The Gold Standard

The journal of The Gold Standard Institute

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The Gold Standard Institute

The purpose of the Institute is to promote an unadulterated Gold Standard

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Editorial

Now is an urgent time to be promoting the gold standard, so I'm delighted that Philip Barton asked me to introduce this month's edition of The Gold Standard. There are some important recent changes and transitions, and a few high-profile departures, amid various rumors and allegations that I have taken over GSI.

The fact is that Philip Barton runs GSI internationally. Thomas Bachheimer is in charge of GSI Europe. Sebastian Younan manages GSI Australia. I am in charge of GSI USA.

But let's take a step back. What is GSI's purpose? Why do we exist? What is our goal? What are our values?

Fundamentally, GSI exists to promote the gold standard. To that end, several gold scholars and intellectuals, including Rudy Fritsch and myself, and of course Professor Antal Fekete, who is not affiliated with GSI, have written and lectured extensively about what the gold standard means (and the latest instalment of my series "The Unadulterated Gold Standard" appears in this edition).

Yet there are other important issues. One cannot promote a gold standard out of context. The gold standard does not serve all masters. The gold standard will not make socialism, or any kind of government-controlled economy, work. Nor will a gold standard encourage people to sacrifice their interests for the sake of the "public good", the "environment", or anything else.

Properly understood, the gold standard is the free market's monetary system.

Accordingly, GSI must remain focused on the gold standard. We do not generally broaden our activities to discuss other aspects of capitalism. This is not because we are agnostic about capitalism; it is not because GSI holds that fascism, Communism, theocracy or any other form of totalitarianism may gain from the gold standard. We leave advocacy of free market capitalism to others.

Strictly speaking, our purpose is the gold standard: defining the concept and educating people so they grasp what it means and promoting it so they understand why it is in their interest. As with freedom itself, there are no losers in free trade because there is no inherent conflict of interest among free individuals.

The world urgently needs an organization that makes the case for gold, beyond pointing out that paper money loses value over time. The world needs to hear about an unadulterated gold standard—not gold "backed" paper currencies, not gold conspiracy theories, and not obsessing on the gold "price"—more than ever.

GSI shines a light on the money discussion facts, history, and ideas. So, it is not about me. It exists for anyone who seeks to understand gold as money and why that idea matters. Does this describe you? If so, I encourage you to contact Philip Barton and get actively involved. May the content of this Journal guide, enlighten and inspire you in that noble endeavor.

Keith Weiner

News

Fox News: Virginia's currency bill.

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ABC News: Argentina price freeze - wonder why no one thought of this before?

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National Geographic: More on the underwater gold rush.

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SOTT.net: Who says you can't eat gold!

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Todays Zaman: US pressure leads to avoidance of Turkish gold. For how long? But obviously not with everybody – see this Reuters story.

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Mining.com: Chinese acquisitions of overseas gold miners continues.

Gold Seek: An interesting article

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Credit Suisse: the end of gold :-0)

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Independent: Zimbabwe has only £138 in bank admits Finance Minister.

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Telegraph: France bankrupt – I guess tax and spend didn't work.

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Pravda: 'The Golden Age of the Russian Rouble'; an interesting piece of history. Unfortunately there does not appear to be an English translation of Witte's 'On the Minting and Issuance of Gold Coins'.

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BBC: 5.5kilo nugget found in Victoria, Australia.

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Business Standard: Indian government still trying to curb local gold demand – good luck with that. The Romans and British tried it also.

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Cobden Center: Misunderstanding Gold Demand

Obfuscation: Vague and in vogue

George Orwell's *Politics and the English Language*, published in 1946, is a prerequisite for anyone who follows politics. The essay, which isn't particularly long or difficult, concisely points out some of the "minor" problems associated with the application and use of the English language. One of the primary critiques put forth by Orwell is that language is being increasingly utilised in a deliberately ambiguous fashion to mask one's intent. Unfortunately, this is no more evident than in the political realm where one would expect surgical like precision and accuracy concerning the choice of words.

It is especially regrettable that politicians have mastered the art of obfuscation. Paradoxically, it seems that there is a correlation between ambiguity and popularity: the greater the ambiguity, the greater the politician's popularity. To exemplify this point, observe Kevin Rudd's 2007 election campaign platform slogan in Australia, "New Leadership. Fresh Ideas!" Two simple questions undermine the entire platform: Where are we being led to and what constitutes a "fresh" idea? Furthermore, consider Barack Obama's 2008 and 2012 campaign slogans from the previous elections in the United States: "Change we believe in" and "Forward!" Elementary questions again: What is being changed and who is "we"? And forward to where? Never are these questions raised publically as the answers are politically unpalatable.

The current debate surrounding the debt ceiling in the United States might as well be quoted in Politics and the English Language as an excellent example of obfuscation. Besides the inconvenient fact that the ceiling has been raised over 100 times in the last century, the very idea that there is a ceiling proves erroneous.

Contextually, grammatically and logically, to describe America's fiscal problems as a "ceiling" limiting the nations borrowing capacity misdiagnoses the very nature of the problem. Broadly speaking, the problem is monetary in nature. Specifically, it is the problem of irredeemable currency centred upon debt. Nevertheless there has been a tidal wave of noise from the Republicans and Democrats concerning the "ceiling", yet nothing at all has been said which bears any resemblance to coherency. Consider the statement below:

> *"Now, step by step, we've made progress towards that goal (balancing the US Federal budget). Over the past two years, I've signed into law about $1.4 trillion in spending cuts"*
>
> *President Obama January 2013*

Year ending 2012 the US Federal budget deficit stood at $1.35trillion. The preceding year saw a budget deficit of approximately $1.45trillion. A simple question to ask to the president would be: where are the $1.4trillion worth of spending cuts? The truth of the matter is that the cuts that the president is referring to merely describe the reduction in the acceleration of the growth of the federal deficit. They aren't cuts at all. Yet the show in Washington would have one believe that a balanced budget is just around the corner. That is assuming one is oblivious to the no less than 30 plus budget reduction bills signed into law over the last 20 years.

The president furthers the political theme of obfuscation:

> *"So let's finish this debate. Let's give our businesses and the world the certainty that our economy and our reputation are still second to none. We pay our bills, we handle our business, and then we can move on because America has a lot to do"*
>
> *President Obama 2013*

The previous statement has vibrations of determination and direction, yet, when analyzed, doesn't reveal anything of substance. The debate that the president is referring to, put simply, is between living beyond one's means and living within one's means. For a nation which has been living beyond its means for over half a century, facing the worst monetary crisis in history, perhaps this is an issue worth debating. Undoubtedly politicians do not always practice obfuscation. At times, when a generally obscure politician doesn't believe that anyone is looking, he or she may craft their words with greater clarity:

> *"The fact that we are here today to debate raising America's debt limit is a sign of leadership failure. It is a sign that the U.S. Government can't pay its own bills. It is a sign that we now depend on ongoing financial assistance from foreign countries to finance our Government's reckless fiscal policies"*
>
> *Senator Obama 2006*

If an $8.4trillion federal government debt in 2006 is a sign of a "leadership failure" one has to wonder how a Senator Obama would have described a $16.4 trillion debt just seven years later.

Sebastian Younan
President, The Gold Standard Institute Australia

Think Big… then Think Bigger

The Gold Standard Institute generally concentrates its attention on the Unadulterated Gold Standard, and on Gold money; and rightfully so. After all, that is our vision, to promote economic stability and prosperity to all through the good graces of Gold and honest money.

Sometimes, however, it pays to remove nose from grindstone, and to take a look at the big picture; for a true understanding of reality, our thinking must encompass not only minutiae and nitty-gritty details, but also the greatest Universal sweep. Only this way of thinking allows Humanity to meet and deal with reality… only this way of thinking allows Humanity to prosper.

Indeed, our thinking on minutiae… the twigs of knowledge as it were… must connect seamlessly through various branches to the very trunk and root of knowledge… to wisdom. Just like a tree, if there is any disconnect between twig and trunk, there is something wrong or missing in our thinking, in our mental model of reality.

The Gold standard is far more than the minutiae that accompany it; it is far more than nitty-gritty details like Real Bill circulation as the clearing system, far more than the legal tender laws that support Gold circulation… far more than details about subsidiary coins, mint activities, etc.

Legal tender laws in fact originally supported Gold circulation, by guaranteeing that slightly underweight (worn) coins would be accepted at full value, and replaced with a new, full bodied coin. Today these laws have been perverted to force Fiat (debt) paper to circulate as 'money'.

I can use no better words to describe the reality of Gold in the big picture than the words Austrian economist Hans Sennholz used:

> *"Sound money and free banking are not impossible, they are merely illegal. That is why money must be deregulated. ...The Gold standard will return as soon as people realize that honesty is the best policy. As hope of ill gain is the beginning of the fiat standard, so is honesty the mother of the Gold standard. The Gold standard is as old as civilization. Throughout the ages, the Gold standard has emerged again and again because man needed a dependable medium of exchange."*

As the Classical Gold Standard decayed, so did honest society. Whether the decay of honesty led the destruction of the Gold Standard, or vice versa, is a moot point; like the chicken or the egg. Honesty in society and honesty in money will return together. One cannot exist without the other.

At least, not in a free and truly egalitarian society; if we open our eyes to see, it is crystal clear that our society is far from free, and far from egalitarian. A society where the rulers are subject to laws different from what the ruled are subject to is neither free nor egalitarian. A society constantly at war is far from freedom or egalitarianism; a society built on lies is far from freedom or egalitarianism.

Our society is built on lies… big lies as well as little lies. Lies about money, lies about climate change, lies about health care, lies about history, lies about religion… lies and lies ad infinitum. The stories we are being fed by the 'ruling class' differ only in size and audacity; as Nazi Joseph Goebbles is reputed to have said:

> *"If you tell a lie big enough and keep repeating it, people will eventually come to believe it. The lie can be maintained only for such time as the State can shield the people from the political, economic and or military consequences of the lie. It thus becomes vitally important for the State to use all of its powers to repress dissent, for the truth is the mortal enemy of the lie, and thus by extension, the truth is the greatest enemy of the State."*

The state we live under is the Fascist state; by definition, a state without a moral compass of right or wrong, a state with only one credo… to do whatever the leaders think it takes. Whatever the leaders think it takes to maintain their position of power and privilege. Human compassion, empathy, respect for others has no place is such a state.

The US Constitution, the covenant under which the United States of America was formed, is dead. American politicians, including the President, swear to 'uphold' a dead piece of paper… and then proceed to do whatever they want to do; another egregious example of the system of lies we live under.

Our psychopathic rulers have led us into economic and moral destruction… and we have more or less followed them. In warfare, it is essential that the enemy be 'dehumanized'… as fully human beings equipped with a conscience and with empathy refuse to murder their fellow man. Our 'leaders' work hard to dehumanize us.

In the Great War the enemy were 'Huns', not humans… in WWII, the enemy were 'Jews' and 'Krauts', not humans. In Vietnam the enemy were 'gooks', not humans. Today, the enemy is cartoons on a computer screen; the Fascist-indoctrinated soldier at the keyboard need simply push a button to destroy the cartoon characters.

No consideration for the real human lives being snuffed is allowed. Empathy, regret, and PTSD only kick in later… then the spiritually wounded soldier is fed mind destroying drugs to keep him out of the way, out of sight… so the murder and destruction can continue. Our society allows, no encourages murder, torture, total dehumanization of man. Power and profit precede sympathy and caring. Such a society cannot, will not continue… such a society must not continue.

So, we come to the nub; in the very biggest picture, destruction of this society is necessary. Just as old trees must die to make room for new trees to grow, so the birth of a new, better society awaits the death of the present one. Instead of working to maintain the sordid, zombie system of governments and corporations that run and ruin our lives, we must allow this system to die.

Through the ongoing death and destruction we need keep safe the seeds of the new society that will spring into being. Once we see that the present system is run by psychopaths, once we see that the present system is malignant and destructive, once we allow it to die, then we can grow a new, better, more honest, more human system from these seeds. The seeds we must keep safe are made of Gold!

Rudy J. Fritsch
Editor in Chief

The Unadulterated Gold Standard Part V: Real Bills

In Part I, we looked at the period prior to and during the time of what we now call the Classical Gold Standard. It should be underscored that it worked pretty darned well. Under this standard, the United States produced more wealth at a faster pace than any other country before, or since. There were problems; such as laws to fix prices, and regulations to force banks to buy government bonds, but they were not an essential property of the gold standard.

In Part II, we went through the era of heavy-handed intrusion by governments all over the world, central planning by central banks, and some of the destructive consequences of their actions. We covered the destabilized interest rate, foreign exchange rates, the Triffin dilemma with an irredeemable paper reserve currency, and the inevitable gold default by the US government which occurred in 1971.

In Part III we looked at the key features of the gold standard, emphasized the distinction between money (gold) and credit (everything else), and looked at bonds and the banking system including fractional reserves.

In Part IV we discussed the problem of clearing. The problem of clearing arises when merchants deal in large gross amounts, on which they earn small net profits. They would not typically have the gold coin to pay for the gross value of the goods they purchase. This is an intractable problem in a strict gold-coin-only system and it only grows if specialized enterprises are added.

We considered the mechanics of Real Bills. It is interesting that goods flow from raw material producer to the consumer but the money flows from consumer to raw material producer. Without government involvement, and without banks, Real Bills circulate spontaneously.

In this final Part V, we look at the economics of Real Bills (or "Bills" for short). In Part IV, we noted that a Real Bill is credit that is not debt, so let's start here.

The Real Bill is credit provided for clearing, without lending or borrowing. It is different than a bond.

To review the bond, in Part III we showed how it arises out of the need to save. People must plan for retirement and senescence during their working years. Even if there is no way to lend at interest, this need still exists. So people hoarded part of their income by buying a commodity with a narrow bid-ask spread that was not perishable. Salt and silver are two commodities that were used for this purpose. For many reasons saving, in which one lends one's wealth at interest, is superior to hoarding. Thus the bond was born.

The Real Bill is quite different. It isn't lending at all. It is a clearing instrument that allows the goods to move to the gold-paying consumer before said consumer pays with gold. The Real Bill does not earn interest, and there are no monthly payments. The Real Bill is an opportunity to buy gold at a discount. The Real Bill sells in the market for less gold than its face value, based on the discount rate and the time to maturity. For example, a 1000g Bill would sell for 9975 grams 90 days from maturity, assuming the discount rate was 1%. When the merchant has sold all of the goods to consumers, and thus has all of the gold, he pays the bill with 1000g of gold.

Bills occur wherever people consume. It is certain that people will eat bread tomorrow. Therefore, it is not risky to provide the gold to clear the flour sale. Bills come into existence because of the chronic need to consume. Bills increase in quantity at times of high seasonal consumer demand (such as Christmas) and decrease at times of low demand.

Bills provide the responsiveness necessary for a large and complex economy, without the sinister elements that come with "flexible" irredeemable paper money, central banking, and fiat elements such as "legal tender" laws. This is because Bills respond to market signals (the chief "virtue" of irredeemable paper money, or indeed any government interference in markets, is that it does not). Most importantly, every Real Bill is extinguished after it has cleared on delivery of goods. Real Bills are said to be "self-liquidating". Unlike the mortgage on a building, or the bond that finances a factory, the Real Bill is paid in full upon the sale of the asset it financed.

Real Bills are a simple mechanism, but they enable some very elegant arbitrages. For example, seasonal businesses have a problem for part of the year. What does the heating oil distributor do in the spring and summer? As he sells down his stocks of oil, he does not want to buy more oil. He can buy Bills, perhaps issued by a garden supply store that is in its busy season (and therefore is generating Bills). In this vignette, the heating oil distributor is directly financing the inventories of the garden supply! Without a bank or any other intermediary needed, it's more efficient.

There is a subtler arbitrage, between retail merchandise and Real Bills. Every retailer can calculate a rate of return for every product on the shelves. The goods are financed by the issuance of Bills; it makes no sense to carry any goods that have a return lower than the discount rate. Instead, the retailer should not stock those goods and put spare capital into the Bills issued to finance higher-yielding merchandise. Today, without a market discount rate, even in the information age with software to track everything, many retailers make poor decisions of what merchandise to carry.

There are many other even more subtle arbitrages, but let's look at one that is especially interesting. It is basic Econ 101 that if a natural disaster strikes then prices must rise. For example, if the wheat crop is hit by hail then there is a wheat shortage in the region. Prices must rise before wheat is diverted to the empty bakeries and hungry people. Real Bills provide a buffer mechanism. If the shortage is local (and hence small in proportion to the global market), what happens is that the discount rate falls in that region.

Let's look at this. The Real Bill arises, as discussed above, from consumption. In case of shortage, there is greater confidence that goods shipped into the region will be consumed even more rapidly. A lower discount rate means that the distributor is effectively paid a higher amount. This will attract goods out of other regions where there is no shortage. It is not necessary for the baker to pay a higher price on flour, or for the consumer to pay a higher price for bread. What is necessary is that the distributor receives a higher price to divert the flour to the region. The lower discount rate provides that higher price.

Real Bills serve a vital role in the banking system, particularly for the savings bank. To back a demand deposit account, the bank can have 1/3 of the assets in gold and 2/3 in Real Bills. It must be emphasized that this has nothing to do with fractional reserves! The Real Bill is not lending. More importantly, the Bill market cannot go "no bid". All Bills will be fully paid in 90 days, with the average being 45 days.

In contrast, with the lending of demand deposits (a form of duration mismatch), the system becomes unstable. This is not due to the risk of default per se. It is because the banks expand credit into a structure that is not in accord with the wishes of the savers. Eventually, it is guaranteed to collapse in a no-bid bond market with panic, liquidations, defaults, and bankruptcies (see Duration Mismatch Necessarily Fails).

The problem with duration mismatch is not merely one of liquidity. If today's crisis, ongoing after more than four years(!) of flailing by central banks shows anything, it is that a mismatched and unbalanced credit structure cannot be fixed with liquidity. What happened is that projects for more and higher-order factors of production were started. But there was insufficient real capital to finance them, so those projects must be written offs with losses taken by banks and investors. The demand deposit backed by Bills does not create this problem.

In a free market, if people want a bank to provide only safe storage of gold with perhaps payment processing, then that service will exist for a fee. Such an account will effectively have a negative rate of interest. Most people prefer not to pay fees, and to earn a nominal rate of interest (in gold, of course there is no currency debasement so even 0.01% is positive). The Real Bill makes this possible.

Real Bills are a topic that could fill an entire book. The goal of parts IV and V of this series is to provide an overview, show some of the elegant mechanisms of the Bills market, and address some of the controversy that has swirled around Real Bills from at least the time of Ludwig von Mises, and more recently when Professor Antal Fekete published his ideas about them on the Internet.

To conclude this entire series on the Unadulterated Gold Standard, it is fitting to provide the formal definition now that the reader has sufficient understanding of the concepts and ideas.

The unadulterated gold standard is a free market in money, credit, interest, and discount based on the right of the people to hold and use gold coins, and which includes Real Bills and bonds.

As we could only hint in this series, there are numerous specialists conducting transactions that are not obvious (or even counterintuitive) and the credit market can evolve into a structure that is quite complex. So long as there is no force or fraud involved, the system remains stable under a gold standard.

Keith Weiner

Dr. Keith Weiner is the president of the Gold Standard Institute USA, and CEO of Monetary Metals. Keith is a leading authority in the areas of gold, money, and credit and has made important contributions to the development of trading techniques founded upon the analysis of bid-ask spreads. Keith is a sought after speaker and regularly writes on economics. He is an Objectivist, and has his PhD from the New Austrian School of Economics. He lives with his wife near Phoenix, Arizona.

The American Corner: Swapping Equity for Debt

When I was working out at the gym a few weeks ago, TJ Rodgers was on the Mad Money show on CNBC (I recall this being Friday January 25, but I cannot find video of this show on the Internet).

For those who haven't seen the show, the host, Jim Cramer, affects a loud and bombastic personality. He seems to have an aggressive and sometimes emotional approach to picking stocks. I would not invest based on his show, but many seem to find it good entertainment to watch.

At any rate, there was a fascinating (to this monetary scientist) exchange between Jim Cramer and TJ Rodgers. Dr. Rogers said that his company, Cypress Semiconductor was borrowing money to buy its own shares. I recall he said that they had been doing this over the past year and still had some more money in the budget. What jolted me like a thunderclap, was Dr. Rogers statement that the company had never before had debt.

Let that sink in. A company which has not used debt historically, and which does not have a productive use for debt now, is borrowing money in an attempt to increase its share price. The other reason it is borrowing is to continue to pay a per-share dividend of $0.44 without the earnings to support it.

What they are doing is exchanging equity for debt. The rate of interest has been pushed so low that this seems like a good deal (or at least a good bet). After all, the monthly payment is quite affordable! What could go wrong, other than the liquidity risk that the debt cannot be rolled at some point?

Dr. Rodgers assured Jim Cramer that if necessary, they would sell shares to pay off the debt. If they end up unable to borrow, then their share price will plunge. Selling shares then to pay off debt would dilute shareholders, if it were even possible to raise enough money that way.

A second thing can go wrong. The rate of interest can fall further, and it will. When this happens, the net present value of Cypress' liability rises (see [A Falling Interest Rate Destroys Capital]).

A third thing can wrong—and it already has. Cypress announced a share buyback in October 2010. I can't tell what average price they paid per share but it appears the program went for one year. $18 seems a reasonable estimate from looking at their chart. They announced another program in Sep 2011. Their share price has fallen 44%, from $17.89, in the last 12 months. The only thing worse than rising liabilities is to use the money to fund falling assets with leverage.

While individual investors may think twice about buying shares with heavy use of margin, it looks different to the corporate CFO. The CFO will compare the yield on the bond he sells with the yield on the shares he buys. If the bond yield is significantly lower, the trade makes sense. I don't know what Cypress paid for the money, but as I write this their dividend yield is 4.4%. I assume they paid significantly less than that.

To the extent he thinks about interest rates, he may think that they **surely** cannot go much lower. And, they may even rise significantly, in which case he can buy back his bonds from the market at a cheaper price.

If only the CEO and CFO understood that interest rates are falling and that falling rates destroy the capital of borrowers. If only they realized that they are consuming their capital, borrowing money to give shareholders dividends and a higher share price. If only we had a gold standard.

The principle virtue of the gold standard is to stabilize the rate of interest (see [In a Gold Standard How Are Interest Rates Set]).

Keith Weiner
President of the Gold Standard Institute USA

A Purse

Toward the end of 2012 there was an article in the Int. Herald Tribune predicting the end of the wallet because of the digital era. Scott Thompson, the president of PayPal, made the same claim. There is a real problem for wallets, but it has nothing to do with the digital era.

Paper money will not be disappearing because the digital age has made it unnecessary; it will be disappearing because it will become less and less acceptable. The salient point in the collapsing value of all paper money is the perception of falling quality. Gold has been making this point quietly but emphatically for the last twelve years. More and more people are becoming aware of the real process in motion, which is that it is not the 'price of gold' going up, but the value of paper money going down.

It is necessary to explore that concept further to understand where we are heading. It seems reasonable to postulate that it is not possible for paper monies to lose credibility and acceptability, without the issuing authority also losing credibility and acceptability.

It can be nit-picked about whom the 'issuing authority' is, but ultimately it is beyond contention that it is where all legal power now resides. When the world's paper monies fail, it will be government, the concept not the specific, which will take the blame.

The chances of successfully moving people from a pseudo money made of paper (or cotton or plastic) and that is visibly failing, to an even more nebulous and intangible electronic concept issued by the same entity, is as close to zero as it is possible to get in a world of non-absolutes. The near simultaneous collapse of paper monies worldwide will also collapse the credibility of governments as controllers of the money supply.

It seems likely that governments will attempt to transition people to a cashless society. The only other remaining option is real money, which is unlikely to be seriously considered before all else has failed. It is a foregone conclusion that the attempt to move people wholly to electronic transactions will fail. Fool me once shame on you; fool me twice shame on me.

Italian purse

This will see the simultaneous emergence in the marketplace of gold and silver; mostly coins, but, at first, any gold or silver. The emergence of gold and silver coin will see the world return to the traditional purse.

Australian kangaroo scrotum purse

Wallets will almost certainly continue to exist, but in a mutant form. Debit cards will still be useful (forget credit cards) and business cards and family snapshots are not going out of fashion for a while. But wallets will cease their short-lived association with cash money. Wallets never quite 'made it' linguistically anyway. The winner of an event has continued to win the purse, not the wallet.

The failure of paper money on a worldwide basis will announce the beginning of the end of government control of the money supply. They can legislate and issue all they want. Marketplace participants will no longer heed them or accept their tokens. In the marketplace, monetary credibility is everything; those whose money lacks the necessary credibility eventually lack power.

The French revolutionaries had the guillotine to enforce their legislation. Even that failed to make the Assignat acceptable. The government fell in tandem with their money – as they always do. In the 20th century, governments the world over had total control of the money supply, but they failed to honour their responsibilities and obligations. In the manner of self-mutilators they have been engaged in the torturously slow process of severing their own source of power. All the revolutionaries in the world could not have forced governments to do what they have ended up doing volitionally.

The marketplace is bringing down government in its current manifestation. It is the refusal of the marketplace to produce and exchange with monies that do not hold their value over time – whether through debasement and/or confiscation – that brings about the end of all civilizations.

> *"Economy is too late when you are at the bottom of your purse…"*
>
> *Seneca*

The marketplace is King; the power behind the throne is gold. All the rest is wishful thinking. The real problem with a wallet is that it is only fit for paper. Money needs a purse.

Philip Barton