

ON THE SO-CALLED NUCLEAR OPTION

Antal E. Fekete

New Austrian School of Economics

I would like to add my penny's worth of wisdom to the thoughtful article of Sr. Hugo Salinas Price entitled WHERE ARE WE TODAY? posted on the website 321 Gold on March 7, 2017.

The phrase 'nuclear option' has come to be used by webauthors to mean a hypothetical conspiracy between Russia and China to synchronize the dumping of their huge holdings of U.S. Treasury paper on the markets to the detriment and discomfiture of the United States., thus dislodging the dollar from its position as the world's only reserve currency.

Of course we must understand that the nuclear option is a double-edged sword: it can hurt also those wielding it. Russia and China could be hurt badly by the precipitously falling price of the U.S. Treasury paper.

The same reasoning must have underpinned the actions of the imbecile policy-makers in the U.S. who have, incredibly, allowed that America's adversaries accumulate her debt, thereby exposing her to blackmail and unprecedented dangers in very dangerous times, on very dangerous waters. If they did it, they must have acted in desperation as a last-ditch defense of the "esperanto dollar" (esperanto = hoping against hope).

Analysts suggest that Russia's and China's policy of open-ended gold purchases is in fact designed to hedge against such potential losses: the boomeranging fall of the value of U.S. Treasury paper in their own portfolio.

The question therefore arises naturally: just how credible is the threat of 'nuclear option'? In order to arrive at a realistic appraisal, we must recall that the governments of these countries are imbued with Communist ideology to which the gold standard is anathema.

It is true that China ostensibly encourages the Chinese people to hoard gold. However, the gold standard whereby the government promises to convert its debt into gold coin on demand is quite another matter. It is a safe assumption that the governments of Russia and China, while they may pretend to have plans to make their currencies gold-convertible, when the chips are down they would be utterly unwilling to put those plans into practice, certainly domestically and, none the less, internationally as well. We must remember that, right after the U.S., Russia and China are the world's most indebted countries.

I have stated it in my earlier writings that, while the 'nuclear option' may have been bandied about mainly for its value in bullying the United States, there is a much less well recognized nuclear option available to Russia and China which the American policymakers have missed completely, but which threaten the U.S. political, economic and military hegemony world-wide more now than at any time in history.

Herein we can also find the secret of "*the accursed Russian and Chinese hunger for gold*". The Russian and the Chinese governments are very conscious of the fact that their nuclear option consists in *opening their Mint to the unlimited coinage of gold and silver*. If they can pull it off first, before the U.S. Mint is opened to the unlimited and seigniorage-free coinage of gold and silver, then the race for

world hegemony will be settled in their favor, and the U.S. will be effectively deprived of an opportunity to redress the balance.

“He who has the gold makes the rules” – as the old adage holds. This is as true today as it has ever been. Whichever government opens its Mint first to the free and unlimited coinage of gold and silver, will attract the output of the world’s gold and silver mines to its coffers, excluding competition. The brain-dead American policymakers are too obtuse to grasp the importance of this fact.

We must realize that the U.S., the Russian and the Chinese governments have one, and only one thing which unites them in their race for world-hegemony: their putative monopoly over the stock of money thanks to the inept Keynesian teaching that governments are free to shift assets from the liability to the asset column of their balance sheet at pleasure under the regime of irredeemable currency.

This monopoly is threatened by the free and unlimited coinage of gold and silver by the public under the regime of a metallic monetary standard.

Who will start World War III -- if indeed it ever takes place? Insofar as Russia and China understand the importance of opening the Mint to gold and silver better than the U.S., they are ahead in the race for world hegemony.

Russian and Chinese war-mongers appear amateurish and puerile in comparison with their American counterparts. Russian and Chinese noises to make war sound like a faint “me too, me too” echo to American noises to make war at will whenever and wherever they want. The Russians and the Chinese are well aware of this disadvantage of theirs. War is not their turf to compete with the U.S., in spite of their demographic predominance. Obviously, they will attack where the U.S. is most vulnerable. This is the monetary field. Gold and silver are their weapons to pursue a hegemonic agenda.

They will keep up the heat with their threat to be the first to open the Mint to the free and unlimited coinage of gold and silver. Yes, it could be false-carding, and it could be bluffing of some other type. If the Trump Administration fails to realize that this is where the real challenge is, then the slogan to make America great again will remain empty, and will be exposed as such.

The only real Trump card (pun intended) America has, and the only one that Russia and China will respect and fear, *is the opening of the U.S. Mint to the free and unlimited coinage of gold and silver as mandated by the American Constitution.* Indeed, this was a most successful formula during the first two centuries of American history. Either Trump sees the truth of this in time, or his presidency will go down as the last in a sequence of dismal American presidencies that destroyed a great republic which transformed itself from a government of ‘limited and enumerated powers’ into an ‘Evil Empire’ by attempting the construction of a Babel-style Tower of Debt in defiance of the biblical admonition that God will not tolerate the impudence and conceitedness of the authors and executors of such plans. Those responsible will get their well-deserved reward, and earn the contempt of the whole world in their own good time.

March 13, 2017.