

## Lecture 1:

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# GOLD STANDARD UNIVERSITY

Summer Semester, 2002

*Monetary Economics 101: The Real Bills Doctrine of Adam Smith*

Inaugural Lecture

## AYN RAND'S HYMN TO MONEY

- Gold Money Is the Root of All Good; Paper Money Is the Root of All Evil

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- A Blueprint for a New Gold Coin Standard -

Millions of people who have read Ayn Rand's 1957 monumental work "Atlas Shrugged" must have been impressed by an insert that could be entitled "Hymn to Money". This insert is buried in the 1600 pages of the novel and is difficult to find. However, it is a self-contained literary masterpiece in its own right. For these reasons it may be a good idea to publish it separately.

Some remarks may be in order. Ayn Rand uses the word "money" in the sense of *gold money*. This may not be in line with current usage, but it is certainly correct etymologically. The English word "money" is derived from the Latin *moneta*, meaning

"forewarner", epithet of the goddess Juno. Her temple on the Roman Capitolium doubled as the Mint where the gold and silver coins of Rome were struck.

According to legend, during the siege of Rome by the Gauls, the sacred geese of Juno that lived around the temple forewarned the Romans with their loud cackling of the surprise attack the enemy has mounted. Under the cover of the night, the Gauls tried to scale the cliffs just below, thought to be an unassailable point of the Capitolium. The Romans, forewarned, could successfully repel the attack. In gratitude, they honored the goddess calling her Juno Moneta, or "Juno the Forewarner". And Rome went on to great things.

Irredeemable currency, in Ayn Rand's words "a counterfeit pile of paper", the output of the paper mill in Manhattan, does not deserve to be called "money". At any rate, you have been forewarned, and should be prepared for the attack of looters on *your* Capitol, already in progress.

We still don't know whether the 911 forewarning of Juno Moneta about the approaching collapse of society has been in vain or, perhaps, there is enough moral rectitude left in America's political and economic leadership to denounce globalization, and open the Mint to gold, in order to avert the coming tragedy.

## Hymn to Money

Ayn Rand

*Must Give Value for Value*

**So you think that money is the root of all evil. Have you ever asked what is the root of money? Money is a tool of exchange, which can't exist unless there are goods produced, and there are men able to produce them. Money is the material shape of the principle that men who wish to deal with one another must do so by trade, and give value for value. Money is not the tool of the moochers, who claim your product by tears, or of the looters, who take it from you by force. Money is made possible only by men who produce. Is this what you consider evil?**

**When you accept money in payment for your effort, you do so on the conviction that you will be able to exchange it for the products of the effort of others. It is neither the moochers nor the looters who give value to money. Neither an ocean of tears nor all the guns in the world can transform those pieces of paper in your wallet into bread you will need to survive tomorrow. Those pieces of paper, which should really**

be gold, are a token of honor - your claim upon the energy of the men who produce. Your wallet is your statement of hope that somewhere in the world around you there are men who will not default on the moral principle that is the root of money. Is this what you consider evil?

*Wealth Is the Product of Man's Capacity to Think*

Have you ever looked for the root of production? Take a look at an electric motor and dare tell yourself that it was created by the muscular effort of unthinking brutes. Try to grow a seed of wheat without the knowledge left to you by men who had to discover how to do it for the first time. Try to grow food by means of nothing but physical motions - and you'll learn that it is man's mind that is the root of all the goods produced and of all the wealth that has ever existed on earth.

But you say that money is made by the strong at the expense of the weak. What strength do you mean? It is not the strength of guns or muscles. Wealth is the product of man's capacity to think. Does it follow, then, that money made by the inventor of the motor is at the expense of others who invented nothing? Is money made by the intelligent at the expense of the fools? Or by the able, at the expense of the lazy? Money is made - before it can be looted or mooched - by the effort of every honest man, each to the extent of his ability. An honest man is one who knows that he can't consume more than he has produced.

*Every Man is the Owner of His Mind and His Efforts*

To trade by means of money is the code of men of good will. Money rests on the axiom that every man is the owner of his mind and his efforts. Money allows no power to prescribe the value of your effort, except by the voluntary choice of the man who is willing to exchange the fruits of his effort with you. Money permits you to obtain for your goods and labor what they are worth to men who buy them, but no more. Money permits no deals except those to mutual benefit by the free judgment of traders. Money demands of you the recognition that men must work for their own benefit, not their injury; for their gain, not their loss - the recognition that they are not beasts of burden born to carry the weight of your misery - that you must offer them value, not wounds - that the common bond among men is not the exchange of suffering, but the exchange of goods. Money demands that you sell, not your weakness to men's stupidity, but your talent to their reason; it demands that you buy, not the shoddiest they have to offer, but the best money can find. And

**when men live by trade - with reason, not force, as their final arbiter - it is the best product that wins, and the best performance. It is the man of best judgment and highest ability that wins, and his reward is commensurate with his productivity. This is the code of coexistence whose tool and symbol is money. Is this what you consider evil?**

*The Scourge of Men Who Attempt to Reverse the Law of Causality*

**But money is only a tool. It will take you wherever you wish, but will not replace you as the driver. It will give you the means for the satisfaction of your desires, but will not provide you with desires. Money is the scourge of men who attempt to reverse the law of causality - men who seek to replace the mind by seizing the products of the mind.**

**Money will not purchase happiness for the man who has no concept of what he wants. Money will not give him a code of values if he's evaded the knowledge of what to value. It will not provide him with a purpose if he's evaded the choice of what to seek. Money will not buy intelligence for the fool, admiration for the coward, or respect for the incompetent. The man who attempts to purchase the brains of his superiors to serve him, thus trying to replace judgment with money, ends up by becoming the victim of his inferiors. The men of intelligence desert him, but the cheats and frauds come flocking to him, drawn by a law which he has not discovered, that no man may be smaller than his money. Is this the reason why you call it evil?**

*Money Will Not Serve the Mind That Cannot Match It*

**Only the man who does not need it, is fit to inherit wealth - the man who would make his own fortune no matter where he started. If an heir is equal to his money, it serves him; if not, it destroys him. But you look on and cry that money has corrupted him. Has it? Or has he corrupted money? Do not envy a worthless heir: his wealth is not yours and you would have done no better with it. Do not think that it should have been distributed among your cronies: loading the world with fifty parasites instead of one would not bring back the dead virtue embodied by the fortune. Money is a living power that dies without its root. Money will not serve the mind that cannot match it. Is this the reason why you call it evil?**

### *Money As a Means of Survival*

**Money is your means of survival. The verdict you pronounce upon the source of your livelihood is the verdict you pronounce upon your life. If the source is corrupt, you have damned your own existence. Did you get your money by fraud? By pandering to men's vices or their stupidity? By catering to fools, in the hope of getting more than you deserve? By lowering your standards? By doing work you despise, for others you scorn? If so, then your money will not give you a moment's joy or a penny's worth of happiness. Then all the things you buy will become, not a tribute to you but a reproach; not an achievement but a reminder of shame. Then you'll scream that money is evil. Evil, because it will not pander to your self-respect? Evil, because it would not let you enjoy your depravity? Is this the root of your hatred of money?**

### *Money Is Always an Effect with You As the Cause*

**Money will always remain an effect and refuse to replace you as the cause. Money is the product of virtue, but it will not give you virtue and will not redeem your vices. Money will not give you the unearned, whether in matter or in spirit. Is this the root of your hatred of money?**

**Or do you mean that it's the love of money that's the root of all evil? To love a thing is to know and love its nature. To love money is to know and love the fact that money is the product of the best powers within you, and your pass-key to trade your effort for the efforts of the very best among men. It's the person who would sell his soul for a nickel, who is the loudest in proclaiming his hatred of money - and he has good reason to hate it, too. The lovers of money are willing to work for it. They know that they deserve it. Let me give you this rule of thumb: the man who damns money has obtained it dishonorably; the man who respects it has earned it.**

### *The Only Substitute for Gold Money is the Muzzle of the Gun*

**Run for your life from anyone who tells you that money is evil. That sentence is the leper's bell of an approaching looter. So long as men live together on earth and need means to deal with one another - their only substitute, if they abandon money, is the muzzle of the gun.**

*When Coercion Is the Standard, Murderers Win over Pickpockets*

**But money demands of you the highest virtue, if you wish to make it or keep it. Men who have no courage, pride, or self-esteem, men who have no moral sense of their right to their money, and are not willing to defend it as they would defend their life, men who apologize for being rich - will not remain rich for long. They are the natural bait for swarms of looters that stay under the rocks for centuries, but come crawling out at the first smell of a man who begs to be forgiven for the guilt of owning wealth. They will hasten to relieve him of his guilt, and of his life - just as he deserves.**

**Then you see the rise of men of a double standard - men who live by force yet count on those who live by trade to create value to back their looted money - hitch-hikers of virtue. In a moral society these are criminals, and statues are written to protect you against them. But when a society establishes criminals-by-right and looters-by-law - men who use force to seize the wealth of disarmed victims - then money becomes its creator's avenger. Such looters believe it safe to rob defenseless men, once they've passed a law to disarm them. But their loot becomes the magnet for other looters who get it from them the way they've got it from you. Then the race gets under way, and the prize goes, not to the ablest at production, but to the most ruthless at brutality. When coercion is the standard, the murderer wins over the pickpocket. And then society vanishes in a spread of ruin and slaughter.**

*Money Is the Barometer of Society's Virtue*

**Do you want to know whether that day is coming? Watch money. Money is the barometer of society's virtue. When you see that trading is done not by consent but by compulsion - when you see that in order to produce you need to obtain permission from men who produce nothing - when you see that money is flowing to those who deal not in goods but in favors - when you see that men get rich more easily by graft than by work, and your laws no longer protect you against them, but protect them against you - when you see corruption being rewarded and honesty becoming a self-sacrifice - then you will know that your society is doomed. Gold is so noble a medium that it does not compete with guns and does not make terms with brutality. It will not permit a country to survive as half property, half loot.**

*Paper Money Is Mortgage on Wealth That Doesn't Exist*

**Whenever destroyers appear among men, they start by destroying gold money, for it is man's protection, and the base of a moral existence. Destroyers seize gold and leave to its owners a counterfeit pile of paper. This kills all objective standards and delivers men into the arbitrary power of an arbitrary setter of values. Gold is an objective value, an equivalent of wealth produced. Paper money is mortgage on wealth that does not exist, backed by guns aimed at those who are expected to produce. Paper money is a check drawn by legal looters upon an account which is not theirs: upon the virtue of the victims. Watch for the day when it bounces, marked: "account overdrawn".**

**When you have made evil the means of survival, do not expect men to remain good. Do not expect them to stay moral and to become fodder for the immoral. Do not expect them to produce when production is punished and looting rewarded. Do not ask who is destroying the world. You are.**

*Where Wealth Is Obtained by Conquest There Is Little to Conquer*

**You stand in the midst of the greatest achievements of the greatest productive civilization and you wonder why it's crumbling around you while you are damning its life-blood - money. Throughout man's history money was always seized by looters of one brand or another, whose names changed, but whose methods remained the same: to seize wealth by force and to keep the producers bound, demeaned, defamed, deprived of honor. That phrase about the evil of money which you mouth with such righteous recklessness, comes from a time when wealth was produced by the labor of slaves - slaves who repeated motions discovered long before by someone's mind and left unimproved for centuries. So long as production is ruled by force and wealth is obtained by conquest, there is little to conquer. Yet through all the centuries of stagnation and starvation, men exalted the looters as aristocrats of the sword, as aristocrats of birth, as aristocrats of the bureau, and despised producers as slaves, as traders, as shopkeepers - as industrialists.**

*The Country of Money*

To the glory of mankind there was, for the first and only time in history, a *country of money* - and I have no higher, more reverent tribute to pay to America, for this means: a country of reason, justice, freedom, production, achievement. For the first time man's mind and money were set free, and there were no fortunes-by-conquest but only fortunes-by-work, and instead of swordsmen and slaves there appeared the real maker of wealth, the greatest worker, the highest type of human being - the self-made man - the American industrialist.

### *The Essence of Morality*

If you ask me to name the proudest distinction of Americans, I would choose - because it contains all the others - the fact that they were the people who created the phrase "to *make* money". No other language or nation has ever used this combination of words before; men have always thought of wealth as a static quantity - to be seized, begged, inherited, shared, looted, or obtained as a favor. Americans were the first to understand that wealth must be created. The phrase "to make money" holds the essence of morality.

Yet these were words for which the Americans were denounced by the rotten cultures of the looters' continents. Now the looters' credo has brought you to regard your proudest achievements as a hallmark of shame, your prosperity as guilt, your greatest men, the industrialists, as blackguards, and your magnificent factories as the product and property of muscular labor, the labor of whip-driven slaves, no better than the pyramids of Egypt. The rotter who simpers that he sees no difference between the power of gold and the power of the whip, ought to learn the difference on his own hide - as I think he will.

### *Blood, Whips, and Guns - or Gold*

Until and unless you discover that money is the root of all good, you ask for your own destruction. When money ceases to be the tool by which men deal with one another, men become the tools of men. Blood, whips, and guns - or gold. Take your choice - there is no other - and your time is running out.

### **Corruption of the Meaning of "Making Money"**

Ayn Rand did not live to see the appalling corruption of the meaning of the phrase "making money" to include parasitic activities such as foreign exchange and bond speculation, trading options on futures, interest-rate swaps, repos, knock-in calls, knock-out puts, and so on, ad libitum. As long as gold was an active part of the monetary system, there was little opportunity for looters to fleece the public using exotic trading vehicles making up the \$100 trillion derivative monster. But soon after gold was out of the way, white-collar looters could get the upper hand and lay the foundations of the Tower of Babel of derivatives. Watch for the day when it crashes and buries the production facilities of society underneath.

Shame on those who have polluted the English language by applying honest words to dishonest activities, in order to cover up their immoral nature. Shame on those who write scholarly books glorifying the globalized paper money system, the exotic trading vehicles, and the trading of hot air in the name of progress, but for no other purpose than to fleece the savers and the producers.

The brightest mathematicians have not been able to plug morality into their equations, and never will. You have to make money completely amoral before you can put it into your equations. And this is exactly what they have done.

Differential equations are the physicists' most powerful tool to predict with precision the outcome when force is applied to a collection of lifeless particles. But they are wholly inapplicable to predict, even in approximation, the outcome when the particles have free will. You have to deprive men of their free will, by depriving gold of all of its monetary qualities, before you can apply the method of differential equations to a society of human individuals. And this is exactly what they have done.

### **Blueprint for a New Gold Coin Standard**

Making money was the highest activity of men before looters invaded the nerve-center of capitalism and abolished the gold-reserve requirement for the issuance of Federal Reserve notes in 1968. Ever since "making money" has been the lowest activity of men whereby the savers and producers are fleeced of their substance. Watch for the day when the last meaningful productive job in America is exported to China. On that day American society will become a zoo, and American citizens will be reduced to the station of animals in the cage, totally dependent on the zoo-keeper for food and shelter.

Is it still possible that Americans will find their virtue, reinvent their Country of Money, and restart their essential activity of "making money" in the sense of Ayn Rand? Yes,

provided that they open the Mint to gold, as ordained by the Constitution. In what follows we present a blueprint for the new gold coin standard for America.

### **Open the Mint to Gold!**

Fixing the price of gold in terms of the dollar is a non-starter. It would lead to endless bickering between creditors who want a low, and debtors who want a high fixed price of gold, guaranteeing failure. Luckily, *there is no compelling reason to fix the price of gold in dollars*. On the contrary, the dollar had better be left to fend for itself. The one-ounce Gold Eagle coin, already in existence, could serve as the new monetary unit. Let it soar, free of the heavy baggage of dollar-denominated debt! Let the banks, first and foremost the Federal Reserve banks among them, try to save the dollar from the ignominy of ending up in the garbage heap of history! They have totally discredited themselves as guardians of the value of the money of the people, allowing the dollar to lose 99 percent of its purchasing power during the 88 years of operations of the Federal Reserve System. Member banks should not be allowed to carry deposit accounts denominated in gold coins, lest they repeat the feat and make the value of these deposits disappear, too.

*An Act of Congress on Opening the Mint to Gold* will reestablish the constitutional right of the people to convert gold in their possession into coins of the realm. On M-Day, the Mint will be declared open to gold, and those who prefer to trade and save in terms of gold coins will, once more, be free to do so.

You may object saying that the Mint is already open to gold as shown by its production of Gold Eagle coinage, and laws are in place to allow you to make contracts in terms of gold. People have been given the choice, but they are not interested. Not so! The Gold Eagle coin program, as it exists, has been designed to throw dust into the eyes of the public. The fact is that the coins' denomination fails to be proportional to their gold content. To be sure, this idiotic provision is not the result of an oversight. It is the result of deliberate sabotage on the part of the Treasury, its own version of the "poison pill", to make these coins unfit for the purposes of a gold standard. More importantly, these coins are struck exclusively for the account of the Treasury, then promoted not as money but souvenirs. Opening the Mint to gold would mandate that the one ounce Gold Eagle coin, the monetary unit, be struck for the account of anyone tendering the correct amount and fineness of gold bullion *free of charge*. Once this is done, then - after a 70-year hiatus - the Constitutional right of the citizen to free coinage will be re-established. *The assertion that the public has been offered gold coins to trade and to make contracts in, but declined the offer, is a lie.*

### **Credit Unions: New Guardian of the Value of Money**

The banks must not be given a federal charter to carry deposit accounts denominated in Gold Eagles for reasons spelled out above. A better guardian for the value of money will be the labor organizations of the country, including organizations of the pensioners and retired people. Each of these will be invited to apply for a federal charter to establish its own Credit Union that would carry deposit accounts in Gold Eagles. An *Act of Congress on Credit Unions* will authorize the mobilization of the gold reserves owned by the Treasury for the purpose of capitalizing Credit Unions, old and new. In order to be eligible for a federal charter, the Credit Union must eschew the practice of borrowing short and lending long.

### **Bill Market and the Discount Rate**

This grass-root movement to gold coin circulation is essential to ensure that laborers be able to make their purchases with gold coins so that, in turn, they be able to get paid in gold coins. There will be no banks to extend Eagle-currency credits to productive enterprise. Such credit will, nevertheless, still be available through the bill market. An *Act of Congress on the Circulation of Bills of Exchange* will provide for the limited monetization of self-liquidating bills of exchange, drawn by the producer on his distributor, representing merchandise shipped by the former to the latter that is moving sufficiently fast to the ultimate cash-paying consumer, so that the liability will be discharged in no more than 91 days (or 13 weeks, or 3 months) out of the gold coins released by the consumer. The number 13 is not arbitrary. Thirteen weeks is the length of the seasons, marking the change in the stock of merchandise in the temperate climates such as food, fuel, clothing, recreational equipment, etc.

The Act will give the needed buoyancy to the bill of exchange so as to enable it to circulate by endorsement almost as easily as cash. The producer who gets paid for his merchandise, not in the form of gold coins but of bills accepted by distributors, will be able to use it to pay his own suppliers by endorsing the bill once more. Thus each subsequent recipient will be able to use the *same* bill in payment for his own supplies by further endorsement. Alternatively, any one of the recipients could discount the bill of exchange at the discount window of his Credit Union. Discounting means selling the bill for gold coins at a discount. The amount of discount applied to the face value is determined by the discount rate and the number of days the bill has to run to maturity. Credit Unions make a market in bills. They trade them. They will sell them to you if you want to have them as an earning asset. They will buy them back from you, and will be happy to carry them to maturity, as these instruments are their most liquid earning assets. At maturity the Credit Union collects the face value of the bill from the distributor on whom the bill was originally drawn. The point is that, by that time, the distributor will have the gold coins from the sale of merchandise to the ultimate, cash-paying consumer.

In this way the source of gold coins with which to pay labor along the production channels of the merchandise, and with which to liquidate the liability upon maturity of the bill, is secure. It is for this reason that bills of exchange are called *self-liquidating*.

The Act provides that non-self-liquidating bills such as anticipation bills, accommodation bills, etc., drawn on imaginary merchandise sent on world-wide trips in imaginary bottoms, will be denied monetary privileges. Treasury bills are self-liquidating only to the extent that the Treasury has tax revenues coming to it, during the next 91-day period, in the form of gold coins. If it has cash needs in excess of these receivables, the Treasury has no authority to issue bills but must ask Congress for fresh appropriations. A bill drawn with maturity exceeding 91 days, or one that has been rolled over for a further period, is not self-liquidating and will be denied monetary privileges, too.

### **Bond Market and the Interest Rate**

An *Act of Congress on Gold Life Insurance* will authorize the federal government to charter financial institutions for the purposes of underwriting gold life policies and gold annuities. They would be holders of gold bonds issued by the government and by companies wanting to re-capitalize in Gold Eagles. The Act will specify that these institutions may only invest in gold bonds with sinking fund protection.

The Act will authorize custom duties and excise taxes to be levied in Gold Eagles, in order to capitalize the sinking fund the government will need to stabilize the value of its gold bonds. The total outstanding gold-bonded debt of the federal government must not exceed the level that can be serviced by the sinking fund.

The interest rate on the gold-bonded debt of the government will be the lowest possible, indicating that gold is the best money available to man. The depreciation premium on gold-bonded debt is zero. Lenders know exactly what will be returned to them at the end of the loan period. By contrast, in case of debt denominated in the irredeemable dollar there is a depreciation premium incorporated in the rate of interest, representing compensation lenders demand, and receive, for the expected depreciation in the value of the monetary unit.

### **The Question of Legal Tender**

It is understood that the paper dollar will circulate side-by-side with Gold Eagle coins, at a floating exchange rate. People can discharge their debt contracted before M-Day in

either paper dollars or gold coins, at the option of the debtor. As concerning debt contracted after M-Day, provisions in the contract will apply.

Certified labor organizations will be free to bargain with the employers and sign labor contracts calling for wages to be paid either in paper dollars, or in gold coins, as decided by the membership. If the decision calls for wages to be paid in gold coins, the management of the company will immediately start drawing bills of exchange on the distributors of the products of its factories, and after a 91-day transitional period the gold coins will be available from the proceeds of bills with which wages can be paid.

Gold coin circulation is not compulsory. No legal tender laws force anyone to accept payment in the form of Gold Eagle coins. People will have the choice to demand irredeemable paper dollars in exchange for their goods and services, or in which to carry their savings, if this is what they want. But *they shall not be coerced to do so: there will be no legal tender laws to force the circulation of the irredeemable dollar*. The legal tender status of the Federal Reserve notes is withdrawn forthwith, effective on M-Day.

### **New Charter for the Federal Reserve**

The Federal Reserve banks would be given a new Charter which would automatically expire should the demand for irredeemable dollars fall below 10 percent of the total demand for money, as measured in terms of gold.

It is understood that, under the new monetary regime, there would be no central bank to regulate the stock of gold-denominated money, the discount rate, or the rate of interest. These would be regulated by unfettered markets such as the gold market, the bill market, and the bond market.

### **Not Enough Gold in the World?**

Gold is the best foundation for credit. The present monetary system has immobilized gold. In this way the world economy has been deprived of its most potent and most wholesome source of credit, gold, forced to replace it with the most unsound and most depraved kind, the irredeemable promises of devaluation-happy governments.

One often hears the argument that there is not enough gold to cement the basis of the credit structure for a dynamic world economy. This argument is not grounded in fact. There is no identifiable limit on the amount of credit that can be built on the monetary

unit defined as a certain weight and fineness of gold. Another way of expressing this is that it is the *flows* of gold, as opposed to *stocks*, that matters. It is not a question how much gold a government (or, for that matter, any entity or individual) *possesses*, but how much it can *attract*. While there is a limit on the former, there is no limit on the latter, provided that gold flows fast enough.

Presently there appears to be a scarcity of gold in the world economy. However, this is merely an optical illusion. All it shows is that monetary policy lacks credibility as governments are unable to attract gold to their coffers. Worse yet, they are forced to let large chunks of their gold reserves go for a pittance as they are engaged in a desperate effort to prop up the world's shaky payments system. The anti-gold propaganda campaign has driven an increasing part of monetary gold underground. Governments have, rather unwisely, used the remaining monetary gold in their possession for backing the issuance of paper gold, that is, gold futures, options on gold futures, and other forms of forward commitments to pay gold. The outstanding commitments are in fact so huge, and they are growing so fast that, in the opinion of the private holders of monetary gold, there is no way to make good on them in an orderly way within the time period specified. The only way to keep the trading of paper gold going is through ever larger injections of central bank gold. But it is questionable that official gold will be available indefinitely for the purpose of propping up the trade in paper gold. They won't tell you this, but central banks are conscious of the fact that their bank notes may lose purchasing power precipitously if gold reserves fall below the comfort-level of the people.

### **A New Golden Age**

The problem therefore is to mobilize the world stock of monetary gold. This is what opening the Mint to gold is all about. Private holders of monetary gold have to be convinced that governments and central banks are ready to own up to the chicanery they have been practicing for a hundred years, and are finally ready to return to the international gold standard they abandoned in 1914. In that year they stopped using bills of exchange to finance world trade; since that time imports and exports have been the business of governments subject to quotas and official credits. In that same year the Federal Reserve System was established as the engine to monetize the debt of the U.S. government. With this kind of backing the U.S. government went ahead to finance a number of world wars in the twentieth century, bankrupting the international monetary system in the process. It is time, in the interest of the savers and producers of the world, to abandon that dysfunctional and exploitative monetary regime threatening to collapse and bury the productive facilities of the world economy under the debris.

Once a credible international gold standard is in place, private holders of monetary gold will be happy to release their holdings to the bill or bond market. The world's gold stocks will be mobilized, and the world economy will be refinanced in terms of wholesome

gold-based credit. The crisis-prone financial system will be gone, replaced by the free flow of goods and capital represented by gold movements. A new Golden Age will have dawned.

America of Ayn Rand's vision, a country of reason, justice, freedom, production, achievement - *a country of money* - will emerge once more, and the regime of the irredeemable dollar will appear as a brief reactionary episode in the history of money.

## Reference

Atlas Shrugged, by Ayn Rand, New York (Random House) 1957, pp 410-415 (slightly edited, title and captions added).

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## **GOLD STANDARD UNIVERSITY**

### **SUMMER SEMESTER, 2002**

#### **Monetary Economics 101: The Real Bills Doctrine of Adam Smith**

- Lecture 1: Ayn Rand's Hymn to Money
- Lecture 2: Don't Fix the Dollar Price of Gold
- Lecture 3: Credit Unions
- Lecture 4: The Two Sources of Credit
- Lecture 5: The Second Greatest Story Ever Told, Episodes 1 - 3
- Lecture 6: The Second Greatest Story Ever Told, Episodes 4 - 6

- Lecture 7: The Second Greatest Story Ever Told, Episodes 7 - 8
- Lecture 8: The Second Greatest Story Ever Told, Episode 9
- Lecture 9: Legal Tender
- Lecture 10: The Second Greatest Story Ever Told, Episode 10
- Lecture 11: The Second Greatest Story Ever Told, Episode 11
- Lecture 12: The Second Greatest Story Ever Told, Episode 12
- Lecture 13: Borrowing Short to Lend Long and Illicit Interest Arbitrage

## **FALL SEMESTER, 2002**

**Monetary Economics 201: Gold and Interest**