

Gold bugs in Tampa and you thought Palmetto bugs were bad

Written by Bruce Enberg
Saturday, 25 August 2012 21:48

One plank of the Republican platform to be presented in Tampa is a demand for a return to the gold standard. This little bit of crazy is apparently intended to placate the Libertarian delegates that support Ron Paul. I've heard that they actually have enough votes to keep Romney from being nominated. This would explain them moving the official nomination from the traditional Wednesday session to Monday.

You know something is up because the habitual liars didn't use the excuse of the Wrath of God bearing down on Tampa for the sudden change, but claim it was always the schedule. (it has always been done this way, and we've always been at war with East Vagina)

Some history on gold. The US has issued paper money since the Revolution. For a time prior to the Civil War paper money was backed either with gold or silver, although private banks issued their own paper money up until the FDIC was created in 1933. Lincoln issued Green Backs (not backed by gold) to bypass the bankers whom he considered a worse enemy than the rebels.

FDR banned the private holding of gold by US citizens without a permit, except for US coins, but the banks were required to turn in any gold coins they acquired. Most of those gold coins still exist, they didn't melt them down (don't fall for the ads that claim they're rare). The US used them to pay foreign claims for gold, so they mostly sit in various government vaults overseas.

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The Bretton Woods Treaty of 1944 established a gold standard for the USD in foreign exchange. Nixon took us off that standard in 1972 since he had run up a considerable trade imbalance during the Vietnam War. With peak oil about to hit US production, the fear was that there would be a run on US gold stocks by large USD holders anticipating runaway oil prices. It's my recollection that Nixon signed the order to head off a British demand for gold literally the next day.

The total value of all gold in existence at today's price is about \$10 trillion. This is based on a price of about \$61 million a ton, and the US has 8133.5 tons or less than \$500 billion worth. You can see the basic problem with a gold standard, and why the gold bugs like to keep talking up the idea of going to a gold standard. There is a bit over a trillion paper dollars in circulation currently. That would more than double the price of gold right there. However a tiny fraction of commerce is done in paper money. What do you do when somebody who has \$2 trillion in digital money wants to get paid in gold? Gold bugs like to talk about gold being \$8000/ounce. I think the real number would simply be too ridiculous for them to say out loud.

Fiat currency is not what you use to buy a Chrysler. It's simply paper money. Anymore it's largely issued by central banks as debt loaned to banks owned by rich guys who in turn loan to us peasants. The Federal Reserve is not Federal and has no reserves. It's just rich bankers making themselves richer. It's the only thing that I agree with Ron Paul about. The Treasury Dept should simply take it over and run it transparently. In fact all banks should be credit unions, state run (like North Dakota) or Federal for the really, really big stuff. Regulating them doesn't work, they still make too much money and eventually concentrate too much power.

The Fed has also been issuing money by buying debt on the market known as Quantitative Easing (QE1 and QE2). According to the recent Fed meeting minutes, it seem likely they will do another round of this soon, probably by buying securitized home mortgage debt in September. This will set the Republicans hair on fire, with them screaming about the Fed fixing the election

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for Obama. As if they could beat him without massive election fraud and voter suppression. Okay so maybe they can beat Obama, since they are doing those things. Still, it's about as likely as a return to the Gold Standard.

By the way, the reference to "Full Faith and Credit" in the Constitution doesn't refer to money or government debt, but to a requirement that the states to honor each others laws, contracts, marriages, title deeds and such.

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