How to Ensure the Stability of the New European Currencies?

Antal E. Fekete

In 1971 gold was exiled from the international monetary system where it had played the role of monarch for thousands of years. Reason: the U.S. had to save face after president Nixon fraudulently defaulted on American gold obligations. It was fraudulent because America *did* have the gold to pay its debt as contracted. Since that time untold amounts of dollars were spent by the twelve Federal Reserve banks in the form of research grants and stipends to develop a pseudo-scientific theory to justify the coercive removal of gold from the world economy, and the equally coercive introduction of the irredeemable dollar.

There is nothing new about the defaulting banker trying to promote his dishonoured paper. Never in the history of science has more money been disbursed than during the past forty years on hiring a corps of sycophants to shore up a false theory. They produced mere propaganda material dressed up with charts and equations, expressed in scientific jargon, to show that gold was useless, even wasteful, an anachronism embodying superstition and worse. “Gold must go”. The irredeemable dollar was the “wave of the future”. It had the same debt-extinguishing power as gold it was destined to supplant. And, above all, it could be ‘scientifically’ micro-managed that gold could not.

Nobody pointed it out that this was pure “sour-grape syndrome” all over again from Aesop’s fables. The fox in the vineyard was trying hard to sample the grapes. But no matter how high he jumped, he couldn’t reach them. When finally he gave up, he departed with the comment: “the grapes were sour anyway”. Indeed, if gold was so sour, why didn’t the U.S. government let it go? That’s the funny part.

The sad part is that gold, far from being useless, is the *only ultimate extinguisher of debt.* There is no other way to reduce *total* debt. Paying a debt with dollars merely shifts debt from the liability column of the balance sheet of the previous debtor to that a bank or, ultimately, to the liability column of the balance sheet of the U.S. Treasury where all the bad debt of the world (including the bad debt of the Greek government) keeps accumulating. All this bad debt would have been extinguished long ago, had gold not been foolishly exorcised from the international monetary system. After all is said and done, the dollar has not the same debt-extinguishing power as gold. America has turned itself from the benefactor of the world to a parasitic tyrant. It pilfers and robs other countries by paying for its imports with make-believe chits, the circulation of which is reinforced by the world-wide deployment of its military power. Its monument is the runaway debt tower threatening to bury people alive underneath the debris after it collapses.

The question why the Fed and the U.S. Treasury are allowed to issue bills of credit which they have neither the means nor the intention to honour – while everybody else doing likewise would be prosecuted for fraud – is under strict interdiction. The popular name of this type of fraud is *check-kiting* that consists of issuing fraudulent credit by one party on the collateral security of the fraudulent credit issued by the other.

The Great Financial Crisis is a debt crisis, and gold is the key to the solution. Gold coins must be put back into circulation. This can be accomplished by a two-pronged programme: 1. Opening the European Mints to the free and unlimited coinage of gold; 2. Refinancing the short-term, high-interest debt of the European governments in terms of long-term, low-interest, gold-bonded debt. The problems of Greece and other indebted countries cannot be worked out in a crisis-atmosphere while the European Monetary authorities bombard them with bribes and blackmail, and threaten them with deadlines only a month or two away.

At any rate, we are all in the same boat. The “holier than thou” approach won’t work. All other countries in Europe and elsewhere have sinned as well. Their turn to be chastised for their sins will not be long in coming. Their sin is that they have let the Americans get away with bloody murder.

1. Open sesame! Open the Mint to gold!

Gold to the Mint will come from other countries. Having been coined in Athens, some of it may leave Greece. But some will stay and participate in the reconstruction of the Greek economy. Circulating gold coinage will have the same effect as a spring shower. It will fertilize productive forces in the country. The new gold coins will not disappear from circulation into hoards. Once people realize that the Mint is going to remain open to gold for good, they will lose interest in hoarding. You can spend your gold coin confidently, because you can always get it back on the same terms.

The Mint will open to silver as well to provide hand-to-hand money for smaller purchases and paying wages. That will be the day, when laborers get their wages in the form of shiny and clinking silver coins! There is nothing like coins with a ring when it comes to boosting morale and propping up work ethics. For best results countries of Euroland should simultaneously reintroduce circulating gold and silver coins, thus resurrecting the now defunct Latin Monetary Union (1867-1929).

2. Bring back, oh bring back gold bonds to me!

Countries of Euroland should refinance their farcical debt denominated in euros with bonds denominated in gold. Issuing debt maturing into more debt of the same kind is indeed a farce. Gold bonds should be auctioned off against outstanding euro-denominated debt. Holders of debt, happy to carry euro-obligations, should be allowed to do so. But the same freedom of choice must be made available to those who are not happy to carry bonds payable in irredeemable currency! Let the people choose between paper and gold.

Gold francs and silver thalers are the ultimate catalyst between the creation and retirement of debt. They can test the quality of debt. They reveal whether debt was contracted in good faith, or whether it was embraced frivolously. The Latin Monetary Union is a model still relevant in our world. It is a beacon of hope in turbulent times showing the path for debt-stricken nations to follow.

Gold is also relevant to the problem of extirpating 'structural' unemployment – a concept unknown before the 20th century. The German economist Heinrich Rittershausen (1898-1984) showed that the forcible removal of real bills from the economy, followed by the removal of gold, was directly responsible for the horrible unemployment of the 1930's. These measures destroyed the *wage fund* out of which labor that produced as yet unsold merchandise destined to be consumed presently could be paid *now*. (*Arbeitslosigkeit und Kapitalbildung*, 1930).

It will take time before economic science can purge its body and soul of the false and vicious anti-gold propaganda, and of the shameless fiat-money agitation which it was forced to imbibe during the past two score of years. Real research on gold circulation, on gold hoarding/dishoarding, and on the role of gold in the formation of the rate of interest and the discount rate must be allowed to start without delay.

The gag order on speaking the truth in money matters must be lifted. It should be permissible once again:

> to say that a legal system incorporating double standard of justice will self-destruct in due course;
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> to say that the Fed and the U.S. Treasury usurp the power of issuing bills of credit that they have neither the means nor the intention to honour;
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> to say that the Fed and the U.S. Treasury are guilty of check-kiting which, if practiced by anybody else, would result in criminal prosecution.

The best guarantee of the stability of the new European currencies is economic science free of deliberate lies, distortions, cover-ups – and interdiction on speaking the truth.

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