THE ANTI-GOLD GOSPEL ACCORDING TO SMITH

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Barron Young Smith is a financial journalist whose piece *What Would Happen If We Adopted the Gold Standard?* is appended below. He describes Ron Paul's campaign to restore Constitutional money in the U.S. as being "populist". He adds insult to injury in saying that "Ron Paul… is on a crusade to resurrect a great symbol of Wall Street-Washington dominance over the individual".

I do not speak for Ron Paul or his campaign. I speak as an observer. Congressman Paul is the only candidate who tells the electorate as it is: the monetary and credit system of the U.S. that has been imposed on the American people and the rest of the world stealthily and unconstitutionally is in an advanced state of disintegration. The slur on his character and campaign is intolerable. Ron Paul calls for a return to Constitutional money by reintroducing full-bodied silver and gold coins into circulation. Far from crusading to resurrect the unholy alliance between Wall Street and Washington, he is the only candidate who exposes the conspiracy of the two to debase the dollar to their own benefit while inflicting great economic pain on the people in the process, the worst part is still in store.

Smith disingenuously asserts that "not only would the gold standard have disastrous effects on the U.S. economy; it would undermine liberty, increase debt, and weaken the country." The kettle calling the pot black! The fact is that liberty in the U.S. has been undermined under the regime of the irredeemable dollar, not under the gold dollar. It was under the irredeemable dollar that a runaway debt-tower has been triggered making the United States the largest debtor in the world. Under the gold dollar it used to be the largest creditor in the world, while gold acted as an effective filter eliminating bad debt. The economy of this country, including its unparalleled manufacturing sector providing the best-paid jobs in the world, was built under the aegis of the gold standard. It was dismantled under the regime of irredeemable currency, replacing industrial jobs by low-paying service jobs such as hamburger-flipping. The de-industrialization of America, one of the most shameful episodes in economic history, is not the outcome of natural development. It is a direct consequence of the destructive nature of the irredeemable dollar. When the dollar was cut from its gold moorings in 1971, America started to run persistently increasing trade deficits. Friedmanites were counseling patience: it takes time to reap the "benefits" of the "floating" (read: sinking) dollar. Benefits galore did indeed come — in the form of ever larger trade deficits. The lower value of the dollar did indeed help exports, notably, the export of manufacturing jobs and the shutting down of productive facilities.

If "populism" means putting the power of creating and extinguishing money directly into the hands of the people as demanded by the U.S. Constitution, rather than into the hands of perjurious politicians and usurping civil servants then, indeed, Ron Paul, and the U.S. Constitution, are populists.

In fact, the U.S. Constitution demands that the Mint be open to the free and unlimited coinage of silver and gold. Free and unlimited coinage means that people who think that there is not enough money in circulation should be able to do something about it: they can take new gold and silver from the mines, or old gold and silver from jewelry and plate, to the Mint and exchange it for standard coins of the realm free of seigniorage charges, with no limitation on quantity. Conversely, people who think that that there is too much money in circulation should be able to do something about that, too. Under the gold standard they can melt down their coins or export them without penalty.

A standard coin is a full-bodied coin: its monetary value cannot deviate from the market value of its metal content. If monetary value fell below market value, then people would melt it down and put its metal content to more profitable uses. If monetary value rose above market value, then gold and silver would keep flowing to the Mint until the trend was reversed and the two values were equalized once more. In this way the people themselves, and not politicians or appointed bureaucrats and bankers would decide what the stock of money ought to be. This is as intended by the Constitution that was crafted on the principle that the U.S. government is one of limited and enumerated powers. Unequivocally, the Mint is the symbol that the power to regulate the value of the coin is reserved directly to the people, as they regulate the flow of the monetary metals to the Mint. It will be recalled that the power *to print* money is an *unlimited* power, to be denied to governments at all hazards.

The production of coppers and nickels of course greatly surpasses that of silver and gold pieces. Yet the word “Mint” did not get into the Constitution because of that effort. The production of subsidiary coinage is entirely unimportant, even dispensable. Its production certainly does not affect the rights of individuals. By contrast, the constitutionally mandated task of the Mint to produce standard silver and gold coins is at the heart of the freedom issue. The number produced since 1933 is nil. The souvenir gold and silver coins offered for sale are not to be confused with full-bodied standard coins. This epitomizes the greatest fraud in the monetary history of the world: keeping up the pretence that the Constitution is strictly observed. Maybe it is too much to expect that financial journalists such as Smith see through the fraud.

Most significantly, the Constitution did not establish a Central Bank — it established the Mint instead. Were the founding fathers forgetful? Mainstream economists, including Keynesians and Friedmanites, will never be able to talk down to the framers of the Constitution for their failure to enshrine the idea of a central bank in the Constitution. The monetary clauses of the U.S. Constitution have been and will continue to be the beacon of upright politicians in matters of money. Just compare the stature of Ron Paul, the only presidential candidate who dares call for the abolition of the unconstitutional Federal Reserve System, with that of Fed Chairman Bernanke and his impertinent boast that the U.S. government has given his Board a useful tool, namely the printing press, so that he can inundate this country, and the rest of the world to boot, with fast-depreciating scraps of paper called Federal Reserve notes.

The U.S. government has not been granted power to create money, still less to delegate such power to a banking concern. If it exercises or delegates such power, then it is in direct violation of the Constitution. It is a usurper. No amount of badmouthing the gold standard will cover up this fact.

Barron Young Smith, like everyone else, is entitled to his opinion that “switching to the gold standard is a terrible idea.” But he can’t escape the odium that will be his lot when the cry of people pauperized by the ultimate collapse of the irredeemable dollar will reach high heaven. These people have learned to work hard, save hard, and they created a unique Constitution in their new country in order to safeguard their freedom and to make sure that they will not suffer as did their ancestors in the old country because of monetary debasement inflicted upon the people by spendthrift kings.

Then destroyers appeared among the people in the form of perjurious politicians and other usurpers cajoling them into yielding their power to issue money, and bribing them with the idea of the welfare state. Now the people, bereft of their jobs as well as savings, are exposed to the greatest dangers brought to them by the irredeemable dollar. Congressman Ron Paul is the only candidate who has the courage to warn people of the coming disaster. Barron Young Smith’s slur on his character and campaign, I repeat, cannot be tolerated.

It is a siren song enticing people to their destruction.

GOLD STANDARD UNIVERSITY LIVE

Session Three has just concluded in Dallas, Texas. The subject of the 13-lecture course was *Adam Smith’s Real Bills Doctrine and Its Relevance Today.* (Monetary Economics 102). The titles of the follow-up conferences were: 1. *The Economics of Gold Mining* and 2. *Gold Profits in Troubled Times: Putting the Basis to Good Use.* Course material will soon be available in print and in DVD format to all interested parties.

Session Four is planned to take place in Szombathely, Hungary (at the Martineum Academy where the first two sessions were held). The subject of the 13-lecture course is *The Bond Market and the Market Process Determining the Rate of Interest* (Monetary Economics 201). Tentative date: June 27-30. For more information please contact GSUL@t-online.hu . Further announcements will be made at the website www.professorfekete.com .

References

A.E. Fekete, The Anti-Gold Gospel According to Kaletsky, www.professorfekete.com

A.E. Fekete, Uncle Sam Crying 'Uncle!', www.professorfekete.com

Barron Young Smith, What Would Happen If We Adopted the Gold Standard?
(appended below)

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What Would Happen If We Adopted The Gold Standard?

by Barron Young Smith

Thanks largely to Ron Paul, the idea of switching to the gold standard is back in circulation. Even on this website, libertarian Alvaro Vargas Llosa advocated it, complaining that "money was too important to be left to the politicians," and Tucker Carlson credulously speculated that Ron Paul's gold fixation might mean "the Ron Paul movement is more sophisticated than most journalists understand."

But it turns out that switching to the gold standard is a terrible idea. To clear up the issue, I called Professor Jeff Frieden, a monetary expert at Harvard, to find out exactly what would happen if we made the switch.

- The United States would be unable to respond quickly and effectively to sudden economic shocks. Recessions would be deeper and longer, and the economy would be biased towards deflationary spirals. Witness the fact that the United States, which remained on the gold standard till 1933, had a much longer and deeper recession than Britain, which had gone off gold in 1931.

Milton Freidman himself (often cited as the supreme authority by gold-standard bearers) warned about just this problem in his magnum opus, *Monetary History of the United States, 1867-1960*, instead advocating a steadily-expanding supply of paper money.

- It would increase government regulation of the economy. With no Fed, inexpert Congress will bear the onus of alleviating economic suffering. With deeper, longer recessions, Congressmen will inevitably succumb to pressure for more spending and regulation of the economy--as they did during the Great Depression.

Indeed, Fed management of the money supply was originally meant to *stave off* calls for socialism by rendering free-market capitalism more resilient, flexible, and humane. Switching back to gold would breathe new life into anti-capitalist politics.

- It would increase our reliance on foreign credit and ship yet more jobs overseas. Ron Paul says "our economy and our very independence as a nation is increasingly in the hands of foreign governments such as China and Saudi Arabia." But adopting the gold standard would actually exacerbate this problem, not alleviate it.

Assuming we're not in a recession, economic growth would then continually cause *deflation*, making domestically-produced products more expensive and foreign imports cheaper--increasing consumption of imports. The trade deficit would continue to balloon at the expense of American jobs.

- Insofar as it helps anybody, the gold standard would favor Wall Street bankers over entrepreneurs, businesses, and workers. Ron Paul likes to rail against Wall Street, complaining that our money is being "inflated at the behest of big government and big banks," who cause "[y]our income and savings [to] lose their value."

  But banks, being creditors, benefit from *deflation*, not inflation--since inflation makes it easier for debtors to pay back their loans at lower prices. Credit card bills and business loans would become more expensive, increasing everybody's debt except the banks'.

One of the great ironies of Ron Paul's campaign is that it was the inflexibility of the gold standard during the 1890s spawned the anti-Washington Populist movement, led by William Jennings Bryan (read his eloquent attack on the gold standard here).

Now, Ron Paul leads a movement with similar populist tendencies. But--perversely--he's on a crusade to resurrect a great symbol of Wall Street-Washington dominance over the individual.

Not only would the gold standard have disastrous effects for the U.S. economy, it would undermine liberty, increase debt, and weaken the country. Somewhere, Alexander Hamilton's ghost is cracking a smile.