

BIMETALLISM: THE ONLY ENDURING STANDARD

“This is the end of Western civilisation.”

-- Lewis Douglas (US Budget Director), remark to James P. Warburg after President Roosevelt announced that the US was going off the gold standard, April 18, 1933

Douglas was wrong, of course. The end of Western civilisation had already come sixty years earlier, when the United States demonetised silver.

In the last eight months I have been forced to recognize a *huge* gap in my understanding. I know that I am not alone, since over and over I read phrases like, “Gold is the money that has withstood the test of time” and “Gold has always been the only money,” and “Gold is the only money with intrinsic value.”

This, of course, is all wrong. *100% wrong*. The gold standard by itself is a problem, because it is essentially *monistic*. A gold standard alone is just a fiat standard in disguise. Bimetallism is the only answer, with gold defined in terms of silver and silver in terms of gold. That offers a self-correcting mechanism to keep the currencies honest. A gold standard is just *fiat* money defined in terms of gold and gold defined in terms of *fiat*, without any independent valuation to keep the system honest.

That the bimetallic system is self-correcting can be induced from the 45 centuries men used it. Since what date have we had the greatest monetary and financial instability? Since the introduction of the monometallic gold standard in the 19th century (not to mention the introduction of Central Banks, beginning with the Bank of Sweden in the 1650s).

I am embarrassed to admit it, but this never quite lodged in my mind until I read an article, “Gold Standard = Fiat in Disguise” by one J.N. Tlaga that appeared on LeMetropoleCafe.com. Why I never saw the real issue in bimetallism, namely, it keeps the whole system honest and makes fiat impossible, I can't explain, but it is considerably embarrassing. If nothing else, I should have seen it from a philosophical/theological standpoint, because a gold standard system is monist, and the universal matrix of truth is Trinitarian, not monist. Anyway, I didn't see it, but do now.

The gold/silver system governed itself for nearly thirty centuries, without any governments fixing ratios. The first reference I remember to fixing ratios was the Spanish mint upping the ratio about 1496, so that argues they had been regulating it since the Middle Ages. The Romans also issued coins at fixed ratios, but deferring to the existing market, not trying to maintain some arbitrary ratio in the face of it. Meanwhile, the ancient East operated on a far different ratio, and the world was not destroyed or disrupted.

Today the market's operation on the bimetallic ratio ought to be far more efficient than ever before, in view of technological advances in communications.

Once again, we see that the issue of money is far too delicate and crucial to mankind's health to be left to government. Frankly, I believe the American Founding Fathers thought exactly that way, reading from the monetary system they set up.

That system was actually *trimetallic*, with copper, silver, and gold. The ratio was 840.21 ounces of copper equal 15 ounces of silver equals one ounce of gold, and that's what the coins gave. They *intentionally* set up a system with a lower gold/silver ratio than the prevailing world rate (15:1 when the French mint rate was 15.5:1) in order to draw silver, the metal of daily commerce, into

the country. They were right, since the colonies had suffered from a dearth of specie for two centuries.

The system they set up was one that Ed Vieira calls “symmetallism,” although I’m not sure that is the precise term, since others use that differently. Anyway, he means a system where one metal is the standard coin (in our case, the dollar of silver) and the coins of the other metal (“Eagles”, not even denominated in “dollars” per the 1792 Coinage Act, but “valued in” dollars) are periodically adjusted to answer changes in the market ratio. That exactly was done in 1834, without cheating anyone.

And through all this, everyone was free to contract for payment in silver, or gold, or anything else, without compunction. And they couldn’t be forced to take inflated bank notes. And there was no central bank.

But didn’t the fluctuations in value of gold versus silver wreak havoc with world commerce? From 1833 through 1873—*four decades*—the London price of silver valued in gold ranged from \$1.297 an ounce (1833, against an official US price of \$1.2929 an ounce) to \$1.36 an ounce (1859). That’s a gigantic, colossal deviation of—*4.86 percent!* Today a 4.86% fluctuation in *fiat* money exchange rates in one day would put everybody to sleep, let alone four decades that quiet.

The cure for our monetary woes is *not* a gold standard, but a return to a sound, self-correcting bimetallic gold and silver standard.

-- F. Sanders