer determination in exposing the lies and deceit of the monetary elite

and their aim to bring about a more transparent market in the monetary metals.

It is my hope that organisations such as GATA and NASE can work together. Of course, their missions are very different and they operate at different levels. But both fully recognise that gold has an important role to play in our future economic freedom. Both are doing important work and are therefore quite relevant during these days of unprecedented global monetary crisis. Together, they are more than the sum of the two.

To dismiss GATA as irrelevant or to ignore the teachings of the NASE is to show contempt where in fact attention should be devoted, as well as to act as a block on the road to human progress.



**Louis Boulanger**

Louis holds a B.Sc. from Laval University in Canada; is a Fellow of the Canadian Institute of Actuaries and the New Zealand Society of Actuaries; and is a Chartered Financial Analyst.

Prior to coming to New Zealand in 1986, Louis worked for nine years with a global consulting firm based in Montreal, Canada. In New Zealand, Louis worked for another global consulting firm for 18 years, including as Chief Executive of New Zealand operations for five years. In 2006, he launched his private practice.

Louis is also Founder & Director of LB Now Ltd, which provides independent investment advice to private and institutional clients, facilitates the purchase of bullion for private and institutional clients as an authorized dealer for BMG BullionBars and also helps firms comply with GIPS.

For more information of LB Now's services or to subscribed to Louis' e-letter 'Prosper!' see the contact details below.

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## Do Banks Create Money Under the Real Bills Doctrine?

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One reason that proponents of a 100-percent gold standard give for rejecting the real bills doctrine is that it creates money out of nothing via fractional reserve banking. Fractional reserve banking is a fraudulent activity. Therefore, when a bank creates money to lend using a real bill of exchange as collateral, it is practicing fraud. (This statement is incorrect. The real bills doctrine deals with clearing and not lending. If one starts with a false premise, he most likely will arrive at a wrong conclusion.)

When a bank buys a bill of exchange, it converts commercial money into bank money. It does not create any additional money. This conversion of commercial money into bank money removes the commercial money from circulation and places it in the bank's vault until it matures into gold and is cancelled or until the bank sells it for gold.

This process is analogous to a person depositing a gold coin in a checking account. When a gold coin is deposited, the bank removes the coin from circulation by placing it in its vault. It creates checkbook money to exchange for, or buy, the gold coin. As with commercial money, the bank has converted one form of money into another form. In both cases, it has created bank credit money to substitute for another type of money. In both cases, the bank has converted market-created money into bank money and market-created money backs the money created by the bank. Either commercial money or gold coins are backing the bank notes and checkbook money that the bank issues.

The major difference between the two is that the checkbook money into which gold coins are converted represents gold directly. The money into which the bill is converted is in the process of becoming gold as the goods represented by the bill are sold. It becomes gold as the bill is paid in gold or bank money that almost immediately becomes gold.

Moreover, these opponents of the real bills doctrine confuse discount rates with interest rates. They are not the same as Professor Fekete has explained. Also, they confuse lending instruments with clearing instruments.

Like an investor, a bank buys a bill. It becomes the owner of the bill and receives the payment when the bill is paid. It does not lend money to the drawer of the bill with the bill as collateral for a loan. Again, a bill is like a check. The final recipient collects directly from the signer without the money having to pass through all the intermediaries.

Rist notes, "... bills are an *addition* to metallic money; they are a commercial money spontaneously created to *supplement* the circulation of coin."<sup>1</sup> Thus, when a bank buys a bill, it does not monetize it. The bill is already money. A bank is no more monetizing a bill than it monetizes gold when it buys gold with notes.

If the opponents of the real bills doctrine want to prevent money in addition to gold, they need to suppress bills of exchange. They need to direct their opposition away from banks buying bills with bank money instead of gold. As shown above, banks do not create any additional money when they buy a bill. They convert one form of money (commercial money) to another form (bank money, i.e., bank notes and checkbook money).

These opponents need to direct their opposition to the creation of the bill of exchange, which is the heart of the real bills doctrine. They must prohibit either its creation or its use as money, i.e., prohibit its use to pay debt or purchase goods and services. (The recipient of a bill in payment receives it at the same discount as a bank does.) Either choice causes them to oppose a spontaneous market activity.

The above discussion assumes the true gold-coin standard accompanied by a decentralized competitive banking system without special privileges.

Notes: 1. Charles Rist, *History of Monetary and Credit Theory from John Law to the Present Day*, trans. Jane Degras (New York, New York: Augustus M. Kelley, 1966), p. 96.

### Thomas Allen

Thomas Allen has been a student and adherent supporter of the gold standard and the real bills doctrine since 1972. In 2009, he wrote and published *Reconstruction of America's Monetary and Banking System: A Return to Constitutional Money*. Many of his writings on money and other subjects can be found at <http://tcallenco.blogspot.com/> and an index to these blogs is at <http://tcallenco.weebly.com/>

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## History Repeats

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*“The farther backward you can look, the farther forward you are likely to see”*

Winston Churchill

**A look into history reveals a number of interesting analogies with regard to the status quo.** According to Prof. Peden<sup>1</sup> no analysis of the monetary policy is complete without the analysis of the general state policies. Monetary, financial, military, and economic questions are closely interwoven. The monetary policy thus also serves the subjective requirements of the political elite.

*“Among the countless evils that bring about the demise of entire states, these four are probably the prior ones: internal discord, high mortality, infertility of the soil, and the deterioration of the money. The first three are so apparent that hardly anybody would contest them. The fourth evil, however, which stems from the money, is only noticed by a few, and only by those, who think deeply, for the states fall victim to demise not at the first attempt, but gradually, and almost invisibly.”*

Nikolaus Kopernikus

**The perfidious goal of inflation was achieved in ancient times by reducing the content of precious metal or the weight of the coin.** The weight of the “Aureus” fell from 10.5 grammes (about 20 B.C.) to 0.77 grammes (260 A.D.). The silver content of the denarius coin was gradually reduced as well in order to finance bread and circuses, the bloated bureaucracy, and the rising military expenses. In the 1st century B.C. the silver content was close to 95%, and by 286 A.D. the denarius only consisted of a mere 0.02% of silver.

### Roman welfare and stimulus packages

**Rome was thriving in times of low taxes<sup>2</sup>.** However, in the course of time the emperors started securing the good will of the people by extending gifts. Excessive administration, overregulation, and rising taxes were gradually undermining the public budget. Peak inflation was reached in the 3rd century, when Rome was turning more and more into a welfare state. When about one million people populated Rome, free wheat and later bread was given out to 300,000 citizens. Emperor Augustus had

late Roman stimulus packages passed, and thermal spas, streets, aqueducts, and temples were built.

### The first documented case of hyperinflation

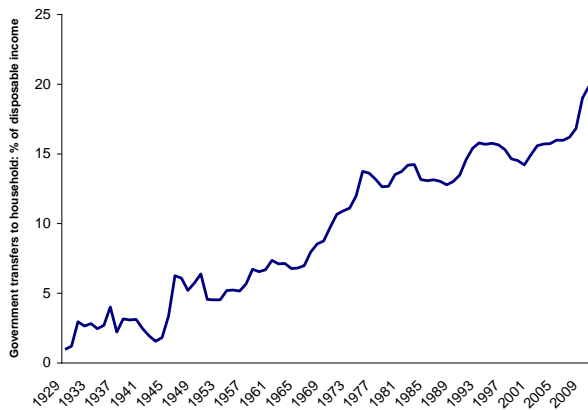
**Diocletian (284-305 A.D.) was particularly ingenious in putting inflation to his use<sup>3</sup>.** He stepped up the money supply by a massive degree, reduced the content of precious metal in the coins, and issued bronze and purer copper coins. Taxes were raised to finance the military. In 301 A.D. Diocletian passed his infamous Edict on Prices, fixing the prices of goods and services. Whoever violated said edict was sentenced to death. Diocletian’s notion that the hoarding of goods and speculators were responsible for inflation of course turned out to be incorrect.

**The Draconian punishment had little success, because the root of inflation was not being dealt with.** This resulted in the first documented case of hyperinflation. While a pound of gold was traded at 50,000 denarii in 301 A.D., the price had increased 50 years later to 2.12bn dinarii, which represented an increase by the factor of 42,000. Within a century, inflation – as measured by the price of Egyptian wheat – increased to 15,000%<sup>4</sup>.

**The example of the decline of the Roman Empire highlights impressively how swelling bureaucracy and the misallocation of resources can lead to inflation and in the long run even to collapse.**

**The analogies to the present are alarming. The imperial overexpansion and disproportionately excessive level of debt of the United States has caused the currency to deteriorate, much like in the Roman Empire.** Nowadays, too, the dependence on public transfers seems to be gradually on the rise; the following chart shows a perfect upward trend. It illustrates the share of public transfers in total disposable income. The share that the Americans are earning through gainful employment has been on a continuous decline, whereas the dependence on government transfers has been constantly increasing.

## Government transfers in terms of total income since 1929



Sources: Bureau of Economic Analysis, Erste Group Research

## Societies react to crises by stepping up their complexity – the marginal return on capital gradually falls

The law of diminishing marginal return holds in general. If the expansion of the money supply created welfare, there would be no poverty or unemployment. This is also what Prof. John Casti confirms, referring to the archaeologist Joseph Tainter<sup>5</sup>: **societies react to crises by stepping up their complexity and thus try to solve their problems. Every investment drawing on resources – usually energy or money – achieves a lower rate of return than the investment before that.**

Therefore the additional (marginal) investment uses the resources without any adequate increase in value, until the marginal return on capital of the social complexity turns negative. But given that society only knows how to solve problems by becoming more complex, it soon starts crumbling under its own weight. According to Casti a society loses its complexity very quickly once it collapses. He likens the demise of Ancient Rome to the United States of tomorrow.

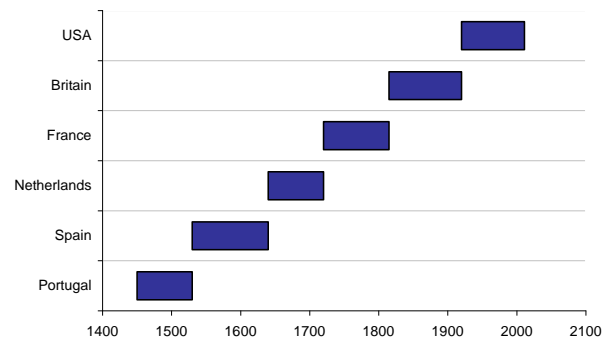
*“A great Empire, like a great Cake, is most easily diminished at the Edges”*

Benjamin Franklin

**If it seems absurd and illusory today to think that the US dollar could lose its status as leading global currency, a look into the history books**

**might help.** Portugal (1450-1530), Spain (1530-1640), the Netherlands (1640-1720), France (1720-1815), and Great Britain (1815-1920)<sup>6</sup> were coining leading global currencies for centuries and have in the meantime lost more or less all of their former monetary splendour. Interestingly, these cycles tend to last about 90 to 100 years, which would also suggest the imminent changing of the guards for the US dollar.

## Global reserve currencies since 1450



Sources: JP Morgan - Eye on the Market, Hong Kong Monetary Authority, Erste Group Research

Notes:

- 1 “Inflation and The Fall of the Roman Empire”, Mises.org, September 2009
- 2 Please refer to Bruce Bartlett, “How excessive government killed ancient Rome“
- 4 Please refer to Bruce Bartlett, “How excessive government killed ancient Rome“
- 5 Please refer to “Die Muster sozialer Unruhen“ (Patterns of social unrest), Der Standard, April 2011
- 6 “The Potential of the Renminbi as an International Currency“, China Economic Issues, November 2007

Ronnie Stöferle

## How Much Gold Does One Need to Retire? – Part II

Given the feedback to my recent article of similar name, I feel compelled to clarify some of my arguments and conclusions. It was never my intention to discourage people from the task of securing their personal finances.

Part One concluded with my suggestion of an annual income in gold of 40 ounces, which would reasonably require 1,000 ounces of gold to sustain, as a general indication of financial independence. But I omitted several mitigating factors that could reduce

the 1,000 ounce figure. Even under a gold standard, retirement planning does still have some complexity.

For the sake of simplicity, I assumed physical gold was all the wealth a person had. No real estate, no business or investment portfolio earnings, no continuing income from a career. I also assumed an infinite life in retirement, whereas a 65 year old male in America can normally expect to live only 17 more years. It is therefore allowable to encroach on capital to some extent, depending on one's own comfort with the risk of outliving one's money.

Also left out of the equation is the potential effect of a speculation in which many gold owners indulge: the purchase of silver bullion. A strong case supports the gold/silver ratio trending toward its long-run historical norm of 16, meaning the value of silver, as measured in gold ounces, may double or triple.

Now, as a final input, we need an ultimate destination or target toward which one's investment holdings should be oriented after the monetary metals have returned to their rightful roles. Doug Casey quoted the Babylonian Talmud once, which suggested splitting one's wealth equally between land, commerce and what one could keep "in one's own hands". Presumably the Talmud was talking about physical gold and silver for that final third, but Real Bills might reasonably qualify there rather than in "commerce". In any case, I like the conservative stance of that approach.

So how might this all fit together? Suppose today a 65-year-old man held the following:

- 400 ounces of gold
- 3,000 ounces of silver
- a clear-title house (expected to rent, post fiat, for 5 ounces of gold per year, net of expenses)
- part-time work opportunities, earning 3 ounces of gold each year for five years

Could this gentleman count on a comfortable retirement, assuming civilization itself holds together and economic activity carries on?

If fiat currencies were to fail the next day, we might expect his house to eventually stabilize at a price of 111 ounces of gold (5 oz / 4.5% = 111). On top of

that, if the gold/silver ratio moves to 20 from its current level of 45, the value of his silver increases from 66 ounces of gold to 150. Looked at this way, his true net worth is now 661 ounces of gold.

Redeploying his wealth such that he approximates the Talmud's recommendation, he would purchase a second piece of real estate of a similar size, adding another 5 ounces of gold to his annual income. If he then selects a 50/50 combination of bonds and stocks worth 220 gold ounces, that would yield another 11 ounces  $[(3\%+7\%) / 2] \times 220 = 11$  of annual return in gold. Assuming Real Bills are a proper substitute for some of the remaining 220 ounces of gold, he might place perhaps half of it into Bills and earn a further 2 gold ounces per year.

He would now find himself with an annual income of 10 ounces from the rental of real estate, 11 ounces from his "commerce" allocation, a further 2 ounces from his Bills, and, at least for the beginning of his retirement, 3 ounces from his part-time work. His total retirement income is 23-26 ounces of gold per year and his annual expenses are 40, requiring encroachment on his capital of a mere 14-17 ounces per year. If he can expect to live a further 17 years, he shall have little danger of outliving his money, especially as annuities will surely be available if necessary.

This also gives no credit to the man's ability to assemble his stock and bond portfolio at below equilibrium prices. If he is smart enough to have gold and silver in the first place, he can probably spot a bargain or two in the other asset classes. From this sort of acumen also flows the benefit of some realizable capital gains to bolster his net worth as the assets' values normalize over time.

In conclusion, my 1,000 ounce guideline was a very easy solution for investors who are little interested in a hands-on approach to their finances. Many people reading this article may enjoy running their own finances, and could make do with much less metal without sacrificing a decent standard of living.

**Publius**

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## Infinite Money

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The central tenet of the Gold Standard Institute is that money is what extinguishes all debt. That is its nature, its function. If you have enough money, you can extinguish any debt you might incur and since there is no limit to human wants and desires, money is the one thing you cannot possibly have enough of. Thus the demand for money is **infinite**. When debt masquerades as money by government decree, that being the irredeemable obligations of central banks, the infinite demand for money can, at least for a time, be met by **infinite supply**.

Infinite demand met by infinite supply leads to credit or debt bubbles as the inexhaustible demand for money is met by the infinite supply of central bank obligations, or more accurately, the infinite supply of commercial bank obligations 'backstopped' by central bank obligations. The bubbles grow and grow, despite the obvious distortions, becoming ever more fragile as they expand, until the day they burst.

This leads to a sobering conclusion. If you have the ability to issue, without limit, debt that trades as money and the demand for your 'money' being infinite, you have the ability to extinguish all possible debt, you can have everything you desire and more, you have ultimate power. It is not a stretch to say you are akin to a **God**.

Government has usurped this power, yet government is composed of humans and humans being humans, not Gods, there is zero chance this power will be given up voluntarily, would you..? Rather, it will be lost through a total collapse in the 'moneyness' of government debt. The government will take everyone down with them, as the 'moneyness' of their obligations ebb due to their declining quality, rather than admit they have been perpetuating outrageous fraud for decades and cease to enforce their 'legal tender'. As Melchior Palyi wrote back in 1958:

*"There can be little doubt of the final outcome, unless the process is brought to a halt."*

Alas, it won't be. With thanks to Doug Noland and his Credit Bubble Bulletin.

**Jon Rogers - Australia**