

Monetary Standards Reviewed: From Gold Standard to Gold Exchange Standard to Exchange Standard Definitely

Mario Pines

University of Trieste, Trieste, Italy

In the long run we are all wrong. An old mineral, surfacing definitely during the 19th century, always considered as a most valuable metal, since ever known over the planet Earth as gold, has become according to Keynes a barbarous relic, as supported in its value by recurring monetary functions, presently fixed, in a worldwide specific payment system, to the paper dollar, since the Bretton Woods final text. As long as a gold standard, so known in the literature since the first monetary history. According to the most relevant Hume's model, a deficit country must pay for the excess import of goods using the simple payment model flux as currency of the surplus country, or if any, according to the monetary arrangements of the gold standard system specifically adopted. In this case finally, gold should be transferred via issuing paper certificates called bills (paper money) by central banks, from the deficit entity to the surplus holders, thus reducing the money supply and the general price level in the debtor country. So adjusting its surplus balances and adding its exports and reducing imports. So automatic adjustments will rebalance the payments of the deficit country versus the surplus countries, according to the Hume's PSFM (Price specie flow mechanism). This means that according to the monetary arrangements in the gold standard system, imbalances must be either compensated on a periodical time basis, or balanced via their central banks, from the deficit country to the surplus country, thus reducing the money supply and the general price level in the former, improving its relative competitiveness, and increasing its exports as opposed to imports. This procedure will, finally, rebalance the payments of the deficit country versus the surplus country. David Hume was linked to the intrinsic metal value, the monetary function was performed fluently without strict conflict between the metal value and the transactions price by the link to the monetary metal and transaction agreed price.

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The Monetary Issues in the Last Historical Mutations

On the long run, *here we are*.

Recent major experiences, indicate the shift from historical known practices and all social political, technological evolutions, that have modified deeply the payment circuits, the technologies and connected consolidated forms of valuation and techniques in the payment systems. Economics, both micro and macro, end up in a narrow passage, as most angles have been deeply analyzed and mostly formalized through algorithms and

Mario Pines, Eminent Senior Researcher, Full Professor, DEAMS, Faculty of Economics, University of Trieste, Piazzale Europa, 1 Trieste Italy.

Correspondence concerning this article should be addressed to Mario Pines, Via Machiavelli 10, Trieste 34132, Italy.

mathematic formulations. *“For reasons which will become clearer as the book goes on, I have come to see economics as a fundamentally regressive discipline, its regressive nature disguised by increasingly sophisticated mathematics and statistics.”* (Skidelsky, 2009, p. 10).

Basically, from monetary instruments, originally representing intrinsic values, previously agreed as known by the parties in the market, the usual practicing mankind has adopted, sometimes, as monetary symbol surfaces, a notation stemming from the laws and practices in the markets without any link to concrete values. As widely explained in his historical analysis by Galbraith, the monetary profiles are mostly historical: “Whence it came, where it went” money bemuses in another way, money has been depicted as an instrument capable of infinite amplifications, often connected to historical frauds and tricks. The recent stories, mostly, recall larger growing quantities, linked to the monetary political functions, or clearing unions leading to large Nations’ barter models, or finally the recurring political monetary rolling over national debts engulfment.

“In this century the problem of getting money, though it remains considerable, has diminished. In its place has come a new uncertainty as to what money, however acquired and accumulated, will be worth.” (Galbraith, 2017, p. 3).

“The history of money teaches much or it can be made to teach much. It is, indeed, exceedingly doubtful if much that is durable can be learned about money in any other way.” (Galbraith, 2017, p. 3).

Perversely, the governor of the Bank of England, Montagu Norman, added his voice to the growing chorus clamoring for rate hike to counter stock market speculation. Norman felt that Wall Street speculation was sucking capital from around the world into the stock market, so that the gold reserves of the Bank of England were more endangered by rising stock prices than by rising interest rates.

What Norman failed to understand was that the mechanism by which rising interest rates would check stock market speculation was to trigger a deflationary downturn the severity of whose consequences Norman never imagined.

The monetary base, in modern economics, surfaces from a series of historical mistakes engulfing the market economies since the beginning of the Wealth of Nations, first industrial growth in the world economies. Markets, interlinked by clearing operating regional mechanisms, started to show the financial peculiarities as overlapping trade balances were located as saving deposits and speculative funds according to the monetary units locally utilized.

“The expressions, ‘inflation’ and ‘deflation’, scarcely known in German economic literature several years ago, are in daily use today. In spite of their inexactness, they are undoubtedly suitable for general use in public discussions of economic and political problems. But in order to understand them precisely, one must elaborate with rigid logic that fictional concept [the imaginary construction of completely stationary exchange ratios among all commodities other than money], the falsity of which is clearly recognized. Among the significant services performed by this fiction is that it enables us to distinguish and determine whether changes in exchange relationships between money and other commodities arise on the money side or the commodity side. In order to understand the changes which take place constantly on the market, this distinction is urgently needed. It is still more indispensable for judging the significance of measures proposed or adopted in the field of monetary and banking policy.” (von Mises, 2006, p. 73-76).

Recent Monetary Surfacing Issues

The period preceding the First World War is characterized by the temporarily prevalence of the United States financial market with a full gold convertibility as a free choice of world investors and free holders of financial activities in search of temporarily investments. During the month of June 1914, the likely prospective of the military activities in the Balkan area were sound to the point that the ultimatum to the Serbian Kingdom

was opening unforeseen new sceneries on the NY stock exchange market. Up to unlikely moment of the actual military hostilities menaced by the Austrian authorities, the likely opinion was that no effect would fall on the opening trading market at the moment.

Actually, as happened, after the term allowed, not having declared any decision the Serbian authorities, in term of acceptance of the Austrian clauses, in the proximity of the war scenario from everywhere in the financial world community a huge amount of sell orders from everywhere in the world start to queuing up on the NY trading markets.

Most of the orders were linked to the resolution to by the gold still available on that floor. The only left solution for the authorities, even in absence of the Federal Reserve, not yet established, was to close the market and so, up to December no operation was possible in most of the financial markets. Actually clearing device in the year 1914, the gold monetary base was temporarily suspended and the gold standard as well interrupted immediately.

The period between the two World Wars, 1919-1940, is characterized by the research of a clearing device in a confused scenery after the Genoa 1922 spring international Conference, where Ralph Hawtrey first and Gustav Cassel later, designed the new ambitious resolution to a general return to the gold standard, with the pre-war operating values. These were the resolutions of the Conference signed by all the member state, representing most of the participating world countries.

The monetary policy, between the two World Wars, is characterized by the efforts to return, therefore, to the gold standard monetary system, which was impeded by the following President Roosevelt New Deal policies and Unions' revolts and the big depression in the thirties with social unrests.

President Roosevelt gold confiscation United States (1933): President Roosevelt banned private gold reserves and forced citizens to sell their gold to the government at a fixed price. The goal was to stabilize the banking system and revive the economy.

- France (1936): Similar measures were taken in France to deal with financial difficulties. Italy (Mussolini era), Germany (Nazi era), South Korea (1977), India (contemporary period): Other countries have also imposed restrictions on the possession of gold for various reasons.

- Confiscation, on July 1914 all trading order delayed to December same year, on the fifth April 1933 of all the gold hoarded in the USA under imprisonment and fine sanctions, monetary base expansion and rising of stock prices.

- 1944, Bretton Woods agreements creation of the IMF with compulsory gold delivering to Fort Nox USA, to build up the monetary conversion on the international paying system through the basic universal dollar conversion as an exchange common base, gold—exchange monetary universal base.

- 15th August 1971 temporarily suspension of the gold base for each single adhering State, actually never reconsidered.

- Potential collapse of the clearing supporting role of the dollar, previously a universal monetary basis, with relevant cases in the history of golden backed monetary systems.

Historical Situations Previously Occurred

From the wealth of nations, recalling the Smith's model, to the new competing Eastern production schemes, all the previously verified models have turned unsatisfactory and dangerously competitive on a single market.

In the present situation, there is no monetary solution not yet considered, neither no reliable solution to the

stemming overpopulation demographic chaos and to the unpredictable economic model to consider as suitable solution.

Actually, apart from the historical huge continental efforts to run a planned economy, an open competitive multi outsourcing suppliers system, in a free competitive open market model, there are no left known solution to the harsh competitive struggle developing on a multilayer prospective.

The Hume price-specie flow-mechanism (PSFM) is a model developed by the Scottish economist David Hume (1711-1776) to illustrate how national trade imbalances would always self-correct and adjust, in the gold standard system. Hume detailed his argument in his article *of the Balance of Trade*, which he wrote to balance the Mercantilist idea that a nation should aim for a positive balance of trade (i.e., greater exports than imports). In short, the “increase in domestic prices, due to the gold inflow, would discourage exports and encourage national imports of foreign merchandises, thus automatically containing the amount by which cheaper exports would exceed imports”. The inflating effect of the gold base, indeed, induces greater imports of foreign goods, now cheaper merchandise, and less exports, of national more expensive goods; the opposite in the case of prevailing imports over cheaper exports. A spontaneous mechanism of self-adjusting recurring not balancing trade differences.

1914 the Stock Markets Closures

In the month of July 1914, at the eve of the First World War, a first concurring international bankers confer on war prevail in New York and the decision ratified by most relevant American bankers, gathered in the offices of J. P. Morgan & Co. pose the problem of markets instability, in a chaotic financial prospective. It was at the behest of the late J. P. Morgan that similar meetings were held in the Morgan home during the 1907 crisis. The conference was attended by the Henry P. Davison of the Morgan firm, A. Barton Hepburn of the Chase National Bank, Francis L. Hine of the First National Bank, Benjamin Strong Jr. of the Bankers Trust Co., Charles H. Sabin of the Guaranty Trust Co., Henry G. S. Noble chairman of the N.Y. Stock Exchange, W. C. Van Antwerp of the board of Governors of the Exchange. The resolution taken is the “Closing of the Stock Exchange Not Necessary, Meeting at Morgan Offices Decides” as published on the New York Times on the 31 July 1914 in an article title bankers confer on War.

The meeting was necessary since the Federal Reserve final system was jet to be developed by the Jekyll Island Commission, which will close its final report in December 1914.

“By 1913, the year that the Federal Reserve Act was passed, a subcommittee of the House Committee on Currency and Banking completed its investigation into the concentration of financial power in the United States. The report was devastating: the men who through their control over the funds of our railroad and industrial companies were able to direct where those funds were kept, were the ones who were in a position to tap those reservoirs for their ventures.” (Media, 2022, p. 3-4).

“On the same newspaper, Saturday the first August 1914, the Cubital title on the front page appears as “Governors Close the Stock Exchange”. Actually, most of the article refers to the general closing of the stocks trading, worldwide, and locally as long as the Federal Reserve is not operating pending the Jekyll Island Commission, working on the U.S. central bank incorporation as a Federal States Joint Entity within the 12 States hosting local Central Banks. Congress enacted the Aldrich-Vreeland Act, which provided for an emergency currency and established the National Monetary Commission to study banking and currency reform.” (Media, 2022, p. 3).

As the gold standard in its primordial values and mechanism was supposed to surface and exist, after the military operation in the First World War and was actually restored in Germany, England, France and most of the developed Countries, the goal of the prewar values and patterns were not able to balance the quantities and

values as existing in the year 1914 and most of the monetary system were doomed to the general collapse as it happened in the great depression of the twenties, thirties connected to the unrealistic targets.

The monetary expansion of the twenties and the gold standard limiting constraints, brought both the huge market values and the October 1929 collapse, which most of the economist in the arena, misunderstood and wrongly interpreted, John Maynard Keynes himself, with many scientists loose most of their savings. Same story happened after the *subprime crisis* in the 2008.

“To put it bluntly, the Nobel prize winners had known plenty of mathematics, but not enough history. They had understood the beautiful theory of Planet Finance, but overlooked the messy past of Planet Earth. And that, put very simply, was why Long-Term Capital Management ended up being Short-Term Capital Mismanagement.” (Ferguson, 2016, p. 330).

The Great Depression was anticipated by Ralph Hawtrey and Gustav Cassel in the early 1920 years independently, suggesting that the deflation likely to develop out of lines with the effort to return to the gold standard, without the great international demand for gold, would be wisely contained. Their suggestion was ignored and deliberately what has been happening recently after the mismanagement of the US public debt and the gold price expanding on the markets, without being possible to activate any defense.

Actually recovering the gold standard, as well more the new gold *exchange* standard, after the Bretton Woods July 1944 dictated agreement, seems very difficult or perhaps likely impossible to pursue, because of the huge amount of time passed without any auditing of the FED financials.

Hawtrey and Cassel cautionary advice, stemming from the Genoa international monetary conference of the 1922, was to restrain the monetary demand for gold, actually indicating the *gold exchange standard*, under which all countries would forego gold coinage and most would hold their monetary reserve, not in gold but in foreign exchange convertible into gold i.e., dollars and after the restoration of its convertibility into gold, or sterling.

The actual return to gold is proclaimed, as an increasing number of countries followed Germany (1924) and Britain (1925) back on the gold standard, and especially when France, having stabilized the franc in 1926, enacted legislation in 1928, requiring 40 percent cover on the note issues of the Bank of France and mandating the holding of all legally required reserves in gold, rather than foreign exchange, the international monetary demand for gold began to increase sharply in 1928.

Actually, the United States were entering an arbitrary standard, while most of the Countries were entering an arbitrary dollar standard, ratified in Bretton Woods by the efforts of Dexter White in the night eve of the Departure of the Commission, handing for the signature a pure list of dots, with a long night editing work made by the specific Commission.

Without question, Harry Dexter White was one of the two great intellectual founders of the IMF and the World Bank. As the chief international economist at the U.S. Treasury in 1942-1944, he drafted the U.S. blueprint for the IMF that competed with the plan drafted for the British Treasury by Keynes. The final compromise adopted at Bretton Woods, New Hampshire in July 1944 retained much of the flavor of the White Plan: it defined the IMF not as a world central bank but as a promoter of economic growth through international trade and financial stability. When the IMF began operations in 1946, President Harry S. Truman named White as its first U.S. Executive Director. Since no Deputy Managing Director post had yet been created, White served occasionally as Acting Managing Director and generally played a highly influential role during the IMF's first year. His health deteriorated, however, and he resigned in March 1947 and died of heart failure the following year.

“On the eve of the First World War, the ratio of Britain debt to gross domestic product was a mere 29 percent, by the

end of the Second World War it had soared to 240 percent. A nation that had in the 1920s controlled a quarter of the earth's territory and its population was, in Keynes words, facing a "financial Dunkirk". The story of the Faustian bargain Britain struck with the United States in order to survive, the war would become an essential element in the Bretton Woods drama." (Steil, 2013 p. 2).

1922 the Genoa Conference

At the end of the First World War, the general monetary situation is affected by a new evolving trend, inspired by most of the temporarily solution surfacing in the new desolated war consequences.

The new financial, social, economic scenery reflects the war tragic consequences, predicted by Keynes in his most famous book "*The Economic Consequences of the Peace*" where he practically foresee the potential resurgence of the defeated Germany in an endless tension between France and Germany in the confused ethnical border's zones, and new in the general conflicting ideologies with the Soviet revolution affecting a large size of the European households. (Keynes, 1995).

The Conference is guided for the economic financial profile by the theories of Ralf Hawtrey and Gustav Cassel, who designed the return to the pre-war Gold Standard as a reinstalment of the international payment system, operating in the decades preceding the July 1914 war interruption and the policy orientation of the English Currency School. Most notably these included Ludwig von Mises, Friedrich Hayek, Gottfried Haberler, and Fritz Machlup, as well as a young English theorist, Lionel Robbins. The Austrians (e.g. Hayek) criticized Hawtrey and Cassel for having advocated a managed gold standard rather than the orthodox version. According to the Austrians, by not forcing domestic money supplies to contract as gold was exported, a managed gold standard would necessarily imply an unsustainable excess of investment over voluntary savings, which, in their view, would cause, first, an investment boom and then, once banks were forced by an external drain to raise interest rates and contract lending, by a collapse.

In Italy the effort started in April 1927, when after the developing the phantomatic "level 90" the lira was being convertible to gold, the option lasted just some months. The conversion efforts and the necessary deflating policies required, especially in France and England, induced likely one of the major causes that history remembers in the 1929 depression worldwide grounds and in the general consequent depression of the thirties, with the huge rate of bankruptcy, unemployment and the consequent economic oriented public policies towards the deficit spending and the expansive public policies.

1928 the Wall Street Debacle

Herbert Clark Hoover (August 10, 1874 to October 20, 1964) was the 31st president of the United States, serving from 1929 to 1933. A wealthy mining engineer before his presidency, Hoover led the wartime Commission for Relief in Belgium and was the director of the U.S. Food Administration, followed by post-war relief of Europe. As a member of the Republican Party, he served as the third United States secretary of commerce from 1921 to 1928 before being elected president in 1928. His presidency was dominated by the Great Depression, and his policies and methods to combat it were seen as lackluster. Amid his unpopularity, he decisively lost reelection to Franklin D. Roosevelt in 1932.

Born to a Quaker family in West Branch, Iowa, Hoover grew up in Oregon. He was one of the first graduates of the new Stanford University in 1895. Hoover took a position with a London-based mining company working in Australia and China. He rapidly became a wealthy mining engineer. In 1914, the outbreak of World War I, he organized and headed the Commission for Relief in Belgium, an international relief organization that provided

food to occupied Belgium. When the U.S. entered the war in 1917, President Woodrow Wilson appointed Hoover to lead the Food Administration program. He became famous as his country's "food dictator". After the war, Hoover led the American Relief Administration, which provided food to the starving millions in Central and Eastern Europe, especially Russia. His wartime service made him a favorite of many progressives, and he unsuccessfully sought the Republican nomination in the 1920 United States presidential election.

The deflation induced from the gold conversion, on same pre-war standards, considering the relation monetary—volume, related to the gold base than existing, explains in very simple terms the huge stock exchange prices and volumes growth, main cause to the October 1929 single historical collapse on the quotation on the N.Y. Stock Exchange, resulting in the consequent huge losses of most of the operators, as experts involved in their fable previous success. The same will happen in the year 2008, when the subprime market collapse showed the inconsistency of pure monetary indications, without sound real basis.

Till the dump of the gold standard, the dollar coverage at 35 dollars an oz., based on a fixed exchange rate, performed an indirect paper money (dollar standard) parallel standard.

Since the 1907 financial crisis, the urgency of artificial money and the value of the monetary titles, were an assumed issue. The US Congress had passed the Emergency Currency Act, Aldrich-Vreeland Act, signed into law May 30, 1908, the facts will surprise most of the professional experts acting on the floor.

The New Deal in the twenties didn't succeed to stop the economy collapse, and the deflation stemming out of the gold exchange rediscovery, was at the basis of the huge crisis running into the Second World War.

Although Hawtrey and Cassel gave the earliest and most complete theoretical accounts of the deflationary dangers in restoring the gold standard, the underlying analysis was broadly shared by other leading monetary theorists of the time. Keynes, in his "*A Treatise on Money: The Pure Theory of Money*", argued that restoring the gold standard was probably deflationary in the short run, but largely inflationary in the long run. (Keynes, 1930).

What accounts for the neglect of the Hawtrey-Cassel explanation of the Depression? One obvious answer is that their work was simply forgotten in the universal approval of the Keynesian Revolution. But the General Theory was not published until 1936. By then the Hawtrey-Cassel explanation of the Great Depression had clearly failed to gain widespread acceptance. Perhaps the disregard of the Hawtrey-Cassel explanation was attributable to a presumption at the time (a presumption very much in evidence, we hardly need to observe, since the financial crisis of 2008) that the low nominal interest rates following the 1929 crash demonstrated the impotence of monetary policy. Indeed, such was the view not just of Keynes, but of his chief theoretical adversary in the early 1930s, F. A. Hayek, who, while blaming the crash on an easy money policy before 1929, denied or at least seemed to deny that easy money could promote a recovery from the crash. Moreover, the mystery of why the Hawtrey-Cassel explanation of the Depression was forgotten after the Keynesian Revolution is complex when one considers that Milton Friedman, in his largely successful campaign to establish a monetary alternative to Keynesian macro theory, gained a large testimonial.

1934 the Gold Confiscation

The following gold confiscation, of the year 1933, President Roosevelt era, during all the '20s, tragically ended in the New Deal and all the set nationalistic frameworks and duties, led to the final war conflagration. The circumstance is clear depicted in Hawtrey-Cassel explanation of the financial turbulences linked to the common solution that made R. Batchelder and D. Glasner formulate the secular questions "*What Ever Happened to Hawtrey and Cassel*" just at the end of the fifth huge financial and monetary turbulence, after the 1971 summer

decision of President Nixon in Camp David to abandon the gold standard. (Batchelder, & Glasner, 2013).

Suddenly on April 5, 1933, FDR told Americans—in the form of Executive Order 6102—that they had less than a month to hand over their gold coins, bullion and gold certificates or face up to ten years in prison or a fine of \$10,000, or both. After May 1, private ownership and possession of these things would be as illegal as “*Demon Rum*”. After Prohibition was repealed later the same year, the sober man with gold in his pocket was the criminal while the staggering drunk was no more than a nuisance.

Hoarding gold was preventing recovery from the Great Depression, FDR declared. Government (which caused the Depression in the first place) had no choice, if you can follow the logic, but to seize the gold and do the hoarding itself. But of course, the big difference was this: In the hands of the government, huge new gold supplies could be used by the Federal Reserve as the basis for expanding the paper money supply. The President who had promised a 25 percent *reduction* in federal spending during his 1932 campaign, could now *double* spending in his first term.

What evidence suggested Americans were “hoarding” gold? Roosevelt pointed to a run on banks that immediately preceded his April 5 seizure decree. Indeed, people were showing up at tellers’ windows with paper dollars demanding the gold that the paper notes undoubtedly promised. But Roosevelt had prompted the bank run himself!

The Executive Order 6102 is an executive order signed on April 5, 1933, by US President Franklin D. Roosevelt forbidding “the hoarding of gold coin, gold bullion, and gold certificates within the continental United States”. The executive order was made under the authority of the Trading with the Enemy Act of 1917, as amended by the Emergency Banking Relief Act in March 1933.

1944 Finally Bretton Woods

It is understandable how, in New Hampshire at Bretton Woods in 1944, at the end of the Second World War, John Maynard Keynes fiercely opposed the return to any gold standard, classified as a “barbaric legacy”, with the fixing of any value of the currency adopted and proposed the complex mechanism of the International Monetary Fund with the establishment of the IMF International Monetary Fund and the World Bank were designed in July 1944 at the same convention in the United States (in Bretton Woods, New Hampshire) when was established a framework for economic cooperation aimed at creating a more stable and prosperous global economy .

The mistakes made at the Paris Peace Conference, after the WW1, induced J. Maynard Keynes, then a British Treasury attaché, to leave the Conference and in 1920 write the essay “*The Economic Consequences of the Peace*”. (Keynes, 1995).

“The now inevitable return to the Gold Standard took place on April 29. It was a bitter disappointment for Keynes, the triumph of an unreasonable prejudice.” (Harrod, 1965, p. 419).

Ludwig von Mises, in “*Theorie des Geldes und der Umlaufmittel*”, recognizes to Bernardino Davanzati, author in the Florentine sixteenth century of the essay: “*Lezioni delle monete*”, in Scrittori classici italiani di economia politica, Stamperia De Stefani, Milan, 1804, the primogeniture of the first monetary theory and the correlation link between the quantity of money, prices and the economic activity. (von Mises, 1912).

In Consequence of Peace, John Maynard Keynes had sensed the tragic mistake that Hawtrey’s then-prevailing thesis, at the 1922 Genoa Conference had induced and, when it was his choice, pushed in Bretton

Woods the opposite direction, which choice led to the Gold Exchange Standard, in vogue until its formal temporarily repudiation in August 1971 by President Nixon Richard, in a message to Undersecretary of the Treasury John Connally introducing the dollar classification as a monetary standard which have indicated as a “*Temporarily Solution*”.

“The next morning, 9:30 a.m. on Friday July 14, Morgenthau began a meeting of the full American team by reporting cheerily that White had “worked up until three o’clock this morning with the Drafting Committee on the Fund and he feels [the text] is in excellent shape. Morgenthau had no idea what exactly that meant, and likely no interest. But among the achievements of the committee, composed entirely of White’s technicians, was strategically replacing “gold” with “gold and U.S. dollars” through the 96-page Final Act. White never submitted the changes for consideration in Commission I, yet they would become an important part of the IMF Articles of Agreement. Keynes would only discover them after his departure from Bretton Woods.” (Steil, 2013, p. 275).

1971 Camp David Last Nixon (15, August - ‘71)

In the absence of the gold standard, there is no way to protect savings from confiscation through inflation. There is no safe store of value. If there were, the government would have to make its holding illegal, as was done in the case of gold. If everyone decided, for example, to convert all his bank deposits to silver or copper or any other good and thereafter declined to accept checks as payment for goods, bank deposits would lose their purchasing power and government-created bank credit would be worthless as a claim on goods. The financial policy of the welfare state often requires that there be no way for the owners of wealth to protect themselves.

This is the shabby secret of the welfare statist’s tirades against gold. Deficit spending is actually a scheme for the confiscation of wealth. Gold stands in the way of this insidious process. It stands as a protector of property rights. If one grasps this, one has no difficulty in understanding the statist’s antagonism toward the gold standard.

It is impossible to be sure that a decision in August 1914 to banks suspend gold releasing, even with the purpose of subsequently resuming them, would not have given to at least our immediately subsequent financial history a very different turn from that which it actually took

“Most of the financial and political consequences of the Great European War—the widespread abandonment of the gold standard, the attitude of labor, the disintegration of the Austro-Hungarian Empire, the capture of Russia by Communist dictators, the sweeping of Germany into a maelstrom of currency depreciation beyond all experience of previous economic history—were changes no more unpredicted and no more epoch-making than those which had followed such other conflicts of the past as the Thirty Years’ War or the campaigns of Frederick and Napoleon.” (Noyes, 1926, p. 21).

The accumulation of debt during economic expansions can set the stage for a severe economic downturn when the cycle turns, as borrowers face difficulties in servicing their debt obligations during a contraction.

“We used to think you could spend your way out of a recession and increase employment by cutting taxes and boosting spending. I tell you in all candour that this option no longer exists.....” (Callaghan, 1976).

From Gold Standards, to the Exchange Standards

The evolution of monetary standards—from the gold standard to gold exchange standard and ultimately to modern exchange standards—reflect a complex interplay of historical events, market dynamics, and economic theories. The changes in monetary arrangements have had profound effects on global trade, central banking, and economic stability. The demographic issue is now the prevailing determinant in the global system which has affected the modern history.

There are no alternatives to a serious reconsideration of mankind community in a progressive confused

enlarging small world. The choice must be the compatible one in alternatives mostly experienced with small success in our confused communities.

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