

## Taking Stock: Gold standard is no gold standard

by *Malcolm\_Berko*

Dear Mr. Berko: I'm concerned about our huge national debt and the Social Security trust fund. I think our debt is going to Hades in a handbasket and at my tender age of 46 I think the money in the Social Security trust fund will be gone when I'm ready to collect in 22 years. Do you remember professor Arthur Laffer who wants us to go on the gold standard, which he believes (and still does) will cure our national debt, our Social Security shortfall and put the U.S. back on the road to prosperity? A gold standard makes sure that anybody with U.S. currency could redeem their paper dollars for gold and if that's the case than the government could not print more money that they have in the vaults in Fort Knox. This seems so simple to me. We have more gold than any country in the world has so we'd be the richest nation in the world. Why won't we do it?

E.M.

Bend, Ore.

Dear E.M.: Gold is as much a cure for the monetary and fiscal problems of this country as would a cherry pie (with the pits removed) cure the measles. There are a lot of gold bugs out there who fervently believe that the gold standard would control interest rates, inflation, employment, lower taxes, reduce high oil prices, eliminate our balance of payments and as you believe our Social Security crisis plus our enormous \$9.5 trillion national debt. Sorry, my friend, I've got to put you in line with those wonderful Americans who believe in Santa Claus, the Easter Bunny and the Great Pumpkin. We Americans love simple cures, especially if they are short enough to be summed up on a bumper sticker: "Bring back gold and bring back America," or "The gold standard is the golden rule."

Yes, I know who Arthur Laffer is. He's the supply-side guru and also a glittering knight of the Gold Standard Round Table. And I remember Arthur's recommendation to President Ronald Reagan to put the country on the gold standard and that "within 24 hours" every nation in the world would convert its currency to gold and the U.S. would be back on the road to a healthy and prosperous economy.

Let's be realistic. Government expenses will continue to exceed government income until the voter says to his representative: "I've had enough." Gold won't pay for the defense budget, Social Security, Medicare or government welfare programs. And I'm sorry to tell you that there has never been a real Social Security trust fund, rather a bunch of IOUs stuck in a filing cabinet somewhere in Virginia. In April of 2005 President Bush said: "A lot of people think there's a Social Security trust fund. There's no trust fund, just a bunch of IOUs that future generations will have to pay."

So forget the gold standard because the only answer is to own to an economic policy that works. It's called a balanced budget and until that's done the door will be open to all kinds of snake oil cures, political thievery, special interest groups, lobbyists and influential businesses. Graft, bribery and increasing the size of the

government bureaucracy are a form of eating for our politicians.

Alexander Tyler, a history professor at the University of Edinburgh in Scotland between 1782 and 1791 wrote: "A democracy is always temporary in nature lasting on average 225 years and can not exist as a permanent form of government. It will continue to exist until the voters discover they can vote themselves generous gifts from the public treasury. And from that moment the majority always votes for candidates who promise the most benefits from the public treasury with the results that every democracy will finally collapse due to loose fiscal policy, which is usually followed by a dictatorship." And, "during those 225 years those nations always progressed through the following sequence: (1) bondage to spiritual faith, (2) spiritual faith to great courage, (3) courage to liberty, (4) liberty to abundance, (5) abundance to complacency, (6) complacency to apathy, (7) apathy to dependence and (8) from dependence back to bondage."

So where do you think we are today? And do you really think a gold standard is the panacea you think it can be? The solution is as hard to see as the noses on our faces. So we must look in the mirror for an answer and that answer is "us." Do we have the courage to do what it takes? What do you think?

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