

THE DAILY CALLER

Fed Official Says Gold Standard Touted By Cruz Is ‘Unworkable’

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November 12, 2015

Richmond Federal Reserve President Jeffrey Lacker shot down the idea that the United States should return to a monetary system where currency is backed by gold during a policy conference at the Cato Institute in Washington, D.C., Thursday.

When asked during a panel discussion whether the central banking community should consider a new anchor for monetary policy, Lacker said he thinks the gold standard is not the answer.

“I think history has demonstrated that it’s unworkable,” he said. “And as Eric Leeper and Jon Faust discussed at Jackson Hole this year, it doesn’t provide stability to the purchasing power of money over time except in accidental circumstances in which the relative real price of gold remains constant over time.

Following bank bailouts and the 2008 financial crash, several Republicans, including 2016 hopefuls Ted Cruz and Rand Paul, have proposed the idea of doing away with fiat money and bringing back the gold standard.

“I would not bail them out, but instead of adjusting monetary policy according to whims and getting it wrong over and over again and causing booms and busts, what the Fed should be doing is, number one, keeping our money tied to a stable level of gold, and, number two, serving as a lender of last resort,” Cruz said during Tuesday’s GOP debate.

The United States detached itself from the policy in 1933, and completely cut ties with linking the dollar to gold in 1976 when the Bretton Woods System was eliminated.

Proponents of the gold standard say it would provide more financial stability and argue the Central Bank is causing inflation by artificially manipulating rates.