

Inflation as an Attack on Civilization

By
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When people think of inflation, if they think of it all these days, they generally focus on the economic consequences: the potential loss of purchasing power of their savings and their promises of future payments, e.g., their pensions. But there are much more serious consequences which are rarely considered, and almost always only on those occurrences of hyperinflation.

The glue that holds society together, what we call “civilization,” is an intricate web of relationships and our expectations of those relationships. They are based primarily on mutual promises and on the expectation that those promises will be honored on a personal, local, national, and international basis. In other words, “civilization” can be thought of as the mutual understandings we have about how to behave with one another on an individual and institutional basis.

Perhaps foremost of all promises is the promise to pay: to pay interest on savings; to pay insurance proceeds, e.g., annuities; to pay rents; to pay pensions; to repay amounts lent; and, so on. But suppose the monetary unit on which all promises to pay are based, e.g., the “dollar,” becomes impaired. If that impairment is great enough, then, while promises to pay may be discharged in nominal terms, *de facto* they are partially or even wholly reneged. In this way, expectations are not met, and those who are dependent on receipt of payment become in great peril, especially if they are old and cannot replenish.

The free market has a solution to maintaining the integrity of promises to pay: gold-as-money. There are two reasons why the free market chooses gold-as-money. First, gold-as-money is the most efficient medium of exchange in terms of minimizing the transaction costs of transferring wealth geographically and over time. The economic concept that describes this, which is no longer taught, but does appear in the writings of Carl Menger, Ludwig von Mises, Antal Fekete, Murray Rothbard, and some others, is called “marketability,” or “salability.” Briefly, it postulates that as one offers increasing amounts of a commodity for sale, the commodity for which the buy/sell spread increases the least is the commodity that is most suitable for money. That commodity is gold.

Second, gold is the only commodity, with a minor exception being silver, and silver is inconsequential in the scheme of things, for which there is more than a year’s production

supply above ground. For example, for gasoline, there is but a few week's production supply above ground, and oil, which is arguably one of the more important commodities, there is but a few month's supply. For gold, there is more than 50 year's worth of production supply above ground. This huge overhang results in price stability in terms of gold regardless of new discoveries or mine shutdowns. No other commodity meets this criteria.

Today, fiat money, money that is created out of nothing and without work, is used worldwide. The reason monetary authorities have gotten away with this *prima-facie* fraudulent money is a combination of coercion, specifically legal tender laws in every nation and restrictions the IMF has put in place internationally that prohibit member countries from linking their currencies to gold, and only to gold, misrepresentations, and nondisclosure of material information. Since the 8th century in China, every experiment with fiat money has ended in disaster, many times destroying the middle class, that group that protects society from the barbarians. To counter this risk and to protect and preserve our civilization, it is essential that we once again return to “the standard of every great civilization”: gold-as-money.

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