

GOLD IS MONEY

By

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Some say that gold is not money. Perhaps they are right; then again - maybe they are wrong. Money is a funny thing - an odd duck of sorts - as nobody seems sure just what it is - and even more importantly, what it isn't. I mean who invented the stuff and for what reason and just where did it come from? Even Sir Alan when asked what money was said he couldn't give a definitive answer.

So let's try to figure out just what this thing called money is. Perhaps it would be best to do a little time traveling and go back before there was any money. What did people do before there was money?

History shows that early man either took what he needed from others or traded with them for life's necessities. Traded what you may ask? - Stuff, things - goods, commodities - items that he desired and needed for survival - food, water, shelter, and clothing.

I will give you a dozen eggs for a pound of butter - barter I think they called it. Whatever items that an individual could grow or hunt or mine or build or sew, etc. he could exchange such goods with other individuals that had something he desired and needed and did not have; and the two (or three or more) would come together and trade or exchange goods or commodities things.

As society grew more complex it wasn't always easy for an individual who needed or desired certain goods to find another individual with which to trade those exact items that he needed and the second had; and even more troubling was the coincidental requirement that the second also wanted what the first had to offer in exchange. You can see how things could get to be a real pain in the butt.

When people come together to trade they make a market and commerce develops. People trade for things they desire or need - for things they find most useful - some call it utility. When an individual trades or exchanges goods with another, they will offer goods that are of less usefulness or utility to them in exchange for those other goods considered by them to be of more use. Some have called this the theory of marginal utility.

Now in any exchange a definite quantity of one commodity is exchanged for a definite quantity of another commodity - one cow for three pigs, etc. Thus in every exchange there is a ratio of two numbers or quantities of commodities. This ratio represents and is the measurement called by some value and by others - price. Some say that value cannot be measured - I leave it to the reader to decide for their selves, - from the evidence or lack thereof that is offered.

When a person desires or wants something, they make a personal subjective decision or valuation based on the need or usefulness of one commodity as compared to the subjective use value of another commodity that is under consideration of exchange - they

subjectively determine the use value of one item to another. Need and or desire gives rise to usefulness, which in turn gives rise to value.

But what is one to do if he has but chickens to trade and the market is saturated with chickens - chickens are not in demand as there is too large of a supply and his item of exchange is not saleable or marketable - it is what is called a bummer. From this we see that it is very important when trading to bring goods to market that are saleable and marketable.

Man, however, being ever resourceful - finds a commodity that can mediate the problem at hand between one or more commodities that are not saleable or marketable, by choosing a third commodity that society deems to be the most useful commodity for such exchanges - a common measure or denominator of usefulness or utility and value - this commodity becomes the common medium of exchange by which all goods are traded. The common medium of exchange is that commodity that is most saleable or marketable - it is that commodity that according by and according to marginal utility becomes the most constant in its utility or usefulness.

This type of trade has been called indirect exchange (use of a third common media) as opposed to direct exchange (simple barter of one good for another). With the advent of indirect exchange and the use of a common medium of exchange, the division of labor was greatly facilitated and commerce was enabled to expand. It is of interest to note, that indirect exchange creates a buyer and a seller - previously with direct exchange only two "traders" or parties existed without distinction one from the other.

Thus it can be seen that society by trial and error, utility and value, supply and demand - chooses and determines by consensus what commodity is most accepted as the common medium of exchange because it is the most saleable commodity.

Society makes a free choice based on subjective desires that have through the social behavior of a free market of exchange develops and determines what the common medium of exchange is. Remember this point of free choice - it is most important and we will revisit it soon. Free choice and free markets go hand in hand - much as light is to day - darkness to night.

Some past writers have stated that although subjective use values are the determinant by which indirect exchange occurs, they have also said the concomitant with the subjective use value is the subjective exchange value of the media as well. By this they mean or are referring to the anticipated use value of the goods for which they are about to exchange or trade for.

From the subjective use value of money to the subjective exchange value of money it is said that objective exchange value exists - this being the expression of the purchasing power of the medium of exchange in regards to the ratio or amount of goods that can be purchased with it.

This objective exchange value of money is the purchasing power of money - it expresses the amount of goods that can be exchanged for. The purchasing power of money gives rise to what one can call the quality theory of money, as opposed to the quantity (number of units) of money.

The quantity theory of money alone is not sufficient as a complete theory of money; - the quality of money is just as, if not more important. It is not the number of units of money that one has that is important, but what the purchasing power or what amount of goods can be bought or exchanged for the money.

History shows that different people, different societies - have at different points of time - chosen different commodities as the common medium of exchange. Some have chosen seashells, others tobacco, others salt, others cows (from when cattle, chattel and capital have come) and many other choices not needed to be listed for our purpose.

History also shows that the most prevalent choice of a common medium of exchange to be the precious metals - most specifically gold and silver. Gold and silver were the first metals mentioned in the Bible. History is repeat with the use of gold and silver in ancient as well as medieval as well as modern societies - in more geographic locations and almost during if not at all points of time - as being the most universally accepted medium of exchange.

Even in ancient times going back to Egypt 4000 years before Christ gold was used as the medium of exchange. The symbol of the eye (a point within a circle) is the Egyptian symbol of the Sun and Gold as well. Note that our dollar bill has the eye of Osiris staring out from atop of the pyramid.

It is said that the Greeks were the first to take raw gold and to shape and form it into little disks or coins - the Lydian King Croesus is said to be the first whose stamp was struck thereon. The word money is derived from the word moneta or to mint or coin - once gold was minted or coined it was the medium of exchange known as money.

So we have seen man or society develop from a basic primal survival behavior to a more civilized or group behavior system of trade or barter of the various commodities, - one for the other in direct exchange; until eventually due to marginal utility a third commodity becomes involved with indirect exchange; and finally because of constant utility a societal agreement or common medium of exchange is accepted with which and by which the division of labor expands and widens and trade develops into commerce and commerce into a full-fledged working economy.

With the good Dr. from the North we can therefore agree that gold was originally money, even JP Morgan knew this full well when queried by Congress during the Pujos hearings; although his answer was actually meant as subterfuge to deflect and change the line of questioning he was being assailed and exposed by. So we know gold was money - the question arises - is gold still money or not? The good Dr. of the North thinks not, let's see what we can discover and bring to light.

With the development of civilization and society man grows from a simple life of basic survival that is centered on hunting to an agricultural lifestyle that focuses on the planting of crops as well as the raising or herding of livestock. To obtain the basic necessities of life man trades or barter with his fellow man - commerce and markets develop and eventually become a full-fledged economy. As trade and barter become more complex we have seen how a common medium of exchange is decided upon by society. Direct exchange develops into indirect exchange to better facilitate trade.

Once society chooses a common medium of exchange that also has a secondary function as a common measure of value, commerce increases to the point that people want to borrow or lend money (common medium of exchange) to increase their ability to trade goods. With the advent of credit, man takes a leap into the future; what had originally began as direct exchange in the present now allows for indirect exchange not only in the present, but in the future as well. Some have referred to this as present goods and future goods.

Money now fulfills another secondary role or function; it has become a standard of value - value being the ratio of the quantities of goods exchanged one for the other. We cannot delve into all the complexities of credit as such would fill volumes; suffice it to say for the object of our inquiry (is gold money) that if one lends an item to another, he will obviously want to be repaid in the future with a commodity or medium of exchange that is as valuable then as now. Money thus becomes a standard of value - by the consensus of society and the markets - as being that which is most likely to continue to exchange in the future at the present ratio or value.

With the continued growth of commerce and the division of labor, the economy oscillates between supply and demand; buyers and sellers; producers and consumers; borrowers and lenders. When through the course of wise and prudent commerce and or business, one produces more than one consumes, an individual will begin to accumulate the excess production of his labors - the fruits of his labor if you will. The same holds true for the group or Nation.

This excess accumulation of goods is called wealth - be it the accumulation of land; forests or woods and the trees and lumber thereon; metal in the land or ground; water; crops and livestock; silks and linens; - goods of any kind. These excess goods are saved or stored or hoarded for future use and needs. The value of the common medium of exchange (money) for all these goods now fulfills another role or function - it is now a store of value.

Hence with the development of society and commerce and the economy, money itself evolved and grew out of the desires and needs of society - from first being a common medium of exchange and measure of value; to then with the advent of credit it became a standard of value; and finally with the accumulation of wealth it became a store of value. Money thus has or performs four basic functions: 1) a medium of exchange, 2) a measure of value, 3) a standard of value, and 4) a store of value.

Money as a common medium of exchange and measure of value transfers value through space. Money as a standard of value transfers value through time. Money as a store of value transfers value over time. These are important attributes or secondary roles or functions of money. Remember these attributes or functions, as we will revisit them shortly - they are bound up with the quality theory of money.

These functions have been termed by some as secondary - be that as it may - they still exist and are fulfilled - be it primary or secondary - concomitant or sequential. Even the casual observer must acknowledge that they are of importance. To disregard the quality of money is to disregard what is perhaps its most important aspect.

Some have said that value being subjective cannot be measured and others have said that money acts as a price index that measures the ratio of quantities exchanged - call it what you like and place the measure where you will - the fact still exists that when two people meet and make an exchange that somewhere and at sometime before the exchange can be completed - it must be decided as to what quantities of goods are to be exchanged in what ratio.

So with the good Dr. from the North we can agree that gold was money. The Dr. is of the opinion that since 1914 gold was no longer money in Europe and since 1933 in the United States. These are important and significant dates, but there are a few the Dr. did not mention.

Prior to World War I, the modern world was on a gold standard. During the War most of the major countries went off the gold standard - which allowed them to print the tons of paper fiat money that they needed to finance the war. After the war, most major nations wanted to return to the classical gold standard. Britain did not. Britain's currency had been debased by the issuance of paper fiat money - its purchasing power had been greatly lessened.

So first the world's bankers dreamed up the idea for a central bank for the United States. They wanted to be able to get a foot in the door of what appeared to be the new big kid on the block. The bank would be in control of the nations money supply, which at that time was still redeemable in gold. The world's elite collectivists saw a big as of yet untapped market - wealth waiting to be had.

Then in 1922 the bankers came up with a real winner - the conference of Genoa. This was a coming out party for the gold exchange standard as opposed to the gold standard. I cannot explain this better than Rothbard already has when he stated:

“The gold-exchange standard worked as follows: The United States remained on the classical gold standard, redeeming dollars in gold. Britain and the other countries of the West, however, returned to a pseudo-gold standard, Britain in 1926 and the other countries around the same time. British pounds and other currencies were not payable in gold coins, but only in large-sized bars, suitable only for international transactions. This prevented the ordinary citizens of Britain and other European countries from using gold in their daily life, and thus permitted a wider degree of paper and bank inflation. But furthermore, Britain redeemed pounds not merely in gold, but also in dollars; while the other countries redeemed their currencies not in gold, but in pounds. And most of these countries were induced by Britain to return to gold at overvalued parities. the result was a pyramiding of U.S. on gold, of British pounds on dollars, and of other European currencies on pounds-the “gold-exchange standard,” with the doll ar and the pound as the two “key currencies.”

Now when Britain inflated, and experienced a deficit in its balance of payments, the gold standard mechanism did not work to quickly restrict British inflation. For instead of other countries redeeming their pounds for gold, they kept the pounds and inflated on top of them. Hence Britain and Europe were permitted to inflate unchecked, and British deficits could pile up unrestrained by the market discipline of the gold standard. As for the United States, Britain was able to induce the U.S. to inflate dollars so as not to lose many dollar reserves or gold to the United States.

The point of the gold-exchange standard is that it cannot last; the piper must eventually be paid, but only in a disastrous reaction to the lengthy inflationary boom. As sterling balances piled up in France, the U.S., and elsewhere, the slightest loss of confidence in the increasingly shaky and jerry-built inflationary structure was bound to lead to general collapse. This is precisely what happened in 1931; the failure of inflated banks throughout Europe, and the attempt of “hard money” France to cash in its sterling balances for gold, led Britain to go off the gold standard completely. Britain was soon followed by the other countries of Europe.”

The gold exchange standard was one of the elite collectivist bankers crowning accomplishments. But more coups were yet to come. In 1933 the bankers convinced Roosevelt to call in all private holdings of gold - essentially taking the money of the people. Gold was outlawed. Paper money was no longer redeemable in gold. The cast had been dyed.

Remember one of our earlier points was that the market and society determined by free choice within free markets as to what the accepted common medium of exchange or money was to be. Money did not need or require the sanction of government for it to exist. But now money or gold was being directly tampered with - why it was literally being taken and declared or decreed to be unlawful to own or use. Is this a free choice? Is this a free market at work? Is this the workings of society in the pursuit of personal property or the interference of the State that by decree and legal tender laws now mandates what is to be or not to be money?

Finally with the advent of Bretton Woods in 1945 the bankers grew closer to their goal. The dollar of the United States was the reserve currency of the world and since the dollar was no longer redeemable in gold (remember the little event of 1933) this was a huge difference. The world was essentially on a fiat paper currency system. One tie alone remained - foreign nations and central banks were still allowed to settle their accounts with each other in gold.

In 1971 Nixon did away with this last remaining tie to gold. No longer would the United States honor its obligations in gold. The “gold window” was shut. This amounted to the United States reneging on its debt to the rest of the world - it was akin to declaring bankruptcy. Yeah, we will pay you - but only with these little paper coupons - not with gold!

So when the good Dr. from the North states that gold is no longer money - does he mean that society has been allowed through the determinations and processes of free choice and free markets to decide that it no longer wants gold to be money - or has the government and the world’s elite collectivist bankers overstepped its bounds and authority and tampered with our money - declaring by legal tender laws what is to be accepted or not?

Since the Federal Reserve has been allowed to play with our money, the purchasing power (remember our previous theory of quality) of the dollar has dropped almost 95% - this is because of the proliferation of debt as money instead of gold. We have seen that money in a free market is a medium of exchange of goods. We have seen that money transfers value through space and time and over time. Money is also a measure of value, a standard of value, and a store of value.

In other words - money was the common medium of exchange between goods and services that were produced. When the State is allowed to step in a by legal tender laws and decree that money is now paper fiat that can just be created out of thin air - or worse - by the issuance of debt or promises to pay in the future - which is less than nothing - a real problem occurs - our money is placed on the road to perdition - to worthlessness. Its purchasing power is continually debased and lessened by the very act of creating it. Wealth cannot be created out of thin air, it must be produced by the labor of man - to allow otherwise is a vile and pernicious thing.

Money as gold is a measure of value. Money as gold is a standard of value. Money as gold is a store of value. The quality (purchasing power) of money is more important than the quantity of it. Money as paper fiat has been shown to be loosing its purchasing power by almost 95%. How can fiat paper currency be considered money or a store of value if such is the case? It cannot and more importantly - it should not be!

Perhaps this is why the good Dr. from the North states that only the Bank For International Settlements, the BIS - the central bankers central bank - only this institution uses gold as money. And what is the reason given by the good Dr. - "Because central bankers don't trust each other - the same reason why the public prior to 1914 used gold coins and IOU's to gold coins. The central bankers don't want to get paid off in depreciating money. At the same time, they do want to retain the option of paying off the public in depreciating money."

Now doesn't that sound like a double standard? - One for them and another one for the rest of us. If gold is no good for us as money, why should it be so good for them? What gain is there for such double standards? Just follow the yellow brick road.

First our gold was taken. Then our gold was outlawed. Then the classical gold standard was changed to the gold exchanged standard. Then the paper fiat dollar was declared to be the reserve currency of the world. And finally the "gold window" was shut. But wait - the Central Bankers Central Bank settles its accounts with one another in gold - so has the window been shut or just diverted to their house. Who gains? I'll leave that up to the reader to decide.

So Is Gold Money? Of course it is. Always has been, always will be - until We The People by free choice determine that it isn't. Until then, the powers that be - the elite collectivists of the world are simply trying to fool you into believing in fairy tales - in paper fiat money. The free choice is yours! Be an optimist - or be a pessimist like the good Dr. from the North.

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