THE GOLD STANDARD MANIFESTO

Antal E. Fekete

Gold Standard University

The Ghost of the Gold Standard

A specter haunts executive mansions, chambers of legislatures, and halls of universities: the ghost of the gold standard. Governments and academia have failed utterly in discharging their sacred duty to provide a serene environment for the search for and dissemination of truth regarding economics in general and monetary science in particular.

This failure has to do, first and foremost, with the incestuous financing of scientific research. When the Federal Reserve System was launched in the United States in 1913, the formula for distributing the profits and undivided surpluses of the Federal Reserve banks has made it possible for the United States Treasury to grab the lion's share, with far-reaching consequences. The bond market has been reduced to a gambling casino where the shills, in order to whip up gambling frenzy, conspicuously make obscene gains at the gaming tables.

Check-Kiting by Another Name

But unknown to the public, at the end of the day the shills (the Federal Reserve banks) are obliged to hand over their gains to the casino owner (the United States Treasury). There is nothing open about what is euphemistically called "open market operations" of the Federal Reserve. It is in fact a covert conspiratorial operation. It has come about through unlawful delegation of power without imposing countervailing responsibilities. It was never authorized by the Federal Reserve Act of 1913. It defies the principle of checks and balances. It is immoral. It is the most lucrative business second only to highway robbery. It is a formula to corrupt and ultimately to destroy the republic.

Even though later amendments to the Federal Reserve Act authorized it *ex post facto*, the constitutionality of open market operation has never been put to the test. It is clear that such an examination would not be in the interest of the conspirators, and they would use every means at their disposal to prevent it. The folksy name for open market operations is check-kiting, whereby two conspiring parties issue obligations that neither one has the intention or the means to honor but, when they come up for payment, the phantom obligation of one party is covered with that of the other.

Incest in Financing Research

The side effect that concerns us here most is the fact that the junior partner in the conspiracy, the Federal Reserve, can only increase its share of the loot beyond the mandated limit of 6 percent per annum of subscribed capital, if it increases its power in a way not measurable in dollars. It can readily do so by beefing up its "support" of research, namely, by spending pre-distribution dollars in making grants to anybody pretending to be able to write awe-inspiring, mathematically convoluted, nonetheless vacuous, papers on macroeconomics, or anything else of which the fraudulence and charlatanism is hard to detect.

As a result of this immoral way of financing research a veritable deluge of worthless papers has glutted the technical literature on money which has one common earmark: they all attempt to defend the indefensible. They try to defend the issuance of irredeemable promises to pay: the bonds issued by the Treasury and the Federal Reserve notes issued by the Federal Reserve banks. Thus, then, the basis for money creation is the flimsy check-kiting scheme whereby the Federal Reserve banks buy the bonds with the notes while the Treasury uses the notes to pay the bondholders at maturity. The bond is supposed to have value because it is 'redeemable' in the note which, in turn, is supposed to have value because it is 'backed' by the bond. In effect both instruments are irredeemable and both lack backing in the form of any verifiable wealth. At the heart of the money-creating process, however explained, analyzed or defended, is the stubborn fact that both the Treasury and the Federal Reserve banks are privileged to issue obligations that they have neither the intention nor the means to honor. For any other would-be check-kiters the running of such a scheme would constitute a crime dealt with by the Criminal Code.

This double standard of justice has, of course, an immensely demoralizing effect. But what concerns us here is that the grant departments of the Federal Reserve banks have effectively put themselves in charge of deciding what should and what should not be researched on the subject of money. While they control research on money directly, they control the appointment of heads of economics department and directors of research institutions and other think-tanks indirectly.

This incest in financing research stands without precedent in the entire history of science to the eternal shame of our “enlightened” age, regardless what yardstick we may choose to measure it, of which the dollar amounts of grant money is only the most conspicuous, but we should not ignore the more subtle yet more persuasive methods of arm-twisting: bribe and blackmail.

Crime of Omission

The hijacking of the agenda for economic research has resulted in a distortion of traditional values. The new values favor ephemeral knowledge, short-horizon planning, consumerism, debt-creation without seeing how it will be retired, instant gratification, marginalization of savings, scientific charlatanism, spreading half truths and even outright falsehoods, while discriminating against durable knowledge, time-honored scientific values, work-hard/save-hard ethics, long-horizon planning. It is no less a crime of omission than it is a crime of commission, as revealed by the following.

1. Support for research on the merit of metallic monetary standards as a political arrangement of placing the power to create and to extinguish money directly into the hands of the people, rather than into the hands of elected representatives or appointed agents, in conformity with the demands of the U.S. Constitution, is nil.
2. Support for research on the burning question of the “sudden death syndrome” as it affects irredeemable currencies with a deadly 100 percent efficiency, is zero.
3. Support for research on the question of legality of the open market operations by the Federal Reserve as it was surreptitiously and illegally introduced and retroactively authorized, is unavailable.
4. Support for research on the scientific foundation of accounting and on the necessity of taking great pains to make the sharpest possible distinction between an asset and a liability, capital and credit, debt owing and debt owning, is naught – in contrast with generous support for research purporting to justify the practice of shunting items in the balance sheet of governments from the liability to the asset column.
5. Support for research on the code of inspecting financial statements in order to prevent overstating assets and understating liabilities, even in the balance sheet of banks, is non-existent.
6. Support for the scientific examination of the curious tenet that it is possible to increase the volume of unpaid and unpayable debt in the world indefinitely, is denied.
7. Support for the examination of the question whether the issuance of promises to pay which the issuer has neither the intention nor the means to honor can have any valid justification, is not available.

Inflicting Irredeemable Currency on the People

The above short list already makes it abundantly clear that something is woefully amiss with the principle of granting unlimited power, not subject to advice and consent, still less to control, review or withdrawal by the public, empowering one particular agency not only to issue purchasing media but also *to direct, permit or inhibit all scientific research pertaining to the question of its own activity of issuing purchasing media.*

It is a sad commentary on the corruption of the financing of research that not one court of justice, not one accredited university in the entire world has found it possible to place the justification for a world-wide regime of irredeemable currency on its agenda. This, in spite of thirty-five years of unprecedented economic and financial devastation, including the decimation of the purchasing power of all the currencies of the world, and the equally vicious decimation of the market value of bonds, directly attributable to that regime.

It was this corruption of financing research that has disabled the immune system of society. It has made economics and monetary science open to the invasion of quackery and chicanery, ensuring that the success of the final assault on sound money would be a foregone conclusion. In the end, the government of the United States did inflict irredeemable currency not only on its own subjects, but on the rest of the world as well, without meeting any significant resistance.

Integrity of Financial Journalism

It speaks volumes about its integrity that financial journalism has failed to alert the public to the impending danger of a credit collapse, arising out of the universal use of irredeemable currency which the governments of the world have blithely embraced and foisted upon their subjects, without bothering to examine the scientific and juridical arguments against it. In previous instances of experiments with this type of currency sane and self-respecting governments have always resisted the temptation of siren song to join others living in financial backwater. Whenever weak governments came to their senses and wanted to return to the path of monetary rectitude, there was no lack of countries around on the gold standard to lend them a helping hand.

No such luck this time. The world is a rudderless ship sailing on uncharted waters, and the storm is closing in fast. When it strikes, it will be “everybody for himself”. No helping hand will assist survivors. All defenses against this type of disaster have been dismantled, and all life savers cast overboard, thanks to the diligence of the grants departments of the Federal Reserve banks.

Not only have financial journalists failed to alert the people of the dangers they are facing under the regime of irredeemable currency, they keep adding insult to injury. They lionize the Wonderful Wizard of US, King Alan who, unlike King Canute, has been able to order the tide of inflation back. Maybe after disaster has struck, it will be blamed on the ‘early’ retirement of the Wizard.

Gold Standard University

In order to soften the coming blow, a group of concerned citizens have decided to establish, in the year 2006, Gold Standard University, home for the study of monetary topics placed under taboo by other institutions of higher learning. Here is a partial list of these topics:

a.

The gold standard is a mechanism whereby the people can exercise their power of creating or extinguishing money while denying monopoly power of money creation to would-be crooks.

b.

The longevity of the regime of irredeemable currency can be extended through machinations such as the artificial suppression of the dollar price of gold, but only at the expense of making the inevitable credit collapse a great deal more painful and recovery ever more protracted.

c.

The idea of increasing the stock of money based on scientific principles is chimerical. There is no way to determine the optimal rate of increase in the money supply any more than there is a way of predicting future. If the power to increase the money supply is delegated to an agency dressed up in a scientific garb, then this agency is a front for impostors hell-bent to usurp unlimited power under false pretenses. To be sure, the power to create money is unlimited power, and it inevitably leads to unlimited corruption.

d.

The regime of irredeemable currency is a scheme whereby savers and producers are disenfranchised. Savers are deprived of their power of choosing the form in which they want to save. They are forced to save in terms of a depreciating currency. Producers are deprived of their right to sell to whomever they wish to sell. They are forced to give the right of first refusal to the issuer of irredeemable currency.

e.

The chief merit of the gold standard is not to be found in the stabilization of prices which is neither possible nor desirable, but in the stabilization of interest rates. Only the gold standard can guarantee the lowest level for the rate of interest that is still compatible with conditions in a free economy. There is no bond speculation under a gold standard. The resulting stable interest rate structure benefits both the savers and the producers.

f.

The so-called open market operations of the Federal Reserve banks is a fraudulent practice short-changing every segment of society. It should have never been authorized. It is a prescription to destabilize interest rates if not in the short then certainly in the long run. Bond speculators move in to preempt the Federal Reserve banks’ buying or selling bonds. They want to act before the banks in order to pocket risk-free profits. Everybody rushes to the same side of market and the herd action will generate a destabilizing oscillation in bond prices and in the rate of interest.

g.
Gold hoarding under a gold standard is harmless. (This assumes that saboteurs are not permitted to spread false rumors about the imminent suspension of gold payments.) Gold hoarding is a legitimate tool in the hand of the bondholder to withdraw bank reserves thereby forcing banks to contract credit, thus allowing the rate of interest to rise and find its proper level. Gold hoarding is also a legitimate tool in the hands of the electorate to force the government to fulfill its election promises for greater economy in public spending.

h.
By contrast, hoarding other marketable commodities is harmful. It is destabilizing as it contributes to oscillating speculative money flows between the commodity market and the bond market. It can only be prevented by removing all obstacles in the way of gold hoarding, which is the proper outlet for the propensity to hoard.

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The Gold Standard University turns to individuals

who cherish freedom and the ideal of government of limited and enumerated powers;

who support the principle of checks and balances in public affairs as well as the principle of delegating power only if it is encumbered with countervailing responsibilities;

who reject the formula to finance scientific research through an incestuous combination of the monopoly to create money and the monopoly to dictate the agenda for monetary research;

who reject the prostitution of mathematics to be used as a smoke-screen with which to camouflage the enslavement of the entire population of earth;

It calls upon them

to step forward and support the cause in exposing monetary deceit and mischief;

to fight pseudo-monetary-science and the obfuscation of eternal monetary truths;

to demand the reinstatement of the gold standard and the return to constitutional money putting the individual citizen in charge of money-creation at the Mint once more;

to force the government to write gold clauses into its bonds.

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The world-wide regime of irredeemable currency has reduced the people of the world to bondage. Monetary servitude is no better than other forms long since discarded by history, such as slavery and serfdom. It may well be worse if for no other reason than being covert, whereas previous forms of bondage have been overt.

Disenfranchised savers and producers of the earth, rise! Put an end to the usurpation of power by the clique of impostors pretending to be monetary experts! Chase the money-mongers out of the temple! Cast your jail-keepers into the sixth circle of the seven in Hell, to which Dante confined all counterfeiters of money, perpetrators of false pretenses, and other tormentors of widows and orphans! Truth is on your side! It is you, not your slave-drivers, who command the high moral ground! You can win a world free of yokes! The only thing you may lose is your shackles!

Savers and producers of the world, unite!

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