The Gold Standard

The journal of The Gold Standard Institute

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

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Annual Member	US$100	Lifetime Member	US$3,500
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Contents

Editorial

Keith Weiner, John Butler and Bron Suchecki will be speaking in Sydney, Australia, on the 26th and 27th of October at the Gold Symposium. There is still time to book a ticket.

Included in this edition of The Gold Standard is an article by John Butler that is far longer than those normally accepted for publication. It is a follow-up to an article published by the same author in Issue #34 of The Gold Standard exactly two years ago.

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The amount of value placed on anything is determined by individual perceptions shaped by changing circumstances. That applies from the value placed on the scent of a rose to that placed on a ticket to the opera. It seems a difficult fact to face for some that this also applies to the value placed on human life. The value placed on the refugees' lives by Europeans is easy to calculate. It is inversely proportional to the threat that they are perceived to pose to the lives and unique cultures of Europe.

The calculation is entirely natural; it is called the survival instinct. Weakened though that undoubtedly has been in the Wild Welfare West by social degradation following monetary degradation, defunct it is not.

As communities have become more and more strained, so the perception of threat from refugees has risen and the value assigned to their lives has fallen. By issuing a carte blanche welcome, the German government has acted against the wishes of a growing majority of Germans (and other Europeans) and has created a situation where the value of refugee lives could fall to a dangerous level.

Better worlds are not built on wishy-washy good intentions devoid of both logic and common sense.

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The Gold Standard has received a request to switch to a single-column format. The reason given being that when being read on a laptop, tablet or smartphone the two-column format makes for a lot of scrolling. A very small survey showed a majority in favour of the suggestion.

The logic behind the two-column format was that it looks better when printed; however, do most readers print out The Gold Standard or just scroll on-screen? This is a question that I would like some more feedback on. If you have an opinion you can just click reply to the email and send it to me. You can just give a 'YES' or 'NO' – 'YES' being change to a single-column and 'NO' being stay with the two-column format.

Because of the amount of scrolling needed for John Butler's article I have made the decision to switch to a single-column for this issue. This will also allow you to make an easy comparison

Philip Barton
President, Gold Standard Institute
Dawn of Gold

News

Larry Parks interviews Keith Weiner – Must See

Parks interview makes it into HK (or China – not sure)

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SNBCHF.org: The Dog That Did not Bark

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SNBCHF.org: The Fed and the Cotton Candy Market

Mises.org: The Coming Corporate 'Crime Wave'

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GoldSeek: Should you actually worry about Gold confiscation?

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YouTube: Get ready for the asteroid Gold rush

The Final Crescendo of Cognitive Dollar Dissonance and the Remonetisation of Gold

"Power tends to corrupt. Absolute power corrupts absolutely." – Lord Acton

"Monetary power tends to corrupt. Absolute monetary power corrupts absolutely." –Butler's corollary

THE *ECONOMIST* RINGS OUT COGNITIVE DOLLAR DISSONANCE

Two years ago, prior to travelling to Sydney to present at the Annual Precious Metals Symposium, I prepared an article for the Gold Standard Institute Journal titled *Cognitive Dollar Dissonance: Why a Global De-Leveraging Requires the De-Rating of the Dollar and the Remonetisation of Gold* (see here). This article highlighted the growing inconsistency between those arguing on the one hand that the dollar's role in international trade and finance was clearly diminishing; yet denying that it was in any danger of losing the near-exclusive monetary reserve status it has enjoyed since the 1940s.

This apparently contradictory yet mainstream thinking about the future of the international monetary system continues to the present day. Indeed, earlier this month the *Economist* magazine ran a special feature on fading US economic power replete with dollar dissonance.[1] The experts cited note the accelerating trend towards bilateral trade settlement, say between Russia and China, who plan to finance their multiple 'Silk Road' infrastructure projects using their own currencies and their own development bank (The Asian Infrastructure Investment Bank or AIIB: See http://www.aiib.org/). They also observe that Russia, China and the other BRICS are no longer accumulating dollar reserves (although curiously overlook that they continue to accumulate gold). They acknowledge that not only the BRICS but many other countries have repeatedly expressed their desire that the current set of global monetary arrangements should be restructured in some way, although they are not always clear as to their specific preferences.

Note the sharp contrast in these two paragraphs, both on the very same page of the Economist feature:

> *"This special report will argue that the present trajectory is bound to cause a host of problems. The world's monetary system will become more prone to crises, and America will not be able to isolate itself from their potential costs. Other countries, led by China, will create their own defences, balkanising the rules of technology, trade and finance. The challenge is to create an architecture that can cope with America's status as a sticky superpower."*

And:

> *"Today's world relies on a vastly bigger edifice of trade and financial contracts that require continuity. Trade levels and the stock of foreign assets and liabilities are five to ten times higher than they were in the 1970s and far larger than at their previous peak just before the first world war… China and America are not allies. The greater complexity and risk involved in remaking the global order today create a powerful incentive for current incumbents to keep things as they are."*

Does anyone else hear the clear dissonance, confusion even? On the one hand we have a complex system prone to debt and currency crises, a growing lack of cooperation between the two largest players and a need for a 'new architecture'. Yet on the other we are supposed to accept that there is sufficient common incentive to cooperate in monetary matters? Really?

Now consider the developing global economic context. Although the mainstream tend to be quiet on these issues, they cannot possibly fail to notice that, seven years on from the 2008 global financial crisis, following unprecedented economic and monetary policy intervention, dollar interest rates are still zero; quantitative easing has failed to achieve its stated objectives; global imbalances have risen to record levels; emerging market balance-of-payment crises are springing up all over; leading indicators in every major global economy have rolled over; and financial markets, in particular the credit markets, are beginning to tell you that another major crisis may lurk in the near future. It is thus entirely reasonable if unfashionable to hold the view that the dollar monetary reserve system has become unstable and is overdue a fundamental restructuring or reset of some kind. None other than IMF Managing Director Christine Lagarde has hinted at this in multiple speeches over the past two years. [2]

THE PERSISTENCE OF DISSONANCE

But let us ask: Why is this cognitive dollar dissonance so persistent? There are several plausible and complimentary explanations. First, much human reasoning, expert or otherwise, is affected by at least some degree of so-called 'normalcy bias', that is, a naïve if not necessarily incorrect belief that the future will resemble

[1] "The Sticky Superpower," *The Economist*, 1 October 2015. Link available here.
[2] For example see "A New Multilateralism for the 21st Century," Link available here.

in whole or part the recent past. The dollar has been the world's pre-eminent monetary reserve for some 70 years, so the thinking goes. Why should that change now?

Second, and potentially reinforcing the above, is what one might call 'The Whig view of international monetary history.' This is a subset of the better known, general 'Whig view of history', perhaps best represented by Scottish Enlightenment philosopher David Hume, that history is the evolution of an ever-more perfect world, of constant if not always understood or appreciated progress. Hence the dollar-centric monetary regime of today is superior to those that have come before, because it is that of today, not yesterday. No further explanation is required or desired. (It is worth noting here that German late Enlightenment / early Romantic philosopher GWF Hegel postulated a more subtle, dialectical process of historical progress. Karl Marx would subsequently adapt this particular strain of teleological thought to demonstrate in his unique way the inevitable replacement of Capitalism by Communism.)

We know such thinking is flawed. History shows us it is flawed: Recessions, financial crises, depressions, wars, revolutions, nation-building, nation-busting, tyranny, despotism, etc, feature with some regularity, including in much of North Africa and the Middle East today. But this facile sense of steady (or sporadic) progress is nevertheless surprisingly common across all knowledge disciplines, not only in economic and monetary matters. Indeed, even in the hard sciences, where presumably only hard facts and evidence should matter, there can be tremendous resistance to new ways of thinking. Thomas Kuhn cogently demonstrated this to be the case in his monumental study of the history of science, *The Structure of Scientific Revolutions*. According to Kuhn, even in hard science, it is not the facts that matter. Rather, it is the 'paradigm', as Kuhn chose to call it. Facts that clearly do not fit the existing paradigm are either conveniently ignored, or those proffering them are persecuted outright, such as with Galileo's observations of Jupiter's moons. Given the relative subjectivity of the social sciences, including economics, one should wholly expect that the power of the presiding paradigm to misconstrue, ridicule or simply ignore inconvenient facts and their associated theories would be all the more powerful in stifling real understanding, productive debate and progress.

Kuhn also noted that one reason why paradigms were so hard to break down once established was that those in highest regard within the discipline—akin to the high priests of a hierarchical church—had so much to lose if challenged by unorthodox thinking. We laugh at the Papal persecution of Galileo today but to them it was no laughing matter. His observations, plain to see as they were through a telescope, directly contradicted the venerable, geo-centric or Ptolemaic paradigm of the day, thus threatening the very foundations of Church power.

Today we generally pat ourselves on the back that, atheists or not, we tend to treat science as distinct from religion. And yet quasi-faith-based paradigmatic thinking nevertheless still infects science to a great if underappreciated degree. Take the 'Big Bang' theory, for example, which has stood for decades but is still mere theory. This is due in part to the fact that, notwithstanding huge investments in research into the origins of the universe, there is still no convincing data to confirm it. Although I am hardly an authority on this matter, I do note that, in my youth, astrophysicists believed strongly that, due in large part to the Big Bang framework, a Grand Unified Theory of the universe was within reach. All they needed for confirmation was a powerful enough supercollider. Today, some 30 years later, against these optimistic expectations, they are nearing exasperation. All the observational and computing power of which they could only have dreamed a generation ago is today at their disposal, yet they haven't got qualitatively farther than did Einstein a century ago with maths, chalk and slate? Could it be that astrophysics has become stuck in a paradigm that has outlived its usefulness and is now retarding rather than facilitating progress? I don't have the answer but no doubt Kuhn would agree the question is clearly worth asking.

Given that in today's dollar-centric monetary world US Federal Reserve and dollar policies comprise the dominant part of global monetary policy generally, should we not fully expect those in power to resist ideas that might expose their policies as unsustainable or outright counterproductive? What of the anointed academics who advise and are, directly or indirectly, funded by them? Yes there are some scholars who are willing to challenge the paradigm, a few of whom are rather prominent. Nobel Laureate Robert Mundell, the so-called 'Father of the euro', speaks openly about the dollar's gradually eroding reserve status (although he stops short of claiming it will lose reserve status entirely). Professor Kevin Dowd, architect of monetary reform plans through the decades, has also expressed this view. But the mainstream financial media have chosen mostly to ignore them.

Intriguingly, however, the International Monetary Fund (IMF) has begun to promote the idea that the dollar might indeed eventually lose its premier reserve currency status. But here, too, we observe a self-serving paradigm at work: the IMF is proposing in no uncertain terms that the 'solution' for the erosion of the dollar's reserve currency status is to replace it with the IMF's very own 'Special Drawing Right' or SDR. And can you guess which essentially unaccountable supranational bureaucracy the IMF suggests could administer an SDR-centric international monetary regime? Yes, the IMF itself is put forward as the institution to control the world's money supply and, by implication, global interest rates.[3]

CENTRAL PLANNING SOUNDS NICE ON PAPER BUT WHAT ABOUT IN PRACTICE?

This may all sound nice on paper, but as I wrote in my book back in 2011, it is nothing but a bureaucratic pipe-dream. The idea, amid record global economic imbalances and associated historic, unserviceable debt burdens in Japan, the euro-area and arguably the US itself, that somehow China, the other BRICS, oil producers and other creditor nations are going to agree just how the IMF can take over from where the US Federal Reserve has left off is a non-starter. No, as with the US in the 1940s, the creditor nations are going to insist on an international monetary restructuring that favours their economic interests, even if at the expense of others. The requisite international cooperation required for the IMF to implement sustainably a 'one size fits all' international monetary policy is just not there, nor should we be at all optimistic that it will be prior to a meaningful global deleveraging and rebalancing which is being resisted by economic and monetary officials at all costs and by all means.

The recent experience of the euro-area should serve as an example in this regard but, as observed above, facts can be quite an inconvenience for those clinging to a flawed paradigm. Here too, we see cognitive dissonance in the fashionable belief that what demonstrably does not work at the regional level can work miraculously at the global one. The fact is, monetary central planning does not work. It didn't work for Europe in the 1920s and 1930s, as currency devaluations and outright hyperinflations were used as weapons in the so-called 'currency wars' of that era. It didn't work in the 1960s, as the London Gold Pool struggled to hold the Bretton Woods conventions together. It didn't work in the 2000s, when the so-called 'Great Moderation' in business cycles merely disguised colossal misallocations of capital, exposed as such in 2008. And seven years on from that spectacular crisis, as the global economy again enters a steep downturn, it is not working still.

There is good reason to believe that what is already underway is going to be more severe than 2008-09. This time around, interest rates are already at zero, or outright negative. QE has failed. Confidence in economic officials' general ability to restore healthy, sustainable growth has weakened considerably. Indeed, at a recent roundtable event at Chatham House I attended, multiple prominent international economists suggested that with 'conventional QE' having failed, the next logical arrow in the monetary policy quiver is that of direct money injections into corporations or households, in effect a Friedmanesque 'Helicopter Drop' of money. This conversation would not be taking place at all were the macroeconomic outlook not so poor.

Prolonged economic weakness has now fostered the growth and migration of previously fringe parties to what may eventually become a new political centre, attesting to deep discontent with the status quo in many countries

[3] There is a related and less formal discussion taking place at the Official Monetary and Financial Institutions Forum (OMFIF), a global think-tank, which embraces the idea of a potentially IMF-led global monetary restructuring. The OMFIF, however, advocates the explicit inclusion of gold in the SDR basket in some way as a useful credibility-building measure. See this link here.

around the world. In some places, such as where I now reside, in the UK, the major opposition party borders on advocating socialism. Senator Sanders in the US, a possible Democratic nominee for President, sings a similar socialist tune. Such developments increase the political risks to global financial markets, potentially further destabilising the now-fragile dollar-centric system. In this regard we should take note of a recent article in the *Financial Times*:

> *"Investors have long known that markets reflect better than they predict. By nature they are better at pricing existing information than pricing the probability and scale of an unexpected event. But they can fail at both."* [4]

For those who generally prefer free market commerce to socialistic central planning, this can all seem rather frightening. A glance back at history can reinforce these fears. But if one looks carefully between the clouds of the gathering global monetary storm one can discern a distinct silver lining, or rather a golden one as it were.

THE INTERNATIONAL MONETARY FUTURE

If the dollar is indeed losing pre-eminent international monetary reserve status and the requisite cooperation required for the IMF to simply replace it with the suprantional SDR is lacking, then what on earth is going to happen in international monetary relations? Without stable international money, countries will find they cannot trade as easily with one another. What currencies will be held as reserves against external trade (or capital) imbalances? Chronic net importers such as the US have the incentive for the world to hold their currencies as reserves whereas chronic net exporters have the opposite, that is, to keep their currencies artificially cheap in order to maintain or grow their global export market share. But as the imbalances accumulate, as they have today to a record level relative to global GDP, beyond a certain point there is insufficient trust in the importing countries' currencies as reliable stores of value.

But then if distrustful exporters insist on invoicing for exports strictly in their own currencies, trade will grind to a halt: It is by definition the importing nations, not exporting nations, which must provide the net balance of circulating media for international trade, as these media represent the international 'IOU' that must eventually be repaid through a reversal in the trade (or capital) balance or otherwise liquidated (eg via a default).

We all know global trade is hugely beneficial for consumers, who benefit from the associated, evolving global division of labour and capital. A contraction in global trade, 'globalisation in reverse' as it were, would thus be highly damaging to global economic growth, implying a general 'stagflation' of both weaker growth and higher real goods prices. No politician, socialist or otherwise, wants that; it will force them from office in short order. So absent demonstrably unworkable central planning, how can future international monetary arrangements nevertheless facilitate international commerce with exporters and importers at loggerheads over which currencies to use?

Why, the same way they did so in the 1800s: Just re-monetise gold. While gold may have retreated backstage for a time, it is about to make a spectacular reappearance. For gold is the only international monetary asset that can resolve the exporter/importer dilemma of a lack of trust on the one hand; yet a deep, essential need to trade on the other. Gold is not itself a national liability. It can be neither arbitrarily devalued nor defaulted on. It is real international money, not bureaucratic fiat scrip.

But wait, one might protest, why on earth would governments willingly give up the power to devalue and inflate their way out of debt? Because if their essential trading partners so demand it, they simply have no choice. What if Russia, concerned about the future of the euro, were to demand its European customers pay for imports of oil and gas in gold instead of euros? What if China, concerned about the dollar, made a similar demand vis-à-vis the US? How about the Gulf oil producers? What if they were to insist that China pay for imports of their oil in

[4] "Markets Struggle to Quantify Risks of Historic Shocks," *Financial Times*, 29 September 2015. Link available here.

gold? The fact is, if just one exporting country, even a relatively small one, begins to demand payment in gold, then their trading partners must supply the gold. For each incremental move in this direction gold's share of international monetary reserves grows exponentially due to the 'network' or 'node' effect. Conversely, the dollar's share exponentially declines. And as those familiar with game theory will note, while there is no doubt a 'first mover disadvantage' associated with demanding trade settlement in gold—a possible loss of market share—there is a far larger 'last-mover cost', that is, the last exporter to switch from dollars to gold will find they have accumulated the residual dollar reserves from the rest of the world at a greatly reduced if not worthless value.

GOLD IS THE NATURAL INTERNATIONAL MONEY FOR A MULTIPOLAR WORLD

As Nobel Laureate Mundell wrote a few years back:

> *'We can look upon the period of the gold standard as being a period that was unique in history, when there was a balance among the powers and no single superpower dominated.'*[5]

The *Economist* and the IMF recognise that the US is no longer the sole global economic superpower that it once was, able to dictate terms in monetary matters. A new, multipolar balance of power is forming. Gold, the only internationally-recognised non-national money provides the game-theoretic international monetary solution to an economically multipolar, globalised, competitive world. It represents the Nash equilibrium. Whether or not this is ever formalised in a de jure 'gold standard convention' or not is beside the point. The classical 19th century gold standard was never de jure formalised as such. As renowned monetary historian Guilio Gallarotti observes, it arose spontaneously from below, catalysed by the rise to economic power of the United States and the German *Zollverein* in the late 19th century, thus transforming what had been, following the Napoleonic wars, a nearly unipolar British imperial world into a clearly multipolar one. [6]

As gold again begins to circulate in order to settle cross-border balance of payments, it resolves the perennial floating fiat currency (ie Triffin's) dilemma of ever-growing imbalances and the associated ever-growing debts to finance them. As gold moves physically, from place to place (or simply from vault to vault in London or New York, as it did once upon a time) imbalances are settled, then and there, at whatever price gold commands at that location and time. No arbitrary monetary expansion or contraction is necessary; no central planning required.

By implication, as the demand function for gold shifts due to de facto remonetisation, the price of gold is going to rise. By how much depends largely on the degree of confidence in the dollar and other currencies that circulate alongside gold. As long as the global imbalances and associated debts remain large relative to incomes, confidence will be low, implying a far higher gold price than that observed today. One way to benchmark the order of magnitude price increase for gold would be to allow the price to rise to a level that would back a substantial portion of the narrow or perhaps even broad money supply of major currencies. At current prices gold only backs about 5% of the narrow major currency global money supply and barely 2% of broad money. A substantial price increase would thus be required to restore gold backing to where it was under the Bretton Woods system, for example, when it exceeded 20%.

Not only will gold rise in price. Once gold is remonetized in some way at the international level, there will be an international interest rate imputed from the price of gold forward contracts or swaps. While gold itself pays no interest, these derivatives will, and that rate of interest will be as close an approximation as one can come to a 'risk-free' interest rate, the purest possible expression of the time value of money. Henceforth, no national or supranational central bank will be required to tell the international marketplace what the time value of money should be at any given point. Rather, the international money (gold) market will determine spontaneously what interest rate clears the market for gold delivery today, or tomorrow, or next year. This information will then flow

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[5] This quote is from a 1997 speech transcript linked here.
[6] For a detailed explanation of this view, please see Gallarotti's paper linked here.

into international commerce generally, where it will provide a robust basis for the sensible allocation of international capital in all forms, financial and real, across both time and space. The escalating boom and bust cycles of modern times will become a thing of the past, and the natural, occasional recessions that do occur will allow for the Schumpeterian 'creative destruction' required to qualitatively re-order the capital stock so as to clear malinvestments and incorporate new technologies.

GOLD AND THE INFORMATION THEORY OF FREE-MARKET (NOT CRONY!) CAPITALISM

As George Gilder demonstrates in his masterful work on economics and information theory, *Knowledge and Power*, *"Capitalism is not primarily an incentive system but an information system."* Prices are the information. And the price of time itself is the single most valuable piece of information. Time, as we intuitively know, is money; they are two sides of the same coin. Mess with time and money, and you mess with everything else. Yet as with central planning in general, the central planning of either money, or time, cannot possibly work. Hayek warned the economics profession of precisely this in the 1970s. They didn't listen, ensconced as they still remain within their interventionist Keynesian paradigm. Well that paradigm is about to be blown apart, time and money are about to return to the market, where they belong, and real, sustainable economic progress is about to restart once again.

Having begun with a timeless quote from Lord Acton, it would seem apposite to so conclude. He also once wrote:

> *"The wisdom of divine rule appears not in the perfection but in the improvement of the world."*

At first glance, this might seem a teleological Humian or Hegelian statement. Yet when juxtaposed to Acton's eponymous dictum on the corruption of power, it provides for further understanding of retrograde socio-economic cycles and of hope, that with each such setback eventually comes a great, qualitative improvement in the human condition. If I may be so bold, I predict we are on the cusp of precisely this today. If it requires a global monetary crisis as a catalyst, then bring it on.

John Butler
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Gold Is Sterile

Some opponents of the gold standard claim that gold is a sterile commodity with little real value. Gold as money is barren, unproductive, and offers a "yield of nil." Unlike land, it produces nothing. Thus, it is highly undesirable — that is, it is undesirable in the hands of the people. It is so undesirable in the hands of the people; the U.S. government, like all communist and most other authoritarian governments, denied private ownership of gold between 1933 and 1974. It like other despotic governments tried to monopolize every ounce of gold.

Monopolistic ownership of gold gives a government and its banking collaborators in crime unchecked power to manipulate the money and the people. Such control is what fiat money advocates want, except many would cut the bankers out of their criminal deal. Under a gold-coin standard with unrestricted ownership and usage of gold, the people own and control the money.

Many of these opponents of gold ignore gold's important industrial uses, such as its use in electronic devices and jewelry. Gold's nonmonetary uses and its use as a store of value in part gives gold its monetary value. Its use as money also imparts value to gold.

Under the gold standard, gold can offer a yield. Gold bonds pay interest in gold just as fiat-money bonds pay interest in fiat money.

Gold is not sterile because it renders a service to the holder. If it did not, no one would exchange any non-money good or service for it. About the sterility or unproductivity of gold as money, Hutt writes, "The essences of all these services [of money] is *availability* … [M]oney assets are not unemployed or resting when they are in our pockets, or in our tills, or in our banking accounts, but in *pseudo*-idleness, like a piano when it is not being played, or a fireman or a fire engine when there are no fires."[7]

Money, whether in the form of gold, silver, or fiat currency, is never idle in the economic sense. Whether being spent or saved, it is always performing a monetary service. Hoarded money merely serves a different purpose than circulating money.

Thomas Allen
http://tcallenco.blogspot.com.au/

Refugee Crisis

This report aims to give an overview of the current situation for those lucky enough not to be in Europe right now as everybody else has a front row seat anyway.

As a regular correspondent on the world of central banks, currencies, central planning and the European Union, I am used to quite a bit. The current developments in Southeast and Central Europe however have opened up a new dimension in terms of "governing against the people's interests" by a cross-party and mass-media alliance. Austrians and Germans alike are enduring an Orwellian manufactured public opinion and "virtuous revolution" forced upon themselves. We are being overrun by millions of allegedly traumatised so-called refugees. They take advantage of a welcome culture that stems from past inflows of refugees (Hungary 1956, Czechoslovakia 1969, Balkan war 1992), but also from the bad conscience of the Nazi past.

Ready, steady, go

As mentioned earlier, as is only just, we have always welcomed those seeking refuge. However, since this spring this trend has accelerated beyond recognition. From one day to the next, without prior warning, the dams have broken – leaving the native population flabbergasted. A couple of people drowned while trying to cross the Mediterranean in inflatables – this was broadcast ad nauseam.

We see dramatic pictures of families with small children in order to open people's hearts and wallets. The more public sentiment turned against the rising tide of refugees on our shores – people with a completely different religious and cultural background – the more hideous did the pictures get.

August saw a climax: the photo of a dead 3-year old Syrian boy seemingly washed ashore. This picture did not fail to make its desired impact: leftists called for even more of a "welcoming culture". Only a few days later it transpired that the boy was indeed Syrian and indeed dead, but he did not die fleeing immediate danger. Rather, the family who had been living safely in a Turkish refugee camp for three years wanted to travel to Europe in order to get free dental treatment.

The propaganda was not limited to one side though. At source in the Middle East they showed "commercials" showcasing Germany as an immigration country, welcoming everybody willing to make the hazardous journey. Everybody voicing concerns against this sudden influx was called xenophobic, claustrophobic or whatever, but in any case he was surely a Nazi. The Social-Democratic Vice Chancellor called demonstrators a "mob". The streamlined mass media silence all critical voices.

[7] William Harold Hutt, Individual Freedom: Selected Works of William H. Hutt, editors Svetozar Pejovich and David Klingaman (Westport, Connecticut: Greenwood Press, 1975), pp.207-209.

All according to plan? And if yes, whose plan?

Hundreds of thousands came to find a better life in Europe, amongst them certainly a number of genuine refugees. Predominantly, however, they are young men from Afghanistan, Pakistan, Iraq, Eritrea, Mali and Nigeria who came without hindrance via Turkey, then Balkans and Hungary to Austria and Germany, at peak times 40.000 a day. This begs the question: after **four** years of civil war in Syria why are there **suddenly** millions wanting to flee to Europe? Was this a spontaneous action or is there a plan behind this? Who might come up with such a plan and in favour of which interests we leave to the imagination of the reader.

By definition, a person seeking refuge is happy in any safe place. The current influx though travelled through ten countries, and once arrived in Germany or Austria wish to pick their exact destination. They are not registered at entry, their baggage is not searched. A third disappears immediately after arrival, but not before picking up their free smart phone. An estimated 100.000 people from the Middle East and Africa are at large in Germany and nobody knows of their whereabouts and plans. The state has lost its power to uphold public order.

Praise to a religion that does not belong here

In the last couple of years politics have been preparing the ground for an acceptance of Islam in Germany. While Christian traditions have been pushed back (Christmas markets were renamed winter markets, the cross has been banned from some schools, etc.) politicians have kowtowed to Muslims. The Federal President opined that Islam belongs to Germany while the Chancellor Angela Merkel took part in the Muslim feast of Eid. The normally conservative Bavarian branch of state TV showed a crescent instead of its usual logo during Ramadan.

Destruction of democracy – the end of the rule of law – the end of the EU?

Of course, the people were never asked whether they wanted to become an immigration country. They also were not asked whether they would welcome so many followers of an alien and fundamentally aggressive religion. This open door policy was a clear breach of European law. Those trying to enforce the rules (Hungarian Premier Victor Orban) were being called Nazis by those breaking the laws (Austrian Chancellor Werner Faymann). This resulted in the biggest diplomatic upset between the former Habsburg crown and now neighbour countries for forty years.

This breach of law has an impact on the private lives of people: in some German cities (eg Hamburg) private property is being expropriated to house refugees. Some communities in Germany and Austria have also expelled tenants from subsidised housing to make room for refugees. The taxpayer is being trampled upon, the new god is called refugee.

Disputes on border regimes and refugee quotas have brought deep rifts between EU member states. In these times of crisis everybody calls for binding agreements but Brussels delivers – zilch! This goes to show again that this huge bureaucratic monster only serves itself.

Game of numbers

Germany expects 1.5 million refugees – per year! This is way too much for a nation of 80 million, bearing in mind that there are 25 per cent of non-natives there already. Also, the 1.5 million already there have a right to bring in family members, judging from experience this means 3-4 people per immigrant.
„We will make it", is Chancellor Merkel's mantra. Never mind, that there was never enough money for hospitals, universities, schools and infrastructure. Newcomers will recognise the streets, after decades of neglect they look just like those in the countries they left behind. Austria will spend EU 4 billion per year on refugees; this is twice the defence budget!

The media must be silent

In camps and communities with many refugees there are surges of violence previously unknown in these parts: gang rapes, knifings and punch fests between different ethnic groups. Police and media have been ordered to keep shtum about this. Some police chiefs are brave enough to speak up; they believe that public order has broken down already.

Abuse of neighbourly love and naivety

Refugees at train stations are being cheered on, given food and cuddly toys and lauded as heroes by brain-washed people. The media showed all this to the growing discomfort of the silent majority. The official "multi-culti" fever disregards that these people have a different religion, culture and values. They do not speak our language, they cannot read our script, and a sizeable part are even illiterate. They have no marketable skills and no concept of hard work.

Asylum status denied, but still allowed to stay on

There are strict rules for asylum status: threat to life due to war or personal persecution on racial, religious, sexual grounds. The moment a refugee reaches a safe third country he ceases to be a refugee. Therefore, only 3-5 per cent of all asylum seekers have a right to remain in the EU. The remainder are economic refugees. People from Afghanistan, Pakistan, Iraq, Mali and Nigeria do not have a right to asylum. However, one cannot get rid of them, since their grieving home countries will <u>not</u> take them back without a sizeable bribe. Currently, there are 500.000 rejected asylum seekers without any chance of gainful employment. A social powder keg!

The impact on a "working" Europe

Obviously, the hordes of refugees crossing borders at will (in Austria they simply pushed aside the four! policemen trying to stop them) are a danger to traffic. Especially on country roads at night there have been many dangerous scenes, sometimes claiming lives. In Austria police found a small truck with 71 corpses at a stage of decay where body fluids were literally dripping out of the abandoned truck. Strange that any trafficker in his right mind should cross borders with a truckload of dead bodies. Nevertheless, this incident was used to further ease border controls and "traumatised" can have their way with Austrian police, army and people.

Regular train service between Budapest, Vienna and Munich has been interrupted and trains are still not running normally (to this day no services between Salzburg and Germany). Trains were full with refugees and did not suffer that treatment well: toilets were soiled, seats ripped, etc. "Normal", that is, paying travellers are banned and only refugees can travel. The productive parts of the population suffer for the benefit of the locusts.

The same happened to road connection between Hungary, Austria and Germany. The Schengen agreement, a cornerstone of the European Union, has been disbanded and border controls were reintroduced. Mind you, those controls are not for the paper-less asylum-seekers, but rather for the natives. The business traveller had to waste time at borders in order to show his papers, while young strapping Africans freely walk across borders 100 metres next to the road.

Sceptics are side-lined – reminiscent of Goebbels

In the face of these developments there is growing unrest in the population. To silence the doubters, left-left politicians opine with the help of so-called economic researchers that Germany and Austria does not have a long-term chance of survival without this beneficial influx. They were joined by a phalanx of kept artists and entertainers: pop stars, actors, TV stars and sportspeople. The most popular German actor and director builds an asylum. Any discontent is heckled with Nazi accusations – a fail proof weapon in Germany.

Time and again TV shows families with children – while in reality 80 per cent of asylum seekers are young men. The number of alleged Syrian medical doctors by now surpasses that of their German counterparts. Again, in reality the majority of refugees are **not** Syrian and many are illiterate. The sheer force of propaganda is unseen in Europe in the last 70 years. Hitler's propaganda minister would be proud.

Last exit – civil war?

No society can endure such a rapid and massive influx without collateral damage. The politicians in charge knew this, too. Still, they embarked on this dangerous journey, at whose calling we can only guess. Citizens feel disadvantaged and disenfranchised because the new "skilled workers" (as they all are, allegedly) are above the law. On top of the pain comes mockery as well-paid politicians insult their electorate as rightist.

Just desserts

While other rulers who have led their country into chaos were convicted, incarcerated or even hanged, Chancellor Merkel is a hot favourite for the Peace Nobel Price. When you read these lines she will already hold it in her hands, or, hopefully, not. This nomination is a mockery for German-speaking Europe and will further the rift in the unified and until recently so peaceful Germany.

The author is NOT xenophobic and has been brought up in the Christian tradition. This report is a plea for help!!!

Thomas Bachheimer
President of the Gold Standard Institute Europe

PS: This weekend Germany should have celebrated the 25th anniversary of its unification. In the event, it was a rather low-key and dismal event in order not to hurt the feelings of whoever might choose to feel offended. The German Green Party said: 25 years ago a German state has ceased to exist and it would be nice should this happen again today. Germany has truly lost its mind.

Some Thoughts on Fritsch's Article "The Trinity of Truth"

Rudy Fritsch's article "The Trinity of Truth" in the September issue of *The Gold Standard* is interesting and enlightening. He argues that the United States cannot print itself out of debt because each unit of money requires an equivalent unit of debt to create and back it. Thus, he identifies a major and fatal flaw in the current monetary system, which is another reason that the classical gold standard needs to replace it.

For the reason that Mr. Fritsch gives, some financial advisors recommend investing in US dollar currency funds instead of gold. They expect the value, purchasing power, of the US dollar to increase as the economy collapses. The supply of dollars would drop as banks write off loans of bankrupted borrowers. As the supply of dollars drop, its value will rise. It is the supply and demand maxim: As the supply of an item declines and demand for it remains the same or rises, its value rises. A result of the increasing value of the US dollar is that the value of gold will fall relative to the dollar, i.e., the dollar price of gold will decline or at least not rise as much as the dollar's value. Some believe that gold's recent decline in value relative to the US dollar results from the demand for dollars rising. Like Mr. Fritsch, they foresee deflation.

Fiat money reformers agree with Mr. Fritsch: the government must borrow to inject bank-issued currency into the economy. It cannot borrow itself out of debt. They also agree that the government needs to borrow new money into existence to pay interest on outstanding private and public loans. They want to replace the current monetary system described in Mr. Fritsch's article with one where the government prints and spends the currency into circulation as the US government did with US notes in the 1860s. (Fiat money reformers love fiat money. Although their details of how the government gets its currency into circulation and how much it issues varies, all fiat money reformers agree that the government should print and spend the currency into circulation.

Also, they object to gold having any kind of monetary role. Included among the fiat money reformers are advocates of social credits, the American Monetary Institute, the Foundation to Restore an Educated Electorate, Gertrude Coogan, and Ellen Brown.)

The currency offered by fiat money reformers is still a debt instrument. However, unlike the current US dollars, which are brought into circulation by borrowing and removed when the loans are repaid, currency issued directly by the government has no repayment date. It can remain in circulation indefinitely.

With the schemes advanced by fiat money reformers, the government really can print itself out of debt. It replaces interest-bearing-payable debt with noninterest-bearing-nonpayable debt, like US notes, which is used as the medium of exchange. (US bonds owned by the Federal Reserve are essentially noninterest-bearing debt as interest earned by the Federal Reserve above its operational expenses is returned to the US Treasury.) The only way that the government can withdraw its notes from circulation and thus reduce the money supply is to collect more taxes than it spends. Moreover, the proposals of fiat money reformers can keep the to-big-to-fail banks solvent by the government buying their worthless loans at face value with newly print noninterest-bearing-nonpayable notes. Fiat money reformers' proposals seem able to prevent or reverse deflation — at least until the value of the currency is inflated to zero.

Fiat money reformers would disagree with Mr. Fritsch's discussion of gold. They would argue that gold is naturally deflationary. To support their claim, they would present the last quarter of the nineteenth century and the Great Depression. However, fiat money was the primary monetary cause of these deflations in the United States although gold usually gets the blame.

Nevertheless, the value of gold, and thus its purchasing power, varies. Thus, general prices will rise and fall under the gold standard. However, when gold is money, general prices trend downward because of technologically advances. Even so, price changes with gold money are insignificant when compared with fiat money. Fiat money inflates until the economy collapses into deflation.

Like all commodities, supply and demand determined gold's value. When gold supply increases and demand does not increase as rapidly, its value, purchasing power, declines and general prices rise. This happened in the early 1850s with the California and Victorian gold rushes and in the 1890s with the South African, Klondike, and Western Australian gold rushes. On the other hand (to use a good economist's term) when demand for gold rises faster than supply, general prices decline. This happened between 1870 and 1900 as countries abandoned the silver standard, bimetallic silver-gold standard, and fiat money standard in favor of the monometallic gold standard.

(Can a government print itself out of debt when its central bank is part of the government, i.e., it is owned and operated by the government and is, therefore, a department of the government? When the central bank is a department of the government, is not the government just borrowing from itself when it sells its bonds to its central banks? Do not these bonds merely serve as a bookkeeping entry to show funds transferred from one agency of the government to another agency of the same government? If the government pays these bonds, is it not simply paying itself like taking money from one category of a household budget and placing it in another category?)

In conclusion, Mr. Fritsch presents an excellent argument for deflation with the current monetary system. When gold is money, the worse flaws of fiat monetary systems are avoided.

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