Gold

Man has used many things as money including metals, tobacco, shells and hides. They all present problems. Some deteriorate, some are too fixed in amount to keep track of the mass of goods, some are easy to clip. Our most recent invention is paper money which is intrinsically worthless. It is fiat money — some authority decides how much it is worth. Well, that is no longer true. Traders around the world decide how much each currency is worth.

Paper money and not gold is the ideal currency. Not being an economist I will not even try to argue the point scientifically (if economics can be considered a science). I will argue the point philosophically.

Man should be, and is, responsible for his destiny. Believing in Gold in monetary affairs is the same as believing in God in spiritual affair. When a believer says: "God will provide" he is avoiding Man's responsibility to Man. In India, these people consider it an honor to be beggars. In the Christian faith there are also many monkish sects dedicated to piety and poverty. But mainstream Man looks to build and protect his future. Proof is in insurance, social laws, Social Security, retirement accounts, IRAs and, supremely, in the Stock Market. All are used to build a secure future. The units used to measure this security is currency, preferably legal tender. In other words, Dollars.

For a few centuries the gold standard was the universal practice. With the evolution of our modern global economy, there is not enough gold available in the world to exchange it for the total supply of goods. Even banking's ability to multiply money in the absence of extra gold is not enough to cover the total supply of goods. Not only that, the supply of goods fluctuates but the supply of gold is fixed. If you think that mining and recycling can solve the problem, consider the problem of keeping the two supplies in lock step. Finally, you could argue that banking, with its ability to create and destroy money, can keep the two supplies in lock step.

I believe that the fundamental reasons for choosing the gold standard are gold's nobility and scarcity. Man cannot, on a whim, or on a lack of funds in the Treasury, create more gold. With gold as the backing, money is rock solid. Is it? In the above paragraph we agreed that mining, recycling and banking can keep the two supplies in lock step. But mining, recycling and banking are subject to the whims of Man. Gold itself is only a small component of gold standard money. The stability of the gold standard money is an illusion. History tells us that when wars break out the gold standard is temporarily suspended. Again, Man's whim sidesteps the discipline of the gold standard.

We might as well get rid of this myth and its accompanying difficulties of storage, weighing, mining and recycling. The good news is that with Telecosm we don't even have to trust politicians or central bankers to keep our currency correctly valued. Traders do it for free continuously. Not with monthly or quarterly meetings that create torrents of ink or of internet...

The main difference between Capitalism and directed economies (Communism, Socialism, Populism, Dirigisme, etc.) is that in Capitalism we all take part in the decision making process while in the other systems a certain Elite does it for us. But Capitalism works while the others do not. If moving decision making from the Elite to the masses makes for a better system, why should we not move the decision making about the worth of currency from the Elite of politicians and Central bankers to the masses of traders?

To sum up, first of all, Man should take responsibility for his currency and not have to trust a God like metal called Gold; second, with traders and telecosm Man also frees himself from the shackles of politicians and central bankers.

Denny