

## The Great Gold Hoax by NATHAN HILLMAN

MAN is preparing to soar into outer space, yet is still mired in the morass of economic superstition concerning gold 4,000 years after the biblical injunction against making a god of gold.

The popular belief that the soundness of the American dollar and our economic system is based on the amount of gold buried in Fort Knox is a superstition wrapped in unsound economic thinking. The soundness of the dollar is based on the economic strength and well-being of the country. We are losing gold because of weakening economic strength, not the other way around—that the dollar is unsound because we are losing gold. Any connection between the soundness of the dollar and the amount of gold in the treasury is purely coincidental.

The countries that are prospering economically have a sound currency, and those with economic troubles have a weak currency. The currency is sound if the country is prosperous and the governing power has the ability to tax the citizens to support it. When economic conditions become unsound and the government is unable to tax people sufficiently to support itself, it must resort to printing-press money which causes inflation and weakened currency.

The concern about the loss of gold from the U.S. Treasury is based on confusion caused by using the words "export" and "import" as bookkeeping terms instead of economic terms.\*

\*See Henry George's *Protection and Free Trade*.

Basically international trade is trading goods for goods or services, and trading services for services or goods. If we import (take in) more goods and services than we export (send out), it is called an unfavorable balance of trade.

According to the same economic thinking, exporting (sending out) more goods and services than we import (take in) is a favorable trade balance. How absurd! Any housewife knows that if the shelves in her pantry are full she is much better off than if they are empty.

If you had goods to trade it would not be a fair exchange if you gave twice as much as you received. For example, if you had two automobiles of the same kind, and traded them for one automobile of the same kind, you would consider your trade unfavorable.

Yet in trade between nations it is supposed to be sound economic policy to export more than we import. If we carried this reasoning to its logical conclusion we would expect to be better off as a nation if we exported billions of dollars worth of goods and received nothing in return. Obviously, international trade does not work that way.

In bookkeeping the profits of a business are measured by the excess of sales over purchases. The assumption is then made in international trade, that the exports of a nation are like the sales of a business, and that the imports are like purchases in a business. This is not true. When we say a business is profitable because its

(Continued on page 11)

HENRY GEORGE NEWS

(Continued from page 8)

sales exceed purchases, we are really thinking of sales not as the goods we sent out, but the money we received for the goods. As to purchases, what we are thinking about is not the goods we take in, but the money we pay out. We mean, in short, that the business is growing richer because its income exceeds its outgo.

If a nation, or a business, has more outgo than income, it is operating at a deficit. If we send more goods out of the country than we get back, we are operating at a loss and the balance of trade is *unfavorable*, not favorable. We are then suffering a loss of gold because we are giving other nations more in goods and services than we are getting in return.

International trade is operating at a loss principally because of government gifts, loans and services furnished to other nations on which we receive nothing in return. All private trade between American businessmen and foreigners is a balanced exchange of goods and services for goods and services.

It is important that we maintain the freest trade possible between our nation and the world, but this is not enough. As long as economic conditions in the United States are sound the government can collect taxes to pay for these gifts and loans. When economic conditions weaken, as at present, the ability to collect increased taxes weakens, and foreign countries lose confidence in the promise of the United States to meet its commitments.

At that point foreigners owning dollars begin to exchange them for gold or other currency. As long as economic conditions here are sound, foreign traders will not part with their dollars; only as conditions weaken will they convert them to a more sound currency, or gold.

It is therefore evident that in order

to prevent the loss of gold the economic system must be strengthened. Manipulation of the gold supply is treating the effect and not the cause.

And what is the cause of our gold problems? Increasing unemployment and the under-employment of those who are at work (many of those now employed are not working full-time), also failure to use the full capacity of our available machinery.

Once we understand that in order to solve our monetary problems we must solve our basic problem of unemployment, we can begin to solve our economic problems. In 1933 the nation, in the midst of a severe depression, was supposed to have gotten off the gold standard. Yet in 1961, 28 years later, we are still using gold as a backing for our currency. Let us stop taking gold from the mine and putting it into another hole, Fort Knox, and calling it economic statesmanship.

It is time we recognized that gold is merely a commodity, good for filling teeth or making wedding rings, and that there is no reason why we must use it to support our monetary system which has, for too long, been shrouded in mystery. Not one American in a thousand understands that the soundness of a country's money is based on a sound economic system.

Our economic troubles, as Henry George stated, are based on land monopoly and unjust taxation. He proposed, by his single tax on land values, with one fell swoop, to break up land monopoly and abolish all of the harmful and oppressive taxes. The administration in Washington is talking about "a new frontier." We have it right here in the United States, where half the land is idle. This makes for idle men and idle machines.

**Nathan Hillman, an attorney, was the founder of the Hartford extension of the Henry George School in 1936, and was for many years its director.**