

The %Gold-Is-Money+Trap

Money is an essential component of a stable, durable civilization. Without a proper monetary system in place, a civilization will eventually collapse- it is that important. Money is not the only essential component to a working civilization. There are six others. See the Civilization Engineering Glossary at <http://www.civilizationengineering.com/glossary/> for a list of the essential components of a stable, durable civilization. But without a correct system of money- which mankind has never had in all of history- the civilization will simply not function correctly and will eventually self-destruct- there can be no exceptions.

Worldwide today, there is no country that has a proper monetary system in place and hence we are experiencing worldwide financial chaos with much more to come. In the West we are seeing the destruction of the US Dollar which has been the world's standard currency since at least WW II.

All keen observers of this tenuous scene are sounding the alarm and warning everyone to get away from the US Dollar and into something that will, hopefully, survive the destruction of the Dollar. Most of these observers are advising a flight to gold and or silver. With this I agree: gold and silver are without doubt the best harbor in this coming financial storm. Where I disagree with all the keen observers is where they proclaim that only gold and or silver can be money. Gold and silver ontologically cannot be money and this is the basis of the trap. It was E. C. Riegel who opened my eyes to this profound truth that neither gold nor silver can be money. Please see my article and tribute to Riegel on the Civilization Engineering website:

<http://www.civilizationengineering.com/Money%20Series%20Riegel.pdf>

Any commodity- gold, silver or whatever- has inherent problems serving as money since it is, and always will be, first and foremost, a commodity. This inherent fact is what the Gold-Is-Money advocates believe to be the premier virtue of commodity-backed money. %They just cannot turn on the printing press and create real wealth such as gold.+ We have all read this a thousand times and it is a half-truth at best. It is true you cannot print gold the way you can print paper dollar bills. It is not true that having a gold-backed currency is the solution to this problem created by expanding the monetary system arbitrarily. But if you believe that only a gold-backed currency is the solution, then you will fall into the coming trap that is presently being woven all around you. The purpose of this article is to hopefully raise enough doubt in the reader's mind that the Gold-Is-Money

idea is not the panacea he thinks it is, and thus save him from falling into this trap which is presently being set for all the Gold-Is-Money advocates.

I can only state here the three major Parameters that have to be in place for a true monetary system to function correctly. I will develop these three Parameters fully in future articles. A paper-based monetary system is the only true monetary system· see the Riegel paper cited above.

For a monetary system to perform correctly these Parameters need to be in place:

1. The monetary unit must not be tied to a commodity
2. The total quantity of monetary units in the system must be fixed to a set, constant number of units per participant in the system
3. The distribution of the money-creating power must be as widely distributed as possible

The first objection to a commodity-backed monetary system is that the commodity is always a commodity subject to the vagaries of supply and demand of the commodity-as-commodity. Compounding the fluctuations of the commodity's market price as a commodity are the fluctuations of the commodity-as-money. The close student of monetary history can see this dynamic especially in the long-running tug-of-war trying to determine the correct ratio between the price of gold and the price of silver. Here we have two commodities which always behave as commodities which have been pressed into service as monetary units and thus subjected to another supply and demand dynamic based on the supply and demand for money which is distinct from the supply and demand for the commodities as commodities. I would love to offer up much more on this point, but I need to get to my main thesis on the trap, hence I must just say: more to follow.

Future articles on the Civilization Engineering website will develop the case for Parameters 2 and 3 above: fix the quantity of money in the system per capita and hold it there; and distribute the money-creation power as widely as possible. Again, please see the Riegel article mentioned above for more on all three of these Parameters.

What the Gold-Is-Money advocates do not understand is that what must be done to get a gold-backed system to work correctly is exactly the same as what must be done for a paper-backed system to work correctly· namely get Parameters 2 and 3 above in place and hold them in place. How to do this required a complete rethinking of the basic institutions of civilization on my part to arrive at the separation of Community and Government which

evolved into Civilization Engineering. Please see the Civilization Engineering Glossary for precise definitions of the terms Community and Government:

http://www.civilizationengineering.com/Glossary_Aug_2012.pdf

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The current dollar system is being destroyed by excessive printing/creating new monetary units into the system. This problem is further compounded by the fact that the recipients of the new money are the crony banks who are off-loading their bad debt to the Federal Reserve. The banks are then buying US Treasury paper and thus the Federal Government has lots of fresh money to keep its largess going. This will likely go on until the dollar is totally worthless and rejected by the marketplace- a rejection that appears to have started in earnest.

At the moment of failure, one or perhaps two new monetary systems will be trotted out by the Global Power Elite. One could be a new world currency based on paper/electronics with all the central banks enthusiastically participating and declaring in unison that the new currency will solve all the currency problems here to date. Those who believe that only gold can be money will not be persuaded and will reject the new currency out-of-hand. If these only-gold-can-be-money types are in a small minority, they will be left behind while the world plunges into another paper-based rip-off.

The other possibility is that a gold-backed currency will be announced by the Global Power Elites and their central banks with some tepid apology that they have learned from the profligate ways of their client states and now they wish to step in and take command and to run things on a sound basis: meaning a gold-backed currency.+ This will be the trap.

The Internet is buzzing with stories of massive amounts of state gold disappearing, no accounting being done and where in the hell is all the gold?+ My guess is that the central banks are accumulating all this missing gold for the day when they can say with a straight face they have the gold necessary to back a new currency. The Gold-Is-Money-crowd will jump for joy and believe they have gained a victory for freedom and justice. But it will not be a victory of any sort. Because they do not understand the requirement that Parameters 2 and 3 above be firmly in place for any monetary system, paper or gold, they will be caught in the trap. The trap is thinking that a gold-backed currency is the end-all and the system is

correct when gold-backing is in place and being oblivious to the real need for Parameters 2 and 3 to be in place- which, guaranteed will not be part of the new system offered, paper- or gold-backed.

It is the total quantity of money in the system (Parameter 2) and who gets to create it (Parameter 3) that matter most of all. The Global Power Elite will have total control over both of these Parameters as they have had for a very long time and thus we are back to the situation we have now and have had for at least the last 250 years.

What either a paper-based system or a gold-backed system need in order to work correctly (Parameters 2 and 3) will not be built into either system and the Gold-Is-Money-crowd will not see it since these critical Parameters are not even in their consciousness. They assume, incorrectly, that as long as the money is gold, all is well.

The Gold-Is-Money advocates are making the same mistakes the users of BitCoin are making. No one understands Money, Community and Government well enough to know how to shop for a monetary system. The Gold-Is-Money advocates think they have the subject of money completely understood and thus when a gold-backed monetary system is offered-up, they will buy in thinking their problem has been solved.

If various points raised in this article do not press your button, then in all probability, you are one of those who are married to- or should I say welded to- the idea that money must be gold and or silver. It is you who are about to fall into the trap set for you by the Global Power Elite. You have been warned.

If my claims have not been persuasive, I hope that they have at least raised a doubt in the minds of the believers of Gold-Is-Money. Let me leave you with a question: if gold is the only true money, where is the monetary system based on it? Andrew Galambos made many keen observations in his lecturing. One he called Positive History. It is a very simple idea/observation and yet no one else seems to have gotten to it. Galambos observed that all good things survive through history and the bad things just go away. As an example, he predicted that in 1000 years every school boy will know the name of Euclid and that it will take a major research effort on the part of a professional historian to find the name of Adolph Hitler. Only those things that forward our progress by giving us

something useful survive and those things that do not give us something of value wither away. If the electrical grid should go down today, we would have it back later today or at the latest tomorrow. If a gold-based system were truly essential, it would have been in place centuries ago and never to go away. But this is not the case. The reason is that a gold-based system does not pass the Positive History test. It is missing something. What it is missing are the Parameters 2 and 3 above.

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