The Gold Standard

The journal of The Gold Standard Institute

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

Membership Levels

Annual Member	US$100 per year
Lifetime Member	US$3,500
Gold Member	US$15,000
Gold Knight	US$350,000
Annual Corporate Member	US$2,000

Contents

Editorial

Apart from a few days in Italy, I have spent July in sunny and beautiful Vienna (with a small trip to Italy) from where I am writing this. It's a tough life.

I met up with some of the Austrian banking and finance fraternity that I spoke to in 2010. Problem solved. Gold is off the radar; fiat is king again.

Tourists flock to the expensive restaurants where menu prices almost match that of Australia. Paper is much in evidence in the bars and restaurants, plastic nowhere near as much. There is another story there.

There was some action in the Italian Gold shops, but trust in the credit system is visibly intact. Until that changes the price of paper will remain high.

On each visit to Europe over the last five years I have noted an ever-greater and seemingly broadening anti-American tone, a diminishing trust and respect. Doubtless there are many reasons for this, not least of which is indignation at the extent of US spying, but is it also due to a perception that the Americans can no longer afford to play their hand, let alone overplay it?

That may be premature with the credit system still hobbling along and an on-going willingness to borrow.

The Institute continues to expand. It has been a goal for some years to have a dedicated presence in Asia. Ville Oehman (ville@hk.com) has been elected as president of the Gold Standard Institute in Singapore.

Ville Oehman has been a start-up investor for over ten years, focusing on medical and financial technologies. He is currently a director of the Business Angel Network of South East Asia in Singapore, and a member of the Hong Kong Business Angel Network. Ville has a master's degree in technology management from Aalto University in Helsinki, Finland and an MBA from University of South Carolina in the US. He has also studied in Indian Institute of Management in Bangalore, and has done a Commodities Professional Program in Dubai Gold and Commodities Exchange. Ville is a self-learned precious metals saver and investor since the 90's, and is a follower of the Austrian School of Economics.

Ville is a very welcome addition to the team and will help to communicate into Singapore and the wider Asian region the benefits of a truly free market and its most essential ingredient – unregulated, circulating Gold.

Philip Barton

News

Recent Keith Weiner Forbes articles:

- "This, in a nutshell, is the reason to own gold. Not to speculate on its price, but to avoid being a creditor, to avoid counterparty risk." Link
- Why did Ron Paul say Gold could go to infinity? Link
- We need a declaration of monetary independence. Link

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Goldsilverworlds.com: Russia adds 500,000 ounces of Gold to reserves in June '14 (article miscalculates metric tonnage)

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Forbes: What's wrong with borrowing more and getting less?

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Thomas Bachheimer interviewed by Deutsche Wirtschaftsnachrichten

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Ripple: Trade, send and spend Gold

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New Indian Express: Bank paying Gold interest on Gold deposits

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Financial Express: The Indian government bemoans the fact that household savings in Gold reduce the amount of money available for investment. The real problem is their own legal tender laws. It would be a lot easier to abolish these than to stop Indians saving in Gold.

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Business Today: New Gold smuggling route

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Sydney Morning Herald: Bank worries in Portugal translates into paper money worries

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India Times: Ingenious Gold smuggling methods employed in India

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Forbes: Huge 19th century Gold and Silver coin haul

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Reuters: Air India staff smuggling Gold

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Mining.com: Paying with Gold – "everyone here knows the value of Gold"

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Digital Journal: Shootout with armed thief who targets central Paris Gold shop

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Forbes: Paul Krugman getting a bit of a dusting in the journalistic ring by Mr Benko. See also Forbes: A good question posed by Ralph Benko.

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Kitco video – Gold represents honest money

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GoldChat: "Fortunate we have different perspectives on Gold (i.e. you westerners want to sell while we want to buy)" Zhang Bing Nan – China Gold Association and GoldChat on gold and interest.

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Jaime Caruana – General Manager of the Bank for International Settlements since 2009: *"… it is hard to avoid the sense of a puzzling disconnect between the markets' buoyancy and underlying economic developments globally"*

Part III: A Digital Payments & Accounting System for the Free Gold Standard

This article is the third in a series proposing a roadmap for the creation of an international Free Gold Standard using private action in the free market. This article details the requirements for a digital gold payments and accounting system.

In the first article, I pointed out seven elements needed to establish an apolitical and decentralized Free Gold Standard:

- Domicile in Gold-Friendly Jurisdiction(s)
- Digital Gold Payments and Accounting System
- Denominate Contracts in a Standard Specie
- Agent Network
- Electronic Exchanges
- Dispute Resolution System
- Viable Regulatory Model

In the second article I examined possibilities for a viable regulatory model. I concluded that a for-profit, cooperative society coupled with a credit union formed to serve the members of that society, would provide a "regulatory cocoon" in which we would have the freedom to develop and grow the system and the user base, with a relatively low startup cost. As the Society grows we can eventually apply for public banking licenses and set up a currency exchange for the public, and then invite other institutions to join our network as digital gold issuers.

I will refer to this hypothetical society as "The Gold Standard Society", or just "the Society" in the rest of this series.

Elements of a Digital Payments and Accounting System

As mentioned in the first article, digital gold currency is not new. James Turk filed a patent on the idea in 1993, e-gold launched the first digital gold website in 1996, and the entire industry took off and was doing 80 metric tons per year in gold transactions from 2001 until the US government shut down all the American players from 2005 to 2009. We learned some lessons from that first generation of digital gold currency that I would like to apply here.

1. We need a decentralized system that supports multiple issuers.

E-gold and GoldMoney both marketed themselves as monolithic systems fighting to be the one gold currency to rule them all. I don't know if they gave much thought to the possibility that people might want to transfer gold from an account at one to an account at another. A network of independent exchangers grew up to provide that service. However, that was expensive and clumsy.

The next generation digital gold currency system must be designed from the start to support multiple issuers on a common platform.

2. We need a common exchange protocol, or "API".

In order for multiple issuers of digital gold to be interoperable, we need a common digital exchange language so their computers can talk to each other, and so that third parties can develop financial applications on top of our system.

An automated programming interface (API) will allow invoicing applications to be built by third parties, allowing the trade in bills of exchange that followers of Adam Smith and Antal Fekete think are necessary for a gold standard to work. This might also mean we need an open source code base.

There are three or four software systems currently available that can serve this requirement - which we will discuss in detail below.

3. We need a "know your customer" system that works across Issuers.

One of the regulatory requirements for banks and money transmitters is that they are expected to know the identity of both the sender and the receiver of any transaction.

4. We need a contractual framework to standardize the Issuers.

In order for digital gold issuers in the Free Gold Standard to be compatible, there needs to be a standard set of terms and conditions for issuances, so that we are comparing apples to apples.

If "Fidelity Gold" issues gold contracts redeemable in Chinese Pandas in 30 days, but "Singapore Gold" issues gold contracts redeemable in kilobars on demand, we have a situation where 1 gram of Fidelity Gold is quite different from 1 gram of Singapore Gold. The market may put a premium on one and a discount on the other.

Our Gold Standard Society can serve a similar role to the LBMA which standardizes "good delivery bars" by means of a contract with member refineries. We will enable any issuer to create a standard contract class for a certain specie of digital gold, specifying certain terms, including delivery specie. Then that issuer can recruit other institutions to issue compatible contracts. Member institutions who agree to issue under that contract may issue digital gold to our members, provided they meet the standard.

This provides the industry and the market the ability to try different types of gold contracts and see what works. It may be, as some suggest, that 400 oz bars prove to be the most efficient. Perhaps, not. Let the market have the choice to decide that.

5. We eventually need a clearing exchange, or switch, between the issuers.

In order to for Alice to send gold from her Fidelity Gold account to Bob's account with Singapore Gold, we need a switch or "clearing house" that enables instant conversion from one to the other. This is not needed at the outset, but will be added later.

6. We need a client for computers and phones.

Smart phones are becoming the new wallet for people around the world. Our digital gold software should work securely on most smartphone operating systems.

Candidates

There are several existing software suites that can be considered.

- Ripple
- Ricardo
- Voucher Safe
- Counterparty

Choosing one of these existing suites, or developing a new one, presents us with a dilemma. If we commit our members to one transaction system, it may not be the one that gets the most users.

I suggest that it would be better to leave the choice of software up to each issuer, while defining a set of standards of what we require for compatibility. The software suite that meets the standards and gets the most users will win by default.

Conclusion

Digital Gold 2.0 needs to be designed from the outset to support multiple issuers of digital gold. These issuances can be standardized by a parent contract created by the Gold Standard Society, or by individual issuers. A protocol or API can allow third party development of software to handle the accounting for bills of exchange. There are several software solutions available that can be adapted to meet our needs at relatively low cost.

In Part IV of this series I will examine the likely need for a "primary specie" of gold coin or wafer for the New Gold Standard.

Ken Griffith

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Irrelevantly Floating

The attitude of indifference to exchange rate volatility seems commonplace amongst economic academia. Almost universally accepted as a "fact of life", exchange rate volatility is perceived no different to the spontaneous happenings of the weather. Such an attitude is a symptom of almost two generations of economic illiteracy brought about by a schooling system with the intent on breeding the doctrine of the state (at least in economic affairs). Floating exchange rates are a relatively recent phenomenon, an unintended consequence of the collapse of the Bretton Woods Agreement. Such a phenomenon is a trial by fire or, euphemistically phrased, "learning by doing" experience, with most oblivious to its consequences.

The fanfare of floating exchange rates commenced in the late 70's and early 80's with Milton Friedman leading the parade. As many readers are aware, Friedman was an aggressive defender of free markets, albeit outside the monetary sphere. He reasoned that by allowing exchange rates to fluctuate freely under market forces, over time, currency depreciation (or appreciation) would level out balance of payment terms. Acting as a "natural stabiliser" it was believed that trade deficits would eventually level out via a weakening currency (with the opposite equally true for trade surpluses).

Fortunately the verdict of time is out. After 30+ years of floating exchange rate prophecy, none of the trade balances so aggressively sought, have eventuated. Instead the imbalances have only worsened leading to what seems like perpetual currency turmoil. The primary problem undermining the "natural stabiliser" was that it was never natural to begin with. Borrowing counterfeit credit into existence facilitated ever expanding deficits whilst keeping downward pressure on interest rates. Rather than curtailing fiscal irresponsibility, floating exchange rates have become a tool of irresponsible speculation. An unadulterated gold standard would never permit such counterfeit credit in the first instance making speculation mute.

To understand why, one must first address what the architect of floating exchange rates missed. The question being: what is money? This question has evaded advocates of floating exchange rates as the answer makes the entire concept absurd. Gold has proved itself to be money millennia ago. Its universal recognition sheds light on the irrelevancy of floating exchange rates. How can gold in Germany be worth any different to gold in New Zealand? Assuming the quality is the same, the spread would be near zero. How can a Mercedes in Germany, priced in gold, be worth any different to a Mercedes in New Zealand (transport aside)?

Prior to the abandonment of the classical gold standard (which was flawed yet proves to be a reliable benchmark) the world currencies were reflections of a particular quantity of money. The pound's relationship with the dollar, though seeming "stronger" merely reflected the greater weighting of gold. There was no avenue to speculate as gold flowed between countries to balance any trade imbalances. This didn't arise through government order or bill, but naturally evolved. It was this "natural stabiliser" which the advocates of floating exchange rates wish to mimic without the fiscal prudence which it entailed. Interestingly enough, for over 60 years Great Britain ran fiscally balanced budgets. This was a remarkable achievement especially by modern standards.

The advocates of floating exchange rates must be honest with the objective results. None of the theoretical proposition has seen material results. If the goals are balanced fiscal budgets, balance terms of trade, stable interest rates et cetera, the gold standard has proven itself as the monetary system of choice.

Sebastian Younan
President the Gold Standard Institute Australia

Gold and the International Financial Order

The Gold Standard is the best "Governor" that can be devised for a world that is still human rather than divine.- Montagu Norman, former Governor of the Bank of England

The classical gold standard experienced its heyday at the time of classical liberalism. World War I put a sudden end to this era. Even though it is often asserted that the gold standard "failed", this is simply incorrect. It was rather that the planned government expenditures were not possible due to the restrictions imposed by the gold standard. **In our opinion it is certainly no coincidence that the 20th century, which exhibited such pronounced enmity toward gold, was also the century during which most hyperinflation episodes took place.**

Ludwig von Mises recognized in 1923 already that a currency reform in the form of a rejection

of fiat money can never pose a technical problem. The primary necessity according to Mises, is a renunciation of inflationary policy. This is only possible if politics fully renounces the ideological commitment to imperialist, militarist, protectionist, statist and especially socialist ideas.[1]

As already discussed in my previous "In Gold we Trust" reports, we are convinced that the remonetization of gold is already underway. Even in the traditional financial system, support for this idea is increasingly voiced. For instance, OMFIF, a global think tank of central banks and sovereign wealth funds, argued in a sensational report (*Gold, the Renminbi and the multi-currency reserve system, OMFIF, January 2013*) in favor of the remonetization of gold. Gold is once again to play a major role in the global monetary system. Due to its history, gold is predestined to rebuild and maintain trust and stability in international monetary relations. Gold would be mutually beneficial for all countries as an anchor for currencies and could end the currently escalating currency wars. **The report illustrates strikingly that fundamental changes in the monetary order are already discussed at the highest levels.**

The number of initiatives with respect to repatriation respectively thorough audits of government gold reserves continues to increase. We are convinced that the desire for transparency reflects the increasing interest of citizens in national gold reserves. Initiatives demanding repatriation or an orderly audit of national gold reserves have sprung up in Switzerland, the UK, Finland, Australia, Poland, Mexico, the Netherlands and Romania.

In Austria, the Court of Auditors has audited the gold reserves stored in London, as 80% of Austria's gold reserves are stored with the Bank of England. In Germany, the repatriation of gold reserves has been somewhat tepid. Last year, only 37 tons were shipped to Frankfurt from Paris and New York. However, even if 700 tons are actually delivered by 2020, about half of the gold reserves would still be stored abroad. That the repatriation of 700 tons of gold supposedly takes seven years seems astonishing. Germany's Bundesbank justified this by pointing to the signalling effect in times of crisis, as well as the complicated logistics in terms of securing transport and creating storage space.

"We should put our faith in gold rather than in power-hungry men. It has neither their weaknesses, nor bad intentions. It was, is and will remain the money of freedom" - Roland Baader

The biggest political obstacle to a formal re-entry of gold into the international financial order is currently represented by the statutes of the IMF. In the late 1970s, gold was banned from the "general exchange arrangements". As a result, member nations were prohibited from carrying out international transactions in gold.

We are convinced that the remonetization of gold will not occur at a specific point in time, but will instead be a gradual, long term process - a process that was set in motion some time ago and is gaining momentum at present. The role of gold will be greatest during a transition period from the dollar standard to a multi-currency system or a new global reserve currency. This would probably be accompanied by rising volatility in currency and commodity markets, while the market probes for a new equilibrium. It is thinkable that, due to rising commodity prices, confidence in the paper dollar will fall dramatically. **As a glance at the history books shows, gold was always needed to create fresh confidence in a currency.**

Ronald-Peter Stoeferle
Ronald-Peter Stoeferle is the author of the annual report: "In Gold We Trust". After 7 years at Erste Group, analysing gold/silver and energy, he quit his job at the bank and became managing director and partner of Incrementum AG, based in the Principality of Liechtenstein. The company focusses on asset management and wealth management and is one hundred percent owned by its partners. Together with Mark Valek, he manages a fund that invests based on the premises of the Austrian School of Economics. Moreover he just released a book about "Austrian Investing between Inflation and Deflation".

[1] "Stabilization of the Monetary Unit—From the Viewpoint of Theory", Ludwig von Mises

Central Banks are the Alchemists of the 21th Century

Just as William Shakespeare was pivotal for English literature, culture and language, so was Johann Wolfgang von Goethe (1749 – 1832) for the German language. He was a writer, a polymath, a philosopher, a genius! Already in his own lifetime he was known under the epithet "Dichterfürst" (poet count). But he was also treasurer at the court of count Karl August in Weimar. The experience drawn from this dual career as poet and treasurer let him create a work without equal in its combination of literature and monetary policy. Faust is a must-read for every monetary historian.

Faust I and Faust II are two of the most widely quoted German literary works. They are required reading and every school kid has to memorise the most salient quotes. There are dozens of scientists studying his works alone; barely a university in the German-speaking countries manages to make do without a Goethe professorship or Goethe institute. Literally no town is complete without a street or place named after him (I have already lived in one).

In Faust I, the eponymous character despairs at the limits of human cognitive faculties: science cannot give him an answer to the question of the meaning of life. At first, he attempts to find the meaning of life using magic – which fails. Subsequently, he makes a deal with the devil (Mephistopheles). Thus, he regains youth, fun and entertainment, but in the end things end badly with murder, insanity and death.

In Faust II, the hero as a representative of modern humankind is confronted with several seemingly impossible tasks and challenges. He tries to solve these problems with magic and wizardry, that is, with alchemy. While the first volume was published immediately after completion, Goethe insisted Faust II should be made public only after his demise – for a good reason. As treasurer he was well aware – in stark contrast to his present-day counterparts – of the secrets of the creation of money and the incendiary effects of making these public. He would have created too many dangerous enemies.

The emperor (after a hint from the devil) gives Faust the incredible chance to create artificial money backed only by the signature of the emperor. This comes with the missive to use this newly printed money to create blooming landscapes, and by hastening the course of nature to overcome time. This works very well in the beginning, he usurps swampy lands from the sea and then drains it to make fertile acreage. However, instead of following up the creation of new land with real productivity he strives to attain even more land. The further this land grab proceeds without accompanying productive use, the harder nature fights back and eventually takes the claimed lands back in a gigantic flood, leaving behind the swamps that were there in the first place. What a magnificent metaphor!

Goethe's Faust attempts to solve humankind's problems by overcoming time. Alchemy for him is only to overcome time as outlined in these major issues:

- eternal life: aging should make way for eternal life,
- artificial creation of life: siring, gestation period and time to maturity must be overcome,
- instant awareness and absolute knowledge: decades of learning should be avoided so that people will know the meaning of life before they grow old
- **artificial gold/money: with the help of paper money, the alchemist hopes to attain in a few weeks what it would have taken eons for nature to create**

The task of alchemy is to overcome time to bring salvation at the present time. That this will always end in disaster was a fact well known to Goethe. Faust fails miserably every time and leaves behind a bigger mess than what he started with. The quest for eternal life, absolute knowledge and the artificial human being has horrible consequences only for Faust and those close to him. The attempt to overcome time with artificial money, on the other hand, affects the inhabitants of the entire region: as the sea reclaimed the usurped lands it took away the people as well.

Greed and impatience will always end in tears. We must not try to overcome time and strive to give meaning to artificially created fortunes. Gold would be a perfect impediment to greed and this is precisely why it has been studiously ignored for decades as an underlying store of value for our economic system. Goethe wanted to show us in Faust II that rulers tend to take the devil's advice and create wealth with the help of artificial money.

In the present day, the emperor would be the gentlemen in Washington, London and Brussels and the lady in Berlin. The central banks FED, BoE and ECB would be Faust himself who after all attempted to achieve what central banks believe they can do. As we know, Faust failed – exactly as our present-day central banks are failing now. That Goethe should call Faust a tragic person makes perfect sense. The fact that the name of the current ECB president Mario Draghi bears a semblance to the word "tragic" strikes us as quirky coincidence – or maybe not?

But who is Mephisto, the devil, who seduces Faust into these ill-fated endeavours? The author would like to leave this question to the esteemed reader, suggestions are more than welcome!

Thomas Bachheimer
President of the Gold Standard Institute Europe

Evil; Uncorrected Error

The signs are perfectly clear if we but allow ourselves to notice; humanity is rushing headlong to Hell in a handcart. The economy is collapsing, health care is falling apart, education is a shambles, food supplies are contaminated and corrupted, any degree of civilization we have achieved is being destroyed. Freedom to live happy, unfettered lives is being replaced by blatant, world-wide tyranny and endless warfare.

The fact of decay is not in doubt; controversy arises in naming reasons and causes. Why, exactly, is all this happening? Why are we not progressing, advancing, reaching ever higher levels of wealth, peace, cooperation, happiness? Why are we regressing towards poverty, war, terror... is this the pre-ordained doom of mankind, and if so pre-ordained by whom? Are we truly the victims of 'original sin'... sin that can only be 'washed away' by a redeemer, a supernatural, unhuman messiah? By a paternal, extraterrestrial God?

Do we really believe the stories we are told... that humanity and human beings are inherently evil, or at least have an irresistible evil streak in them... an evil streak that can only be suppressed by authority, by external power... must we be held at gun point else we all turn to evil, and devour each other...? As Comrade Mao put it, 'Power flows from the barrel of a gun'.

Or is this all a big lie? Are we in reality decent beings at heart, with an inborn ability to get along, to live and let live, to cooperate as well as compete in all fun and fairness? Beings with the ability to build civilization, to create wonderful art, to design engineering marvels, to support nature and indigenous peoples instead of dominating and destroying them?

Interesting, isn't it. History shows both these aspects... so I suggest that we need to take a very close look at all this. If Human beings are inherently evil, then the deal is done... it's all over. On the other hand, what about 'we are created in his image'... in the image of the almighty God, the "omnipotent, omniscient, omnibenevolent"... Is the evil in us truly an image of evil in God? Or is this just (false) myth?

Can we shift the bedrock of our belief system from domination as promulgated by Abrahamic religions to respect as promulgated and lived by indigenous, Pagan cultures worldwide and through thousands of years of pre-history? From domination... and subsequent destruction... of other cultures, of nature, of the very planet that supports our lives, to respect for Mother Earth, to respect for animals and species other than ourselves, to respect for human cultures other than our own?

How can we tell myth from reality... if we live our lives according to a false myth, a myth that does not reflect reality or truth... what then? In fact, do we need any myth at all; can't we simply live by 'humanitarianism' alone? Or is Humanitarianism itself just another utopian, false myth?

Comparing Humanity to other species on Earth, one thing is obvious; we have talents that differentiate us... we have the ability learn, to act in ways beyond the instinctive responses of other creatures... and this very ability, this flexibility, this unique imagination is what leads us into error.

Indeed, we can make a good case that trial and error is the fundamental method of learning, but trouble starts if we continue on with uncorrected errors. Jack the Ripper and Ted Bundy were errors. They committed evil acts... whether due to genetic flaw, or trauma, or whatever else caused their deviance... their anti-human, anti-life behavior... but the errors were corrected before true all-encompassing evil emerged. Less than fully human creatures that exhibit this error are executed or incarcerated. The error, the insanity is corrected by other, sane human beings.

But what happens if an error is not corrected? What happens when the error continues, unchecked? Why, we get Joe Stalin, Adolph Hitler, Mao, and all the other errors of humanity, psychopaths, who have managed to get into positions of great power. Now we are talking evil incarnate.

Stalin is supposed to have said 'the death of a human being is a tragedy. The death of a million human beings is a statistic'. Talk about evil. Or closer to home, how about Madeleine Albright and American forces murdering, dismembering, blowing to shreds thousands of human beings, innocent women and children... and her inhuman reply, 'that is a price we are willing to pay'?

So, what does all this have to do with Gold, you may ask? In the past whenever the grave error of abandoning Gold was committed, other sane countries solidly 'on Gold' helped the ones who went 'off Gold'... off into paper insanity... helped them to recover. The error was corrected before all-ensuing evil. Not so today. All countries are now 'off Gold and 'on paper'; uncorrected error is leading to ever greater evil.

Another way to look at Gold is as the 'canary in the mine'; if the canary dies, miners run for their lives as poison gas is invading the shaft, and soon humans will start to die.

The role of Gold as an economic 'canary in the mine' is well recognized, at least by people familiar with Gold and its history. The fact that Gold is going into hiding is well known. The fact that Gold has been pushed out of the world monetary system is well known.

The fact that Gold is the only monetary asset that is no one else's liability is well known. The fact that Gold holds its purchasing power for centuries is well known. All in all, TGSI has been presenting these monetary, materialist facts about Gold for years... but there is more to this, much more.

One of the first responses I get regarding Gold money is 'why Gold... you can't eat it', as if money was meant to be eaten. Another version of this response; why not something 'useful' like crude oil, or grains, or a 'basket' of commodities to 'back' paper currency?

Of course, we have answered this question in a technical manner over and over; seemingly with little impression on most people... people don't seem to get it. Something is missing. In fact, all the questions and discussions are about the utility of Gold, the scarcity vs cost of mining, the performance of Gold money vs. paper money and other 'investments'... all materialist questions.

The reality is that Gold has been valued, treasured, indeed worshipped for tens of thousands of years before it was ever coined into money, by Greek artisans, some two thousand years ago. The truth is avoided at all cost; the truth that Gold is and was valued simply because it is beautiful!

The shine, the color, the heft, the formability, the eternal glitter... all non-utilitarian values, all vitally connected to the most human part of us; the part that has been denied and suppressed for two thousand years... the spiritual reality of Anthropos, of the Human being.

Gold reminds us of, points directly to this missing connection; to what makes us Human. Our appreciation of beauty, our honesty, our trust in other Humans... all the factors that are denied and suppressed under the patriarchal tyranny we have created under the guise of a paternal male God.

Gold is pointing ever so clearly to this bigger 'mine' problem; as the canary dies, so will the Human race... Gold is pointing to our salvation. Our salvation lies not in the hands of the extraterrestrial paternal God... but in our own hands.

Now all this may seem a bit over the top, but I suggest that the re-awakening of Humanity, the change of beliefs, the recapture of our true humanity is well under way. The materialist paradigm has clearly come up way short in its explanations and projections of humanity's future.

We are not here by chance... current research in molecular biology shows without doubt that life on Earth could not, did not arise by chance... any more than a herd of random monkeys pecking at typewriter keyboards could write Shakespeare's plays. The possibility of just one protein... of which there are thousands in every mammalian cell... arising by shear chance has been shows to be impossible.

The neo-Darwinian explanation of evolution has also failed; it cannot explain speciation, any more than random chemical processes in a primordial 'soup' can explain the origin of life. The structure of DNA, now that the human genome has been decoded, shows undeniable evidence of intelligence; the genome could not have arisen by chance. SETI, the search for intelligent life in space has been searching in the wrong place; evidence for intelligence is clearly found in the human genome.

If you doubt this, if you still believe in the disproven 'random mutation' paradigm, I suggest you do a bit of research... and you soon will find that current scientific research in Quantum physics and molecular biology supports the understanding that the universe does have conscious intent... that human life, indeed all life is not random, is not driven by 'survival of the fittest' but has aim and direction. We need to absorb this newly emerging reality, and go with it. If we continue living our uncorrected error, we will end up in a truly dystopian future... or with no future.

So, if life itself arose not by directionless, blind chance... but by intent; if the human genome arose not by directionless, blind chance... but by intent; if the Universe itself is imbued with conscious intent, is it an impossible reach to presume that Gold exists not by directionless, blind chance... but by intent? That Gold is/was meant to be money? Let's correct our beliefs before the evil of uncorrected error destroys us.

Rudy J. Fritsch
Editor in Chief

The American Corner: The Credit Gradient

The United States, and every country, is subject to a monetary authority and legal tender laws. Here in the U.S. we have the Federal Reserve, a central bank that plans money and credit. The Fed thought they had perfected their planning (but of course it cannot be perfected). They thought they had ended the boom and bust cycle, and brought us into a brave new era, their so-called great moderation that ended in 2008. All they really did was manage the banking system to the brink of insolvency.

Let's try a thought experiment. Suppose the monetary central planner attempts to fix the problem of insolvency by massive injections of liquidity. The central bank buys bonds. It dictates rates near zero on the short end of the yield curve, and promises not to raise rates for years to come. What perverse outcome would we expect?

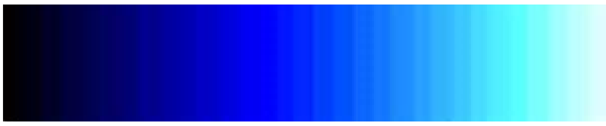
Arbitrageurs see a green light, telling them that they can safely borrow short to buy long bonds. As the price of a bond goes up, the rate of interest goes down—it's a rigid mathematical inverse. This is how suppression of short-term rates causes suppression of long-term rates.

This poses a problem for investors. Every investor has a minimum yield he must earn in order to meet his goals, such as retirement. When the yield available in government bonds falls, this gives the investor a strong push to other bonds with higher yields. Some Treasury bond owners sell, and go into AAA corporate bonds. This, of course, pushes up bond prices and pushes down the yield. This pushes some AAA corporate investors into AA bonds. And so on.

The net yield earned by every investor is pushed lower. However, at each step in the process, the effect is diminished. The wave of credit does not quite make it all the way to the other side of the pool, where the small businesses are trying to get wet.

In a free or semi-free market, credit is generally plentiful and inexpensive for mature, large enterprises. When well managed, these companies offer a low credit risk. Conversely, it has always been difficult for startups to obtain credit. When they can get it, they have to pay dearly. In other words, there is a credit *gradient.*

A *gradient* describes a change in concentration of something as you move through a range of coordinates. For example, this is a color gradient.



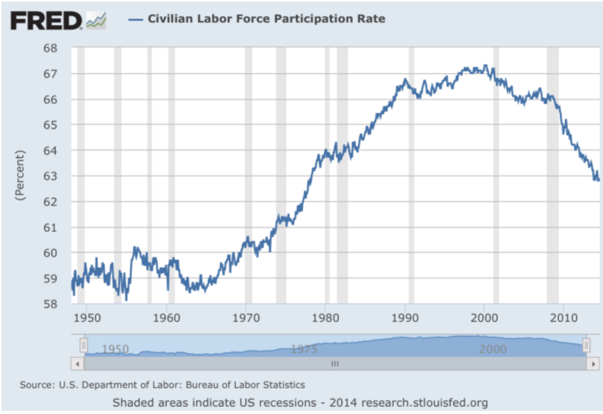
Of course, there is always a credit gradient. Only now, the Federal Reserve has exaggerated it to an extreme. They have made the gradient steeper.

The biggest players are drunk, chugging as much as they want. At the same time, the scrappy disruptors with the greatest opportunities to improve our world are more dehydrated than ever. Worse yet, the innovators have to try to compete for resources with the large corporations.

The credit gradient is artificially enhanced. The end result is not surprising.

I came across this paper, by the Brookings Institute. Authors Ian Hathaway and Robert Litan found that "Like the population, the business sector of the U.S. economy is aging. … The share of firms aged 16 years or more was 23 percent in 1992, but leaped to 34 percent by 2011—an increase of 50 percent in two decades."

Entrepreneurial young companies are not hiring, or in many cases, surviving. The older, larger ones are all that remain. Their hiring is anemic compared to that of younger companies. The proof is in the labor force participation rate, which shows the percentage of working age people who are employed or seeking employment. It is now down to a level last seen during the Carter Administration in the late 1970's.



Although there are other factors that contribute to this dismal reality including minimum wage and labor law, taxes, environmentalism, subsidies for crony companies, and regulations, the artificially enhanced credit gradient deserves the lion's share of the blame.

Keith Weiner
President the Gold Standard Institute US

Reply to Bron Suchecki

Thank you very much for your feedback, Bron! Let me address a few of the points that you raised in your letter last month.

A. Jurisdiction - location of the user is more important than location of the Issuer.

When dealing with US or EU clients, this is undoubtedly true. In the early years of the internet, the legal principle was established that the transaction takes place in the jurisdiction of the business, not the customer. But, as the Internet has grown to be a massive transaction system, local governments have gotten greedy and started challenging that principle - especially the "center of the universe" known as the USA.

However, the USA and EU are both on the brink of bankruptcy, and I am optimistic that we are transitioning into an era where neither has as much weight to throw around. When I get to the section on jurisdiction I will suggest China / Hong Kong as having the track record of defending businesses operating from their territory against the OECD, and actively encourges its citizens to buy gold.

B. Advocate 400 oz bars as primary specie or no primary specie.

The system I am proposing will allow contracts in any specie to be issued by Issuers. We will encourage diversity and allow the market decide which contract size, if any, is best.

C. No need for digital gold markets & cost too high.

Software already exists to create such markets, allowing contracts in different sized specie of gold to trade directly against each other - as well as fiat currencies. So the cost of creating such a system is much lower than it might seem. The main cost will be the regulatory and storage arrangements. Such a system will indeed be necessary because the interface between digital gold systems and the current gold markets is too slow, with delays of at least 24 hours for money/gold being bailed in or out. I will cover this in detail in the third installment of the series.

D. Regulator's Intent

The US-based gold systems did not deliberately allow criminal use of their systems. They actively fought against it. Remember it was early days in the arms race against digital crime. PayPal was and still is plagued with similar abuses and lacked a money transmitter license as well, but they were not prosecuted like the gold systems were. Other countries may be neutral towards gold, but the US Treasury Department unquestionably views the widespread use of gold as money as something to be avoided, prevented and discouraged by all means.

E. e-gold & e-bullion vs. GoldMoney

It is true that GoldMoney has become wildly successful as a gold savings/investment system. But GoldMoney was a marketing failure as a payment system. I have it from an inside source that their turnover (velocity) never exceeded 1, compared to e-gold's 80. I adore GoldMoney, but they succeeded at something quite different than what they set out to achieve, as both James and Geoff Turk will tell you. The question is whether we can find a middle road that faciliates the circulation of gold as money, while keeping the crooks out.

The feedback that we are receiving from Bron and others is invaluable in putting together a better plan to launch a Free Gold Standard. Thank you, very much for your comments!

Ken Griffith