

# OUR DISEASED MONETARY BLOODSTREAM

## Invited Address

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to a Joint Session of the *Positive Deviant Network*  
and the *Flight to Genius* movement

*Antal E. Fekete*  
Gold Standard University  
[afekete@hotmail.com](mailto:afekete@hotmail.com)

*Dear Fellow Deviants,  
Dear Fellow Travelers standing by for the next flight to Genius,  
Ladies and Gentlemen:*

*Synergy Be With You!*

One of the truly spectacular sights is from the airplane as it makes its approaches to Los Angeles International Airport at dusk. Down below is the illuminated “live” map of Los Angeles with its winding and intersecting freeways, with an endless flow of white headlights and an opposite flow of red tail-lights. It reminds me of the human bloodstream with its flow of white and red blood corpuscles. As I was flying in the other day I could not help but contemplate that possibly just a handful in a million people down there may realize what a fatal year 2007 has been, as the rest are completely oblivious to the great dangers awaiting the world on this Thanksgiving Day.

Over the last thirty-five or so years people have been de-sensitized to the ‘chill-and-fever’ syndrome epitomized by the gyrating value of the dollar. It had its ups and downs but, here we are, still doing business using the services of ‘Old Trusty’. People appear to be forgetful that the dollar is steadily losing value, losing purchasing power, losing the all-important respect of foreigners. They have been brainwashed into thinking that inflation, like continental drift, is God-ordained. There is nothing human beings can do about it. It would never occur to people that they are victims of deliberate plundering by their own government, and deceitful pilfering by their banks, covered up by the mendacity of academia and the financial media.

By this fall we have reached the threshold, we have crossed the continental divide, we have passed the ‘point of no return’ as it is becoming obvious that bad debt in the system has reached and surpassed ‘critical mass.’ The chain reaction has started. In the fullness of time the nuclear explosion is bound to occur.

The history of the dollar boasts two Waterloo’s. The first one was in 1933. That year marks the default of the U.S. government on its *domestic* gold obligations, accompanied by the confiscation of the people’s gold by F.D. Roosevelt. He appealed to patriotism saying that in complying with his Executive Order people were saving the country from economic ruin. The bad faith behind this capricious and unconstitutional act was shown by the fact that no sooner were people forced to give up gold in their possession than the government would write up its value by 69 percent, pocketing the difference as ‘profit’. So much for the provision of the Constitution that “...nor shall private property be taken for public use without just compensation.”

The monetary bloodstream of this nation was given the cancerous qualities that characterized the currency of both Soviet Communism and Nazi Socialism, neither of which has survived the test of times. Nor will the irredeemable dollar.

There was a second Waterloo for the dollar, in 1971, marking the default of the U.S. government on its *international* gold obligations. In economic terms this event was even more devastating than the first. It triggered a snow-balling process as revealed by the price charts of commodities such as wheat, sugar, copper, not to mention crude oil, and the destabilization of foreign exchange and interest rates, making debt proliferate and rendering government bonds totally unsuitable for the purposes of saving.

I have been often asked the question: “why gold?” I avoid giving an answer in terms of the physical or chemical qualities such as weight, inertness, and the like. My answer usually refers to the nation’s monetary bloodstream which becomes corrupted as the disease-fighting gold corpuscles are removed.

Debt is an indispensable economic instrument. It has a great beneficial impact on human welfare. But like fissionable nuclear material, it is shot through and through with extreme danger. If its quantity exceeds critical mass, then chain reaction is bound to set in causing a nuclear explosion. The role of gold is precisely to prevent that from happening. Gold is the agent that can detect bad debt and stop its proliferation in good time. Thanksgiving 2007 is special because we are just re-learning the ancient lesson that no banking system can safely operate without gold. You cannot measure the quality and quantity of debt in terms of another, just as you cannot measure the length of an elastic band in terms of another.

What has happened this fall is that the presence of bad debt in the economy has been established. However, bad debt is in hiding. Who is hiding it? “Nobody alive is above suspicion!” One bank can no longer trust another in accepting an overnight draft. Maybe the other feller is trying to pass on bad debt. True enough, banking is based on trust. But if you are not allowed to test debt, or to spot bad debt through demanding payment in gold, then trust is not justified. All debt becomes sub-prime. Why should a client trust his bank, if banks cannot trust one-another?

Thus, then, my answer to the question “why gold?” is that the gold corpuscles fight incipient leukemia in the nation’s monetary bloodstream. It’s not that withdrawing them causes sudden death. But it inevitably causes death in the long run. A rather painful and ugly death.

Since currency touches practically all our people, everybody is contaminated by a corrupted monetary bloodstream. The effects of monetary leukemia are many and in some respects subtle. The withdrawal from the monetary bloodstream of the gold corpuscles which, within broad limits, keep other money and credit corpuscles in good order, has produced the typical results: profligate government spending, extravagant growth in public and private debt, the monetization of government debt, extensive socialization, artificial exhilaration (not to say *irrational exuberance*), bloating, intoxication, fever, chills, nervousness, irritability, irresponsibility, dishonesty, immorality, decline in the purchasing power of the currency and, characteristically, the insane fear of gold — as the drug addict fears the withdrawal syndrome. All these mixed with elements of a pronounced monetary revolution and the scattering of dollars and other resources among the nations of the world. The dishonesty involved in, and flowing from, the use of irredeemable currency permeates practically all aspects of our economic, social, and political system and provides yet another instance of how “corruption grows as naturally as fungus on a muck heap” (Andrew Dickson White in his classical book *Fiat Money Inflation in France*).

The pulsation of this corrupt monetary bloodstream through an economy finally weakens and undermines the nation involved; and unless removed before the logical and final consequences are reached, eventually brings destruction — economic, political, and social.

When the people of a nation operate with a redeemable currency every individual is able to exercise direct control over the government's use of the public purse to the extent of his purchasing power. If he is disturbed by government profligacy or unsound banking practices, he can conserve his purchasing power by converting it into the gold coin of the realm. He is not compelled to join forces with others to form a third political party in an effort, usually futile, to protest the profligacy of government and the duplicity of the banks. But if a considerable number of people demand redemption of non-gold currency in gold, the banks experience the impact in the form of diminishing bank reserves which is passed on to the U.S. Treasury and thence to Congress. These demands for redemption are the flashing red lights on a central signal-board — signals the banks and the government respect. The wires were crossed at the signal-board when gold corpuscles were removed from the monetary bloodstream. Ever since signals deliver the wrong message.

It is true that a redeemable currency may, and frequently does, depreciate in a pronounced degree because of the misuse of credit and debt; but it cannot depreciate to the same extent irredeemable currency can. The limit in case of the latter, as it will be most dramatically demonstrated by the dollar, is *zero*.

When the government cut all the wires from individuals to the central signal-board in Washington, it opened the way to an orgy of profligate spending, to an unlimited depreciation of the dollar, to the ultimate destruction of this nation, and to the overthrowing of world order. The government and the banks, freed from their proper responsibility of meeting their promises to pay, now have an unrestrainable control over the lives of the people of this nation. Freedom is lost. We have all become slaves. It is this control that the government and the banks want to perpetuate through the regime of the irredeemable dollar.

The fact that the people have lost control over the public purse constitutes a mortal danger threatening the well-being of the United States — and that of the world as shown, for example, by the usurpation of war-making powers by the president.

The proof, if one is still needed, that the removal of gold corpuscles from the monetary bloodstream ultimately leads to cancer, is the exploding derivatives market. Its size has exceeded the \$ ½ quadrillion (500 trillion) mark. Compare this with the annual GDP of the U.S. at about \$ 14 trillion. Worse still, the derivatives market is growing at a pace of 40 percent per annum, roughly doubling in size every other year. This is cancer, which mainstream economists and politicians want you to ignore.

What is the solution? The answer is obvious. Put the gold coins back into circulation. Restore a healthy monetary bloodstream. Unfortunately, this is easier said than done. The failure of the initiative of Malaysia to revive the Islamic Gold Dinar is a case in point. Mainstream economists call me an old foggy-bottom and an unreconstructed belly-acher. They point to the Gold Eagles, Gold Maple Leafs, Gold Pandas, and Gold Koalas, in addition to the Islamic Dinar. “See, they are all sitting out there and refuse to circulate. They go into piggy-banks and cookie-jars. Gold just does not behave as it used to, they say. Gold is *passé*. You can't put spent tooth-paste back into the tube”.

I want to explode this kind of disingenuous reasoning for once and all. The gold coins which governments have sold for profit were not meant for circulation. Governments don't want them to circulate. They are souvenir coins, conversation pieces that people will not spend, and for a very good reason, too. *People are not sure they can get them back on the same terms*.

By contrast, gold coins issued constitutionally *will* circulate. The Constitution mandates the striking of the coin of the realm *free of seigniorage*. People surrender the exact

weight and fineness of gold at the Mint in exchange for the coin of the realm free of charge. The right to convert is unlimited. If the government opened the U.S. Mint to gold, then people would start spending their Gold Eagle coins because they would know they had a constitutional guarantee to get replacement for their coin on the same terms. This is the wisdom of Isaac Newton, Master of the Royal Mint in London, who put England on the gold standard.

We may take it for granted that usurpers at the Federal Reserve and the U.S. Treasury have no use for Newton. They will not relinquish without a fight their monopoly of charging 100% seigniorage, as against the constitutionally mandated 0%, on issuing new money.

So how are we to restore gold corpuscles to the monetary bloodstream? It may well be that the solution is in the hands of minorities such as native Hawaiians, American Sovereign Indian Nations, or the First Nations of Canada, to establish a Mint on their reservations or territory. They don't need more gambling casinos or more liqueur outlets. They need a Mint in order to open it to gold. The police scientists at the Federal Reserve and the U.S. Treasury may stop short of putting the Mint owned and operated by minorities out of business using Waco-type violence.

If the minorities did open a Mint to gold, it would be "their finest hour." A grateful posterity would remember them for their heroism in defying slavery insidiously imposed by a reactionary monetary regime on them as well as on the rest of the world.

If they did that, we could truthfully say that "never have so many owed so much to so few".

### **GOLD STANDARD UNIVERSITY LIVE**

Session Three of Gold Standard University Live (GSUL) will take place in Dallas, Texas, U.S.A., from February 11 through 17, 2008. We are happy to announce that this program is sponsored by Mr. Eric S. Sprott, LL.D., C.A., CEO of Sprott Asset Management Inc. of Canada. The program is in three parts:

(1) A course on *Adam Smith's Real Bill Doctrine and its Relevance Today*, consisting of 13 lectures. Professor Lawrence H. White of the University of Missouri, St.Louis, has been invited to represent the opposing view. Date: from February 11 through 14.

(2) A debate on the *Economics of Gold Mining*. The failure of Barrick Gold's hedging program. True or Bilateral hedging. With industry participation. Date: February 15-16.

(3) A panel discussion entitled *Gold Profits in Troubled Times* where paraphernalia such as the gold and silver basis, gold and silver lease rates, NAV of gold and silver ETF's, the bimetallic ratio, and the variation of these will be discussed with invited experts. Please note that this is a new departure in gold and silver investing through bimetallic arbitrage. Date: February 16-17.

The registration fee for GSUL Session 3 covers participation in all three programs, the course during the week February 11-14 and the debates during the week-end of February 15-17. It is also possible to register for the week-end programs separately at a reduced fee. Participation is limited; first come first served. Participants pay their own hotel and meal bills. The cost of the closing banquet is included in the registration fee.

For the benefit of European friends of Gold Standard University, Session Three will be repeated, March 10-16, 2008, at Martineum Academy in Szombathely, Hungary, where the first two sessions of GSUL were held, provided that a sufficient number of people register.

For further information please check [www.professorfekete.com](http://www.professorfekete.com) or inquire at [GSUL@t-online.hu](mailto:GSUL@t-online.hu).

We are pleased to announce that a new website [www.professorfekete.com](http://www.professorfekete.com) is now available. It contains e-books, archives, news about GSUL, and material of current interest.

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