

Gold and Your Money - Insurance for Your Wealth During a Financial Meltdown

Part II - A Return to a Gold Standard?

As we discussed in our first article: *Gold and Your Money - Insurance for Your Wealth During a Financial Meltdown Part I – Gold as Money or One World Currency*, there are many theories floating around concerning the economic future of the US and the rest of the world in light of our current economic problems. The idea of gold as a form of insurance on your wealth is gaining ground, one person at a time. However, there is little likelihood that it may actually be used again anytime soon as currency. Way before that option, the world's governments and the US in particular would try other options. A One World Currency was discussed in the first issue. A return to a gold standard is the topic for this article.

Even though the government and media are doing what they can to minimize the look and feel of today's crisis...there is a reasonable chance that it may be a runaway train that they can only slow but not stop. Should the dollar collapse and a currency begins to get re-established in the US, could it, and should it, become a '*gold standard*' currency again?

First, we need to make sure we are on the same page regarding what gold standard means. To begin, realize that the US dollar was on a gold standard from the very beginnings of our country up until April 5, 1933, when President Roosevelt implemented Executive Order 6102 requiring all citizens to give up their gold (in most cases – but not all cases), in the best interest of the country. This rule had been prepared prior to the President's inauguration and was presented to congress, passed in the middle of the night, and signed by the President within days of his inauguration. If you want to read much more on this, I will direct you where to do that at the end of the article.

On June 5th a joint resolution was passed doing away with the gold clause on all government and private contracts, effectively ending the 'Gold Standard' in America. The world followed suit shortly thereafter and the ability for any citizen to take a dollar to a bank and have it redeemed in gold disappeared. There were a number of reasons he did this. For one, the US Treasury was light on gold to help subsidize the massive New Deal efforts he implemented to get people back to work. Under a gold standard - he needed more gold to print more money. Nine months later, on January 31, 1934, Roosevelt raised the government's 'official price' for an ounce of gold from \$20 to \$35, almost doubling the value of the gold held in reserve with a stroke of the pen.

The second, and today most troublesome reason he did this was to free the government from the requirements of having to have gold reserves in proportion to

the amount of dollars they could print and put into circulation. This was the start of the decay we see today. The fox is loose in the hen house.

Gold is a somewhat finite commodity. They say today you can fit all the gold that exists above ground in a 24 x 24 foot garage. I don't know of that is exactly accurate but it is more right than wrong. Global governments were required to swap gold for trading deficits. All this went away. Now, the US government (and slowly all governments), could print what they felt they needed whenever they wanted it. Congress can pass a bill to raise the limits and order the *Federal Reserve* to print up more dollars and they can release it into the economy at will. Need more money, don't have to worry about balancing anything – print more of it. Printing too much of course means there are more dollars chasing the same number of goods so the value of the dollar goes down – it takes more of them to buy the same stuff. This is inflation.

In our lifetimes, we have seen well over 90% of the purchasing power of the dollar disappear. Many people don't really believe this as it is subtle and slow (usually). It is the great erosion... it is legalized theft really. And never before has our government inflated at the aggressive pace they have since October of 2008. Since then, the Federal Reserve – as ordered by the US Congress, has printed more dollars than has been printed in the history of our country – **combined!** Yes combined. It is staggering. Believe me when I tell you, this is a grand experiment. We are so far from what anyone has ever experienced that if a government or Federal Reserve official tells you he knows anything about how this will end, run away - they are either a fool or a liar.

What does all that have to do with our article title – *A Return to The Gold Standard?* Well think about. If we re-instituted a gold standard, much of the problems created by removing the standard would move towards fixing themselves. How?

Congress could not issue orders to print more money unless there was enough gold to back it up. Banks couldn't overextend themselves by lending ten to one hundred times more money than they could ever pay back. If the depositors all wanted to take their money elsewhere, they could be made to keep enough reserves to 'support' the system. The entire real estate – toxic asset debacle would have never happened – it couldn't. Banks could only lend in a reasonable proportion to the gold they held in reserve. You as an every day citizen could decide that you believed the dollar will be worth less and less and if you wanted, go right down and exchange it for gold that day. Gold would eventually end up being 'behind' all currencies in the world eventually; a global gold standard. That is how it once was. With all the Foreign Countries and their Central Banks buying and storing gold (hoarding really), you might think they believe this will happen soon. Why are they doing this?

Now, I suppose it is true that the exchange rate could be set ridiculously high and changed by the government (\$10,000 an ounce – need more money – now \$15,000 an ounce – government says 'we can print more money because our gold is officially

worth more'); but nobody would ever buy that argument. Now there is no 'standard' to measure against. Not since 1933. That is the point.

With the change this would bring to how countries govern, one can see why today's politicians would do what they could to stop this from happening. The role and the people who fill it have different agenda's these days. Re-election ranks above civic duty too often. So this will never happen willingly. Really there are only one or two politicians in America brave enough to take this out of the closet and deal with it head on. Ron Paul leads this charge; but for the most part, he gets almost no press. It's a shame really.

1. Our third article in the series: Gold and Your Money - Insurance for Your Wealth During a Financial Meltdown; Part III *What Would it Take to Start a Global Financial Crisis?* will be released shortly. If you want an advanced peak at that release as well as existing articles in this series along with others on similar topics, visit our website below.
2. The fourth article in the series: Gold and Your Money – Insurance for Your Wealth During a Financial Meltdown, Part IV *What are Reasonable Precautions I Can Take to Protect Myself Without Being an Alarmist?* will be released shortly. Yu can check the website as well for advanced copies.

Most people in the US and around the world do not know this information. They need to. If you love this country – do your part and get this information to them.

About the Author: Steve Peters brings over 24 years of international business, equities and gold broker experience to help new and uncertain gold buyers from making the costly mistakes so many make.

To learn more, go here: [3 Biggest Mistakes Gold Buyers Make](#)