

Forbes

The Intellectual Foundation for Monetary Reform is Falling Into Place

By [Nathan Lewis](#)
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In 2012, I concluded that [we really needed a lot more high-caliber intellectual support](#) if we were going to come up with a viable alternative to today's funny-money orthodoxy.

Now it is two years later, and that intellectual support is starting to form. The Cato Institute, a leading conservative think tank, in September created the Center for Monetary and Financial Alternatives. To head this new effort, they chose George Selgin, formerly from the University of Georgia, and one of our better gold standard advocates from academia today.

Also in 2014, Judy Shelton was made a co-director of another new initiative, the Sound Money Project of the Atlas Network. I gave Shelton's recent book on gold-based money [a thumbs-up last year](#). I think it is the kind of sophisticated and contemporary work that we (still) need more of today.

These are not wishy-washy middle-of-the-road academics with a vaguely conservative aroma. They are real gold-based-money people.

At the recent Cato Monetary Conference in November, Norbert Michel of the Heritage Foundation gave a nice talk about various "rules-based" approaches to managing currencies, including fixed-value systems such as a gold-based system. While Heritage has not yet reached the point of designating a separate program for monetary affairs, nevertheless I am heartened to see that they have turned some of their high-powered analytical capabilities toward this most fundamental of issues. I think they would add a lot by approaching it from a neutral and skeptical stance, without dogmatic devotion to the often woefully flawed arguments of the mid-20th-century gold standard advocates, who were generally just as confused as their Keynesian counterparts. If they can make a proposal for Social Security reform or tax reform, why not, in the same sort of practical spirit, a proposal for monetary reform?

I think that the publication of Steve Forbes' book [Money: How the Destruction of the Dollar Threatens the Global Economy](#) in June 2014 also moved things forward considerably. Forbes is, in my opinion, [one of the best monetary thinkers in the U.S. today](#) (including academics). In our ignorant era, it takes a brave man to say that the monetary system the United States used for over 180 years – a gold standard system – in the process becoming the wealthiest and most powerful country in the world, is maybe not such a bad idea after all. Now that he has planted his flag on the issue, with all the expertise to back it up, perhaps some less-brave people will declare that they actually thought the same thing all along.

This intellectual leadership is enabling political leadership, in the form of Kevin Brady's [Centennial Monetary Commission Act of 2013](#), H.R. 1776. Although this bill disappointed many as it is just a proposal to create a commission for discussion, nevertheless that is about where we are in the political process.

Among conservatives, there is increasing realization that Friedman-style "monetarism," which dominated the 1980s and much of the 1990s, is just a framework of justifications for having the Fed manage the fiat dollar a little differently than other people would have it managed. Not much different really. We're [seeing a split today](#) between conservatives that embrace monetarism or perhaps some other funny-money alternative like nominal GDP targeting, and those who are basically gold advocates. [There isn't really very much else on the menu.](#)

Also, the gold standard advocates themselves have become considerably more sophisticated, having abandoned various once-popular schemes by which a gold parity would be determined by the reciprocal of the amount of gold supposedly (but probably not) in a vault somewhere, the "pure gold standard" 100% bullion proposals popular in the 1980s, or the [gold coin extremists](#). I hope they will eventually abandon [more mistaken concepts](#) dating from the "mind-bending ignorance of the Bretton Woods years."

For me, this game is global. The United States is probably the least favorable political environment for such things today. The political system will likely cling to the fiat-dollar-centric *status quo* until the bitter end, because everyone now believes it is the solution to any conceivable problem. Rather, the ideas and consensus created today are most likely to find application elsewhere in the world. The Flat Tax idea was also created by Americans, in the 1980s, with research and support from conservative think tanks, and finally wide popularization in the presidential campaigns of ... Steve Forbes. In the U.S., it was a flop. But, over thirty other governments implemented the plan since 2000, and [pretty much got the results that the think-tank white papers indicated, or better.](#)

Thus, the creation of Cato's Center for Monetary and Financial Alternatives is the path to getting a gold standard system in — Albania. And a few dozen other countries. And then we go on from there.

I was talking to a friend about how to get the United States to return to the high monetary ideals of its founders. I said: "We get at least a dozen successful and reliable gold standard currency systems set up worldwide, perhaps as second or 'alternative' currencies. Maybe some big countries like Russia, China, Germany and Brazil introduce their own gold-based currencies. Then, if there is an environment of monetary crisis in the United States and Europe, and the gold-based approach has been tested and proven by numerous other governments, the U.S. would do it too."

"Yes," she said. "Of course it would be easy *then*."