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

Contents

Editorial

The vote was overwhelmingly for a single-column format. Welcome to the new look for The Gold Standard. Many thanks for the original request and to the survey respondents.

Following on from the Jackson Hole Summit in Wyoming and a speech in New York, our chief economist and president of the GSI US, Dr. Keith Weiner (right), has been on a gruelling meet and speak tour through London, Rome, Zurich, Vienna, Sydney, Brisbane and Auckland. Hence the scarcity of his articles this month.

The focus of the talks was Yield Purchasing Power.

On the day following the Sydney Gold Symposium, Keith spoke to a four-hour private meeting. It was organised by Bron Suchecki from The Perth Mint and drew a large crowd.

Bron was also at the Gold Symposium and explained in detail many of the confusions that have led to the fear of 'naked shorts' and assorted other monetary metal miscreants. The cause of sound money is not advanced with unsound speculations.

In this month's The Gold Standard, we welcome Greg Jaxon, a new contributor. Greg provides the Institute's final word on another unsound speculation - that Gold is no longer money.

Philip Barton
President, Gold Standard Institute
Dawn of Gold

News

SNBCHF: How Do People Destroy Capital?

≈≈≈

SNBCHF: What's Different About Monetary Policy?

≈≈≈

NewsMax: Overstock.com stashes food and Gold

≈≈≈

CNN: Venezuela selling Gold reserves to make debt payments

GoldSeek: Gold is Money

≈≈≈

NY Sun: Whitewashing the Fed

≈≈≈

FXStreet: Bron Suchecki, Perth Mint: All that Glitters

A new sound money movement for the GOP?

Originally published at TheHill.com

Something interesting may be happening among GOP presidential contenders as they strive to lay out their separate economic agendas. On the vital issue of money - referring specifically to the soundness of our dollar and its relationship with other currencies - we could be witnessing an intellectual coalescence of positions that could prove quite powerful.

Between Donald Trump's strident objection to currency manipulation as an infringement on free trade and Texas Sen. Ted Cruz's clarion call for "getting back to rules-based monetary policy," it seems that the importance of sound money for the proper functioning of free-market capitalism might be coming to the forefront as a winning political issue.

Both candidates are essentially making the same argument: When money is manipulated by central banks to achieve domestic economic objectives, it distorts the normal interplay between supply and demand and leads to warped economic outcomes.

For example, when China's central bank takes measures to devalue the yuan against the dollar, it makes U.S. products more expensive than those produced in China - skewing global sales in China's favor at the expense of U.S. manufacturers. Similarly, when the Federal Reserve suppresses interest rates, it makes the cost of obtaining credit artificially low for privileged borrowers; at the same time, people with ordinary bank accounts are shortchanged by receiving low interest rates on savings.

In both cases, central banks are deliberately altering the demand and supply for money in an attempt to slant the economic playing field in a particular direction. Though it's done for purposes of providing monetary "stimulus" for the intended nation's benefit - to gain a trade advantage for China; to spur expanded production and higher employment for America - it ends up violating the basic function of money. Instead of serving as a reliable tool for measuring value and conveying it through accurate price signals, corrupted money provides an avenue for rewarding one group to the detriment of another.

If GOP candidates can reconcile the fact that the answer is to restore sound money through a rules-based approach that prevents central banks from abusing the monetary privilege, they can address currency manipulation in a profound way. While it's politically popular and economically valid to recognize that currency devaluation by China or Japan or Mexico constitutes a rip-off of American producers - and Trump deserves kudos for highlighting this violation of free trade - it's not enough.

What's needed is a proposal for establishing new monetary rules that accomplish two big objectives: (1) reconnecting the value of the dollar with the real economy and (2) restoring order to the global currency system.

With regard to the first goal, leading Republican presidential candidate Dr. Ben Carson focused on the need for monetary reform in a recent "Marketplace" radio interview. Federal budget deficits year-after-year have resulted in massive debt obligations, he noted, which the U.S. government is able to sustain "because of our artificial ability to print money, to create what we think is wealth, but it is not wealth, because it's based upon our faith and credit." Lamenting the impact of fiscal irresponsibility on monetary policy, Carson pointed out that the U.S. dollar was decoupled from domestic gold convertibility in 1933 and from the gold-anchored Bretton Woods international monetary system in 1971. "Since that time, it's not based on anything," he stated. "Why would we be continuing to do that?"

By invoking both the classical gold standard and Bretton Woods in the context of restoring the dollar's fundamental soundness, the importance of monetary integrity both at home and abroad becomes clear. How can we determine whether nations are cheating in the global marketplace by manipulating their currencies unless we can point to a standard of value - a monetary lodestar or reference point - that provides an appropriate rule for all to observe?

Gold has served as that neutral and universally acknowledged monetary standard throughout much of modern history. It has served as a bulwark against fiscal indiscipline and as an arbiter of free trade in the global marketplace. When the rule of gold convertibility reigned domestically in U.S. history, government spending was constrained; when the rule of gold convertibility reigned internationally, exchange rate stability was maintained. Money functioned properly as a reliable tool for measuring the value of competing goods and services - and currency devaluation could not be used to subvert the principles of free trade.

Trump has done the GOP a service in showcasing the vital missing element in sweeping trade agreements that do not address the imperative of a level monetary playing field. Tariffs are not the right remedy to currency infractions, though; they set up tit-for-tat retaliations that lead to a downward spiral of protectionism, stymied trade and depressed economies. Better to advocate pro-growth policies based on restoring sound money. As Florida Sen. Marco Rubio, another presidential candidate, affirmed at the 2012 Jack Kemp Foundation Dinner: "The arbitrary way in which interest rates and our currency are treated is yet another cause of unpredictability injected into our economy."

Let's hope that Republican candidates will continue to push for reforms aimed at restoring the monetary integrity of the dollar in pursuit of productive domestic economic growth and as the cornerstone for building an orderly international monetary system. "We need sound money," Cruz declared at the last GOP debate. "I think the Fed should get out of the business of trying to juice up the economy and simply be focused on sound money and monetary stability - ideally tied to gold."

It's a bold statement and potentially a significant way for America to demonstrate its commitment to genuine free trade on the world stage. Leading by example, we can begin to establish a sound money framework for conducting cross-border transactions in a way that maximizes opportunity and prosperity. By launching an American initiative for exchange-rate stability anchored by gold, we can truly write the rules for the global economy in keeping with free-market values.

Judy Shelton
Shelton, an economist, is co-director of the Sound Money Project for the Atlas Network and author of Money Meltdown: Restoring Order to the Global Currency System.

Gold is not Money

With a pair of articles under the above title, Steve Saville poked a wasp nest of Kitco.com readers urging them to *get real* about whether gold literally functions as money in any modern economy. He says the stinging replies made

"...the popular claim that there's a difference between currency and money, and that although gold is no longer a currency it is still money. The line of thinking here appears to be that currency is the medium that changes hands to complete a transaction whereas money is some sort of esoteric concept. This is hardly a practical way of thinking about currency and money. Instead, it appears to be an attempt to avoid reality."

For a reactionary, Saville's oeuvre at Kitco does a fairly good job of quoting and summarizing - if only to dismiss - great economic thoughts. In the present case he sustains a spirit of exasperation with those who cannot simply accept that 'it is what it is' when it comes to money. Alternative definitions, he says, are "esoteric": a charge devoid of logical content. He rounds up an impressive army of convincing strawmen as his opposition, some easier to slay than others. By his own account he has upset a deep hive of gold-backed wasps (maybe a few GS readers?).

Getting Real

I'll first answer Saville's opening challenge "where does gold circulate?" with the romantic answer "anywhere free men cooperate"; but no place today protects their freedom by foreswearing legal-tender laws and the related impediments that drive gold out of circulation.

But there's a pragmatic answer too: World Gold Council's 2010 estimate that around 80 million ounces of gold change hands worldwide every day. If it were a country, such a gold market would rank as the 60th largest economy, well above the median. Regarded as a corporation, gold's market capitalization is ten times Apple's. Only the US and Japan dare to run national debts (in large part monetized!) that exceed - indeed are large multiples of - the world gold stock or the market cap of their one hundred largest corporations. This much gold on the move can only be fulfilling some monetary function.

Getting Esoteric

There is a very real and practical difference between

- a clearing instrument and
- the economic value it controls.

Values trade in every currency; we each account for those values in units of whatever we personally treat as money. **Units of account** are a mathematical tool that we deploy along the *price*-axes of analytic charts or in our own internal price judgments; mathematicians would say money defines a metric space. In the business books we may keep, the convention is to denominate in the prevailing legal tender. But internally we adjust—the usual rationale being 'money isn't everything'.

Modern currencies float in value against each other hour by hour. In each currency, price charts look a little different—even for the same goods at the same time at a fixed delivery port. The variety of these intangible "monies" and the market effort that goes into balancing them against each other and against the flows between their trade zones belies the claim that these embody the ideal form of money. Foreign exchange market trades, weighing 4.4 billion ounces of gold, must clear every day to align these currencies, fifty five times any one day's trading in actual gold money.

Kitco posts a different gold 'price' chart in each major currency. If gold was the standard money, Kitco would be reduced to one monotonous flat price line! This issue might be existential for them - is that a conflict of interest?

In a **clearing instrument** we seek a means of indirect exchange through which we'll suffer the smallest loss of value. Indirect exchange always extracts a cost in the form of an ask-bid spread as we sell what we produce and buy what we consume. Paper-mediated credit lowers, and legal tender laws socialize, such costs; but the costs are non-zero (TNSTAAFL).

If rapid local exchanges constituted the entire economy, modern currency would be the solution, without a doubt. But the equivalence or identity between money and currency breaks down when some currency must be held for any extended time in place of the economic goods it tries to control, and when it crosses trade zone boundaries.

Money

Currency

Arcana in Dispute

Measuring values with money is a direct expression of the economic concept **constant marginal utility**, an arcane idea which Saville considers "invalid" (his swat back at my sting). Marginal utility *is* a bit esoteric, so let's review.

In the Austrian Theory of subjective valuation Carl Menger observed that successive units of an economic good diminish in utility to their owner as they pile up in her storehouse. This principle of **declining marginal utility** of goods is very well known; but its limiting case (a good with the slowest such decline in utility) is easily overlooked.

Any thing where the utility of the millionth unit you acquire *equals* that of your thousandth unit (i.e. hasn't noticeably declined) is potentially **money**. It proves useful to you, subjectively, as a measuring stick for any other thing whose value must be judged economically—whether or not you physically stack coins or tally notes to make your choices.

Does any thing with constant marginal utility exist? As much as mathematical ideals can ever be said to exist, gold and silver served this role for billions of humans over most of recorded history—*undiminished* in utility as successive units came, and alas *unimproved* as they grew scarce in one's purse. Possession being nine tenths of the law, commodity money flourished wherever good law did not.

But Circulation...

Mr. Saville writes:

"A more practical way of thinking about the difference between currency and money is that almost anything can be a currency whereas money is a very commonly-used currency. In other words, currency is a medium of exchange whereas money is the general medium of exchange. The fact is that gold is sometimes used as a currency, but it is currently not money."

Sure, one defining characteristic is that money circulates, which he concedes gold will do. I see no reason to believe or to require that it also be the *most*-circulated thing. On the contrary, gold's high inertia prefers a lower energy state, and amply rewards those who are able to use circulation credits wisely. Even in historical gold standard markets, gold substitutes circulated more efficiently than physical gold while conditions were stable. A foundation may be smaller than the skyscraper it supports. In this sense money, its currencies, and the most liquid of its derivatives form the root structures of Capital.

When we follow Antal Fekete's description of indirect exchange (between income and wealth over an expanse of time), the most important characteristic of the money in question becomes that its utility be the *most constant* thing in each party's subjective valuation.

Parties to a long-term agreement insure themselves against external shocks to its economic value by choosing a money of proven physical or legal stability—its stock being demonstrably insensitive to its flow over comparable time spans. They insure against changing internal needs and wants by denominating the bond in something they both can agree has constant marginal utility.

By using credit and legal coercions, it is possible to cut down the ask-bid spread of clearing instruments by an order of magnitude compared to physical monies. Simply compare spot gold's spread (<0.1%) to a 1-month US T-bill (>0.01%) on most days. But on the rare day (10/16/2013 and 10/15/2014 were notable examples) that advantage can suddenly vanish. So, your liquidity may vary. Making the same comparison with bitcoin (BTC) spreads informs that debate as well; but its liquidity varies in different markets and currencies, only infrequently rivaling spot gold.

I'll concede that dollars circulate more than gold, but I must warn that this is an apples and oranges comparison until the full socialized costs of dollar-denominating come home to roost some day. It is a gnawing dread of that disaster, as threatened by the central bankers themselves, that makes the proper 'definition of money' a high-priority topic.

Greg Jaxon
Greg Jaxon is an American software architect who builds silicon compilers for microchip-designers. He has studied New Austrian economics for over a decade, in part by boldly exchanging emails with the best authors on any side in a good debate, Steve Saville being one of the many who've replied with new or improved thoughts.

The Seven Biggest Lies Told (and Believed) about Gold

Originally published at MoneyMetals.com

It's hard to say which lie about gold is the biggest whopper. Many widely held beliefs about gold are lies – propaganda hammered home to have us believe the only true measure of wealth is government-issued debt.

Big Lie #1: Gold is a barbarous relic.

Repeated for decades, this misquote of 20th century socialist economist John Maynard Keynes perpetuates a lie exploited as an almost biblical prophecy of gold's demise. What Keynes actually wrote in 1923 was "the gold standard is already a barbarous relic." Big-spender Keynes was advocating legislation to demolish gold's restrictive power over government spending.

While the classic gold standard (gold backing paper money) no longer officially exists, governments buy and sell gold around the clock. Their economic prestige is still measured by the tonnage of gold they claim to possess.

What's true is every individual holding gold has adopted his own personal gold standard. They disagree that gold – and the gold standard – are "barbarous relics."

Big Lie #2: Gold pays no interest.

This silliest lie of all is meant to portray gold as lower class. But no wealth instrument pays interest until transferred to a counterparty. Gold handed to a counterparty does pay, but it's not called "interest." Central bankers know that calculation as the Gold Lease Rate (GLR), where gold serves as collateral to lower interest costs when borrowing dollars in "gold swaps."

The dollar may soon pay NEGATIVE interest... as in YOU pay the bank to borrow your cash! Swaps and leases are often code for selling.

What's true is your dollars don't pay interest at all, until you give away your controlling possession to a counterparty – like putting your cash in a bank or loaning it to a relative. And the interest you're paid for taking such risk is heading to zero or negative.

Big Lie #3: Gold will be confiscated, just as in 1933.

This is the lie most useful to government because it has frightened so many away from gold. As Money Metals has explained, the "confiscation" was actually a paid-for expropriation, which outlawed "hoarding," not owning, gold. Franklin Roosevelt left millions in gold legally in Americans' hands. His order was largely ignored anyway.

FDR's aim was forcing Americans to recognize only fiat paper as money, because he couldn't print gold for his government spending spree. President Gerald Ford reversed FDR's order in 1974. What's true is Washington has instead published plans to confiscate your cash in your bank accounts without notice.

Big Lie #4: Gold is not money.

History is littered with the carcasses of collapsed paper currencies, right up to today. In every instance, gold and silver stepped in to restore confidence as accepted and desired money.

Across Asia, gold and silver are commonplace currencies. Utah and Texas have recently taken steps to legalize gold and silver as acceptable money. Other states, terrified of the Federal Reserve's money printing and Washington's reckless spending, are studying their examples.

What's true is gold and silver have been money for thousands of years, despite Ben Bernanke's dishonest "gold is not money" testimony to Congress in 2011.

Big Lie #5: Gold is useless in a crisis because merchants cannot make change.

History shows in every paper money collapse, barter systems always emerge. Gold and silver make perfect barter, accepted by most, including merchants selling goods and services. And gold and silver are widely available in convenient fractional sizes.

In a dollar collapse, yesterday's price tags won't matter, since prices won't mean much in dollar terms. Customers holding gold and silver will determine their metal's value and decide what change to expect, not merchants.

What's true, as Money Metals explained (and we weren't the first), "he who has the gold makes the rules."

Big Lie #6: Gold has no practical uses beyond adornment.

This lie is easy to dispel, but it often surprises readers to learn practical uses have been found for gold going back 3,000 years.

Electronics, computers, cell phones, GPS, medicine, dentistry, and space exploration join a long list of modern uses. Gold can be stretched into wire miles long or pounded into sheets thin enough to cover roofs, ceilings, and buildings. Gold is an excellent electrical conductor, doesn't tarnish or corrode, reflects radioactive and ultraviolet rays, and treats human cancers.

Add gold's unmatched meaning to religious faiths, significant ceremonies, and personal relationships, and forget billionaire Warren Buffet's phony rant that "gold is dug from one hole just to be buried in another."

What's true is gold won its place as the symbol of wealth, value, faith, and endurance long, long ago.

Big Lie #7: Gold cannot be created in the lab.

Olden day alchemists sought to please their kings by trying to turn lead, and everything else, into gold. Failed experiments often cost them their necks. Gold has been created in nuclear laboratories, using atomic particle accelerators, but at a cost of about $10,000 per microscopic atom. The tiny gold turned out to be radioactive.

Far more profitable, the "laboratories" of international banks regularly turn paper into gold by selling claims on physical gold through futures, options, and exchange traded funds.

Flooding the marketplace with synthetic paper gold is the preferred method to depress prices of gold and other metals, like silver.

What's true is this underworld lab experiment ends once banks can no longer deliver the metal they've sold. Expert analysis reports the current ratio of factory-made paper claims to real gold is 180:1, meaning each ounce of bullion banks' gold has been sold to 180 different buyers.

The Seven Biggest Lies about Gold tell the sordid story of a dishonest, bankrupt government, aided by a cozy, compliant news media, and perpetuated by a deficient educational system.

Judging from the constant onslaught of anti-gold propaganda, and the relatively small percentage of Americans owning or knowing anything about gold, these lies have done their damage.

Guy Christopher
MoneyMetals.com columnist Guy Christopher is a seasoned writer living on the Gulf Coast. A retired investigative journalist, published author, and former stockbroker, Christopher has taught college as an adjunct professor and is a veteran of the 101st Airborne in Vietnam.

Printing without Borrowing

In Trinity of Truth, my last article, I showed how under our current system it is impossible to simply 'print money'; rather (Fiat) currency must be borrowed into existence. This leads to the conclusion that it is impossible under our system to inflate away debt by printing; every new unit of currency printed must be balanced by a matching unit of new debt, else the books of the bank of issue (Central Bank) will not balance.

The CB indeed creates new currency out of 'thin air'... but only against an offsetting asset. Normally, the asset is a treasury bond; the treasury borrows, and the CB prints against the treasury borrowing. This is called monetization when the CB does it; it is called check kiting if anyone else does it. Sovereign debt and currency supply grow hand in hand.

Some people suggest we change the system so government can simply print currency, without borrowing, without involving a CB. At first sight, this seems like a good idea; after all, why not eliminate the middle man, why create debt along with 'desperately needed' new currency? The answer is threefold, and as always involves The Whole Truth.

First, history clearly shows that printing without borrowing has been tried, over and over again, with inevitably disastrous results. Ancient China ran on a Silver standard. The Chinese government, the emperor, ran short of funds... like all governments everywhere... and the Chinese Emperor decided to issue paper 'chits' and decree that these chits were money, money as good as Silver. The Emperor had power to enforce this policy... at the point of a spear... and soon paper chits flooded China.

The chits started to depreciate as soon as they were issued. The holders of the chits, the people, were impoverished... and impoverishment led to bloody revolution and overthrow of the emperor's dynasty. This scenario happened so often that the Chinese wrote laws outlawing paper currency. Nevertheless, Chinese dynasties continued to print 'money'... without borrowing... and dynasties continued to collapse.

When Marco Polo completed his famous journey, he brought back Chinese gifts... among other things, paper money. Western kings and the Pope were so shocked by the idea of using paper as money, they decided this must be the work of the Devil... and burned the paper. Nevertheless, in a few hundred years, Western powers embraced paper... but in a different form.

In Middle Age Europe, unlike China, there was no emperor with the power to enforce paper money; too many small, scattered kingdoms, each with a broke and greedy king in charge. Power belonged to holders of money; today we call them banksters. European kings who needed more money had no choice but to borrow from the money lenders... and as always, there were strings attached. Above and beyond interest payments, European kings had to grant a monopoly to the banksters... a monopoly to create and issue paper currency. As the bankster says; "I care not who writes the laws of the land as long as I control the currency."

We don't have to go back to ancient China to see the history of printing without borrowing. We can see the results in John Law's work for Louis XIV; the French king was bankrupt, along with the French economy. Law persuaded the king to print 'money' in the form of paper Assignats, 'backed' by the value of confiscated church lands. The printing soon led to John Law running out of Paris disguised as a woman, and to the French revolution. Napoleon Bonaparte's first act as Emperor was to restore Gold money to France. For a while, Bonaparte was considered a hero... at least in France.

Another example of money creation without borrowing played out in the early twentieth century. Post WWI Germany was hamstrung economically by the Treaty of Versailles; and squeezed mercilessly by reparation payments. Reparation payments had to be made in terms of Real Money... Gold. The banksters were willing to lend Fiat currency to Germany... but only on onerous terms. Hitler chose not to borrow, but to print without borrowing. He chose the Chinese way. Indeed, at first his policy was wonderfully effective; the shortage of cash and credit were relieved, and Germany experienced a wondrous economic recovery. For a while, Hitler was considered a hero... at least in Germany.

Mind you, the banksters were not pleased. Indeed, the international banksters... Rothschild et al... declared war on Germany on March 24, 1933. See the New York Times, March 24, 1933 issue. Military action began later, but this was the bankster declaration of war; dare to defy the banksters... and you pay the price. This scenario is still in play today. Any nation or leader who dares to defy the Petro Dollar is invaded... this is called regime change.

We have two large countries defying the banksters; China and Russia. China has a lot of debt... but it uses the borrowed funds wisely, to build real economic strength, in manufacturing and infrastructure. Chinese debt is primarily US treasuries; the debt is being reduced rapidly... and in the meantime serves as a means of keeping Uncle Sam out of Chinese affairs. If Uncle pushes too hard, the Chinese have the choice to liquidate their US T-bonds and thus destroy the USD suddenly instead of letting it self-destruct gradually. China is also buying Gold at both the CB and the citizen levels; in China, fraudulent banksters are executed. In China, power rules money.

Russians have little or no international debt; they are also buying Gold steadily. Washington is desperate to achieve regime change in Russia; but with the popularity and smarts of the current Russian boss, Mr. Putin, Washington's plans do not seem likely to succeed. Washington is simply pushing Russia and China into closer collaboration... along with the Brics nations. Washington is self-destructing along with the Dollar.

History does not show promise in the idea of printing without borrowing. We see what happened, but it's nice to understand why and how printing fails. Many people claim that this is simply 'Human Nature'... that power corrupts, that absolute power corrupts absolutely, that greed rules, and so on. Out of control printing is simply part of Human nature. While it is true that murderous greed is endemic to at least some humans; we call these people psychopaths... it is important to understand the mechanism as well as the motive. We need to grasp the whole truth.

Second, real money is never just a promise... this is the bottom line in the failure of Fiat. All Fiat currency, whether borrowed or printed into existence, is but a promise. Real money, Gold and Silver, carry their own value. Gold and Silver are valuable in themselves; dug out of the Earth with much sweat and at high cost... cherished, worn as bodily adornment... unlike paper with a bit of ink sprinkled on it. Not much demand for paper jewelry, is there?

In the early days of paper currency, bank notes... like Dollar bills... were redeemable for money; a known quantity and fineness of Silver. Dollar bills printed early in the twentieth century carried the promise to redeem; the bank note entitled bearer to a defined quantity of Silver from the Treasury vault, depending on the denomination of the note. Silver is the constitutional money of the USA.

Today, any Dollar promise is imaginal; no promise is printed on the bill. The implicit promise of the Dollar has something to do with the 'full faith and credit' of the US government... a nebulous statement at best. Any 'faith and credit' is fading rapidly. When the illusion of 'faith and credit' is gone, also gone is any value attached to the slips of paper. By contrast, real money coined by Romans two thousand years ago still carries full value.

Along with 'print money to inflate away the debt' comes the other cliché defining inflation as 'more money chasing fewer goods'. How silly; neither real money nor paper bank notes do any chasing. Only living creatures indulge in chasing. People may use money to chase (purchase) goods... or not. They may hoard or invest, rather than 'chasing' goods.

In more precise terms, the quantity theory of money is false; or at best, incomplete. Austrian economics recognizes the concept of declining utility. The more of something we get, the less we value it... and at some point, a margin is reached... where we do not want any more.

As we drive along in our car, and the gas gage moves ever lower, the need for a refill moves to the top of our value list. Once we fill our gas tank, more gasoline has no value for us; its utility is now zero. In the same way, if we are hungry and getting hungrier, finding something to eat moves to the top of our value scale; we look for a restaurant, and buy a meal. Once we have eaten our fill the utility of any further food drops to zero.

A man dying of thirst in the Sahara has water at the very top of his value list... but after a few liters, he cannot drink any more. Water that was of life and death importance has dropped off his value scale, at least for a time. Notice, however, that whatever may be at the top of our value list, we use money to trade for what we want; gas, food, or water, whatever. Money is always at the top of our value list, as we use it to acquire the item we currently want the most.

The marginal utility of money does not decline! No matter how much we have, we can always use more. This implies an infinite demand for money, quite unlike for any other commodity. By corollary, if there is an infinite demand for something, its quantity has no bearing on its value.

Third, we see a bit of simple math; as simple as two plus two is four... not 'higher math', partial differential equations, or any other form of obfuscation emanated by CB's to hide their true intent. Consider a country's GDP.... GDP is the sum of all monetary transactions in a given sovereignty; all goods and services bought and paid for in one year add up to GDP. (borrowing is excluded, only fully paid transactions count).

Let's assume the US GDP is sixteen trillion Dollars (World Bank data says about 17 trillion, but we keep the numbers simple) and the money supply is four trillion (Dollar bills and bank deposits). Four trillion Dollars yield sixteen trillion GDP... how is this accomplished? By each Dollar changing hands four times a year. Four times four trillion is sixteen trillion.

But notice that two times eight is also sixteen. If the money supply were two trillion, the very same GDP would be reached by the money changing hands eight times a year instead of four times. Or, if money supply is eight trillion, sixteen trillion GDP is the result of money changing hands twice a year.

The quantity of money is only and exactly half the answer to GDP; the second half, rarely talked about and certainly not on mainstream media, is the velocity... how quickly people spend their money. Whether they use their money to 'chase goods'... or hoard or invest instead of chasing. Seems like 'fine tuning' the money supply is a silly waste of time... indeed, it is a lie, designed to cover up the truth. CB's have some direct control over money supply... but not over velocity.

If paper is seen to be worth more over time (called deflation) people are motivated to hold the stuff and wait till it is even more valuable... leading to lower velocity and ever more deflation. Ever less velocity is the road to depression. On the other hand if paper is seen to be worth less over time (called inflation) people are motivated to spend the stuff before it loses even more value... leading to higher velocity and ever more inflation. Ever more velocity is the road to hyperinflation. No system based on positive feedback can long survive.

We come to the key point; if the quantity of money is not the whole truth, then what is? The whole truth is that it's the quality of money that counts. Gold and Silver have quality that cannot be denied or destroyed. Paper has only an illusion of value. When the Emperor's spear falters, so does the illusory value of his chits. The Petro Dollar is faltering. The Empire of Chaos is faltering. Change your Fiat paper promises for some real money before it's too late.

Rudy J. Fritsch