

## WHO SAID THIS?

*“In the absence of the gold standard, there is no way to protect savings from confiscation through inflation...This is the shabby secret of the welfare statist’s tirade against gold. Deficit spending is simply a scheme for the confiscation of wealth. Gold stands in the way of this insidious process. It stands as a protector of property rights. If one grasps this, one has no difficulty in understanding the statist’s antagonism toward the gold standard.”* Who said this?

- Was it:
- (A) George Washington
  - (B) Abraham Lincoln
  - (C) John F. Kennedy
  - (D) None of the above

Well if you guessed D, none of the above, you are correct. It may surprise you to learn that the above quote came from the maestro himself, Alan Greenspan, as found in the book, “Capitalism, The Unknown Ideal” by Ayn Rand, published in 1966. While I personally have not read the book, it did come as a surprise to find Greenspan previously held this belief. It appears however that money and fame changed his beliefs once he accepted the position as Chairman of the Federal Reserve System. At that point he reversed his position and became a proponent of fiat money.

What again is *fiat* money? Wikipedia defines it as “*money that has value only because of government regulation or law.*” If you interpret this definition you realize that *anything* can be made fiat money – even bottle caps.

So what about Federal Reserve notes (FRNs)? They are backed by something, right? As we find at the U.S. Department of the Treasury website (<http://www.treasury.gov/resource-center/faqs/Currency/Pages/legal-tender.aspx>),

*“Federal Reserve Notes are not redeemable in gold, silver or any other commodity, and receive no backing by anything. This has been the case since 1933. The notes have no value for themselves, but for what they will buy. In another sense, because they are legal tender, Federal Reserve notes are “backed” by all the goods and services in the economy.”*  
[emphasis added]

So what is my point? We have been conditioned to believe fiat money has value. And it does as long as YOU are willing to accept it as payment for other goods and services. Otherwise, it is just another piece of paper with ink on it.

So how does this apply to gold today? Many would have you believe “gold is in a bubble.” Maybe it is and maybe it isn’t. But which one should you put your faith and trust in as money: a piece of paper that has existed for less than one hundred years or a tangible metal that has existed for several thousand?



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