THE GOLD STANDARD

Europe has fallen

Europe is a failed continent. Europe is occupied by the USA and colonized by China. Politics and the media are failing across the board. Democracy is only a facade in the geopolitical monopoly for power. In the background, a battle rages among powerful global players for nothing less than world domination.

The 37th president of the USA, Richard Nixon, made an inglorious mark in the history books with two stupidities. He was declared unfit for office in 1974 because of the Watergate scandal and had to resign, and he caused the so-called Nixon Shock in 1971 when he took the U.S. dollar off the gold standard. This stupidity had far-reaching consequences.

Nixon inflicted a deep wound on the world economy, which until then had stood on a stable foundation, and the wound was not to heal, on the contrary. It widened with every crisis that was now conjured up. To this day, Nixon's decision ensures that the money in their wallets loses value day by day.

August 15, 1971, changed the world economy in a way never before or after. People went to work then, as they do every day, and suspected nothing. Commuters around the world drove to their offices by the millions to do their daily jobs. Farmers tended to crops, construction workers built new infrastructure, it was a day like any other and it took many more years before the masses of people sensed that something was wrong.

Governments were suddenly making losses. First in millions, today in billions. Why did the purchasing power of all currencies pegged to the dollar fall so suddenly? How was it possible that the United States could finance a Vietnam War and an Apollo space program with rising unemployment and falling productivity without going bankrupt?

In 2008, the wound erupted again. We witnessed the greatest global economic crisis. Financial markets and institutions that were considered untouchable collapsed. The economy threatened to collapse. Faced with total collapse, governments acted quickly. They passed rescue and stimulus packages to keep the place afloat. They printed new money in the same style as Nixon once did with success. The global economy recovered. People calmed down and went back to work. But long before and even after the 2008 financial crisis, cracks in the foundation could be seen.

What if the crisis was not the cause, but the symptom of a much deeper problem?

Woods, 1944. Delegates from 43 countries travel to the U.S. to attend the UN Finance Conference. A new financial system is established to stabilize the world for the post-World War II era. A golden age is expected for the United States. Therefore, all delegates agree to declare the U.S. dollar as the new reserve currency. Until then, gold had been the reserve currency between the states. Similar to the gold standard recognized at the time, the decision was made to accept the U.S. dollar as the God-given reserve currency. Each national currency stood at a fixed exchange rate to the dollar after the Bretton Woods Conference, and the dollar was backed by a fixed price of $35 per troy ounce of gold.

All countries in the world could now convert their national currency into dollars and then convert it into gold. The dollar took over the job of gold and the precious metal gave the dollar the necessary backing. The Fed (Federal Reserve) was required to back gold reserves equal to 40% of the dollar paper money in circulation. Instead of sending physical gold around the globe, it now traded paper money, 40% of which was held at a stable value by stored gold reserves.

But it didn't take 30 years for rising U.S. budget deficits to cause unrest abroad. President Lyndon Johnson's Great Society program to fight poverty and the Vietnam War led more and more central banks to doubt the United States' ability to pay. First, France demanded payouts in gold. Paris suspected that the U.S. was spending far more than its gold reserves covered. So, in accordance with the Bretton Woods Agreement, the French exchanged their dollars for gold and demanded physical gold shipments from New York to Paris. They were correct in their guess; the U.S. had printed more dollars than there was agreed-upon gold.

In order to stop the exodus of physical gold from the vaults of the United States, President Nixon had the exchange into gold temporarily suspended on August 15, 1971. That "temporarily" continues to this day. All the problems of our financial system existing today are direct consequences of this decision, recognizing the fixed peg to gold forced governments to discipline and moderate their spending until then. If a country ran a budget deficit in this gold-based system, gold was exported until balance was restored between trading partners. But without the cover of gold, countries now went into permanent deficit. There was no more discipline.

The U.S. has not had a single budget surplus since 1971. Since the gold standard was overturned, the U.S. has consistently run budget deficits in good times and bad. Nixon supposedly decoupled the gold standard from the dollar only temporarily. We have been waiting in vain for its reinstatement ever since. The U.S. made massive losses in the 1960s due to war, the moon mission, the Apollo program, and the Great Society program.

In fact, the U.S. government printed more money than its own U.S. gold reserves allowed. Many foreign lenders recognized this and demanded gold instead of money. They felt that Washington would not have enough gold to keep the dollar's value promise. In cutting the link to gold, Nixon summarily demoted all 43 currencies tied to the dollar to worthless fiat money.

The term Fiat comes from Latin. It refers to something created by pure imagination. Only when people trust a fiat currency do they use it. If they lose confidence, the fiat money, is scrap paper. No country in the world today uses money backed by gold. But it was not a hundred years ago that real silver and gold coins were carriers of real intrinsic value.

Today, modern politicians tell us that we no longer need such things. They simply tell us that a piece of paper with a number on it would also be money, and as long as the majority of the population believes that, the scam works. Since 1971, worthless but generally accepted money has slowly but surely destroyed the world economy.

Since then, products and services are no longer covered by a real equivalent value. The manipulated currency relationship with countries with weak currencies allows these countries to manufacture products cheaply. They deliberately devalue their currencies to remain attractive as trading partners. China does this pretty well. Every paper currency compares itself to the dollar. If the value of the dollar in the U.S. falls, the central banks of other countries react and intervene in the currency market so that the effects of the dollar's fall in value don't spill over into their national economies and cause their own currencies to appreciate.

This is nothing other than a Ponzi Scheme. Ponzi schemes are known to be fraudulent investments that promise gullible investors big profits with little risk. Too good to be true. Instead of investing the money wisely, a Ponzi Scheme simply uses a few old investors to attract more new investors to pay off the previous round of old investors. The new investors are then promised equally large profits by the old investors. These new investors find more investors. And over the entire time, not a single product is produced, not a single service is provided - this Ponzi scheme then collapses at some point with gigantic asset losses.

Without the fixed link to gold, the U.S. government has been printing new money unchecked since 1971 at the latest. It borrows it, so to speak. And for this loan, the government receives a promissory bill from the U.S. central bank. This promissory bill is then called a government bond. The U.S. government pays its bills with such bonds. At the same time, the Fed sells these bonds at auctions. Foreign central banks, pension funds and even individuals then buy these US government bonds. All the buyers of the bonds believe that the US will repay its debt with good returns. US government bonds are considered safe investments.

Have they ever looked at the debt clock at 43rd Street and 6th in Union Manhattan? The debt clock is now listed as a landmark on Google Maps. We are now at $28.6 trillion in budget deficits. Investors in U.S. government bonds are playing high poker because the snowball system could collapse at any time.

Where does the U.S. government, or any government in the world, get all the money they have to pay back to their investors with interest? In the U.S., it's like this: the Federal Reserve prints money for the government. The government, it says, will pay the money back with interest and then promptly the money is actually created and given to the government just for that purpose. It did not exist before. Various shadow banks create it out of thin air with a few clicks of a computer mouse.

The government now spends the money. But it is obliged to pay the money back with interest. And it does so. It just goes back to the Federal Reserve and says; "I need more money to pay back the interest on the previous loan because I don't have enough tax revenue from the U.S. economy to pay back that interest without borrowing money again," and so on and so forth. The mountain of debt grows and grows and grows.

In the current monetary system, our money is created only by borrowing it and promising to pay it back with interest. Money

generated from hot air earns interest and is refinanced with even more worthless money. A snowball system.

Since 1971, the U.S. has run a huge trade deficit with the rest of the world. U.S. citizens continuously bought more products and services from the rest of the world than they sold their own products and services to it. Nor did it give the rest of the world gold or silver in return. It gave them unbacked paper dollars. If all these global trading partners were to convert the dollars they received into national currencies, those national currencies would greatly increase in value and the countries would become unattractive to the U.S. as trading partners. What do these trading partners do instead? They invest their U.S. dollars in U.S. government bonds.

The day trading partners stop accepting IOUs, the snowball system will implode with a bang.

First oil crisis in 1973, second oil crisis in 1980, Asian crisis in 1997, dotcom bubble in 2000, financial crisis in 2008, Corona crisis in 2020, in addition to numerous national declarations of bankruptcy by supposedly strong economies such as Japan, Russia, Argentina, Iceland, Venezuela, Brazil, Turkey, Greece and Lebanon.

Since Nixon's memorable speech in August 1971, the wound has been reopening with frightening regularity. The permanent worldwide printing of more and more fiat money ensures that the wound cannot heal. The aforementioned crises are not the cause, but the effect. They are now coming more frequently and becoming more severe.

It took a few decades, but today even the average consumer is feeling the erosion of his hard-earned money more and more. In times of rising population figures, governments still managed to cushion budget deficits with more tax revenue. Those times are over. Every Friday evening, Otto compares the prices of the local supermarkets for his shopping trip on Saturday. There are three supermarkets in his vicinity; he naturally buys where the prices are lowest and the quality highest.

In 1990, 50€ was enough to fill his fridge at home. A tank of gas for the car €60, movie tickets for his family of four €20 once a month, going out once a week €50. 30 years later, everything has doubled in price, but Otto's salary has remained almost the same.

The reason for this drop in value is easily explained: Otto's government has put so much new fiat money into circulation that demand for products and services has increased, but not more products and services are being offered.

Also, the population has not grown enough to justify printing so much more new money. The value of Otto's currency has been gradually eroded. The creation of new euros with no intrinsic countervalue, such as gold, reduces the value of the euros that already exist, and purchasing power declines.

A liter of Super no longer costs €0.75, as it did in 1990. It now costs €1.95. If Otto's salary can't keep up with the rate of inflation, his standard of living will drop. In many areas, the standard of living in America and in Europe is clearly worse today than it was 30 years ago. Otto's grandmother never had to go to work, she was a housewife. Otto's grandfather was a carpenter, providing for his wife and 4 children. He had no school leaving certificate, had never seen a trade school from the inside, learned his profession from his father. This was still common until well into the 1960s. The wife took care of the house and family, the husband went to work. Today you definitely need two incomes to provide a family with 4 children with the same goods and services as their grandfather did 50 years ago.

Today's average consumer is increasingly forced to borrow money to maintain a high standard of living. Otto is getting into debt. The undisciplined governments simply print even more money, get into debt and work off the debt via devaluation and newly invented additional taxes. Central banks then claim that 2% or 3% inflation is something good to strive for. They want to persuade us that inflation will ensure that our salaries will also increase. After all, it would feel good if our salary went up. In fact, however, money is being stolen from us.

Our effective income is falling; the official inflation rate in Germany this year is over 7%. Hidden inflation, however, is in double digits. The purchasing power of the average citizen is shrinking dramatically. To hide this, governments are now distorting the data in their reports. By every trick in the book, they make inflation look smaller than it actually is. And today's politicians and bankers have forgotten everything except how to print money.

Artificially inflating a currency is all they have in their repertoire. The gold standard had educated their predecessors to avoid inflation and provide a healthy currency for the people. Today, a brutally inflated financial sector employs so many people that a healthy currency would put pretty much every employee working in that sector out of work.

So those in charge would rather accept a few cracks in the foundation than voice the only sensible proposal for a solution. A return to the gold standard temporarily suspended by Nixon.

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Jack Kabey

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Jack Kabey *is not as important as his readers. For over three decades, he was a security advisor and strategy consultant for public institutions and international trading companies. Today, he is a freelance writer and publicist, putting his finger in the wounds of our time, putting into words what should no longer be put into words, and reflecting with the necessary dash of humor on the deepest corners of the rabbit hole we call our lives. Jack Kabey is an avatar, his name a pseudonym. The author simply wants to keep his identity to himself so that he can devote all his energy to researching and writing. His work is mostly financed by donations. He lives in Manarola / Italy.*