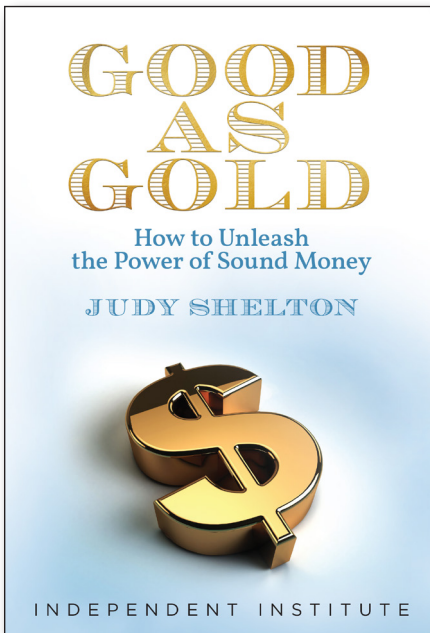


Good as Gold

How to Unleash the Power of Sound Money

BY JUDY SHELTON



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Independent Institute

100 Swan Way

Oakland, CA 94621-1428

Phone: 510-632-1366

Fax: 510-568-6040

Toll-Free: 800-927-8733

Online: www.independent.org

Email: info@independent.org



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Book Highlights

- **Money ought to function as a meaningful unit of account across borders and a trustworthy store of value through time.** When this primary function of money is subjugated to other aims of government—however noble or ignoble those aims may be—the validity of money as a reliable standard for evaluating goods and services is thrown into question. And when the validity of money as such is thrown into question, how can free market economies deliver benefits to consumers and producers? Short answer: they can't. If the United States is to continue with the free market economy model (as it absolutely should, for reasons Shelton explains), then it's time to get back to basics. Shelton insists that the three primary benefits sound money provides—a medium of exchange, a unit of account, and a store of value—must always remain first and foremost in discussions of monetary policy. Other concerns, more often than not, are mere distractions.
- **To understand which monetary systems work well—i.e., which systems foster productive growth, increase wages, boost economic performance, broadly share economic gains among people, etc.—we need to study history.** Shelton provides a comprehensive and fascinating overview of past monetary systems, both domestic and international. The classical gold standard receives special attention as one of the few monetary systems that reconciled the stability of the national currency for domestic citizens *with* monetary stability in the international context. This, Shelton emphasizes, was a rare and deeply impressive accomplishment. How might we incorporate the success of such a system in the future of the American economy? It's a question well worth asking. Shelton also reflects on the triumphs and failures of the Bretton Woods model, providing a uniquely objective analysis of a (still) relatively controversial time in American history.
- **To understand the shortcomings of our current system, we need to acknowledge the profound shortcomings of central banking. History can help us do this.** Shelton makes the salient and important point that many Americans *feel* the need for economic change, even if they don't understand *what*, exactly, needs to change. They don't need to understand the ins and outs of monetary policy to know that our system is broken. Recurring cycles of inflation, pandemic price-spikes, the ever-rising government debt ... all these serve as red flags to alert a thinking person that *something* has gone deeply awry. And it has. The rising government debt alone is a clarion call to reevaluate the entire economy—after all, the fact that central banks are massive purchasers of government debt creates a deep and obvious tension between the Treasury (funded by the American taxpayer) and the Federal Reserve. Shelton does not go so far as to condemn the existence of central banks as lenders of last resort for emergency circumstances, but she insists that the routine accommodation of government expenditures in excess of government revenues must end.
- **We need a new, orderly, international monetary system ... and gold convertibility might just help us get one.** Our money supply is not sound. Inflation continues to

drive up prices, and the American dollar is becoming less trustworthy by the day in the world's marketplace. Under these shamefully bad conditions, utilizing gold as part of a new international monetary order should *not* be off the table. Bonds convertible into gold at a fixed price might just be the catalyst for stable exchange rates, a universal benchmark of value, accurate price signaling across and within borders, and even new financial investment opportunities. The unfashionable reputation of “goldbugs” in monetary circles should not dissuade us from considering workable solutions.

- **America's monetary system will not improve without bold political leadership.** Throughout her book, Shelton insists that economic freedom is inextricably linked to political freedom. After all, the fruits of free market capitalism can only be enjoyed by citizens *with the liberty* to enjoy them in the first place. America must seize this opportunity for bold political leadership. The time has come for someone to forge the path toward America's restored money unit. Our status as a shining city on a hill depends on it, and our aim should be nothing less than to make the U.S. dollar the most trustworthy currency in the world.

Synopsis

From financial crises, to pandemic price-spikes, to recurring cycles of inflation, everyone agrees: the economy has seen better days. But as soon as pundits and politicians start discussing economics, things get murky. Most books ask more questions than they answer. Except this one. **Judy Shelton**—senior fellow at Independent Institute, former chairman of the National Endowment for Democracy, and critically acclaimed monetary economist—has written a book with *answers*, and not a moment too soon.

With clarity and moral courage, Shelton charts the course to a brighter future. She's one of the few economists bold enough to

challenge the inflationary policies of the Federal Reserve, emphasizing how today's policies enrich elites at the expense of poor and middle-class Americans. This, Shelton shows, *can* end—easily. *Good as Gold* is an inspiring message of hope not only for Americans but for people around the world. Global economic prosperity, she insists, does not need to come at the expense of domestic prosperity. *We can have both*—but not without a sound and stable U.S. currency.

Shelton shows that history is very clear on this point. When the U.S. dollar is backed by gold, America prospers, and so does the rest of the world. In this book, Shelton casts a powerful vision that is as revolutionary as it is time-tested—a vision that shows how the future American dollar can perform as well as gold, or even better. But this is no curmudgeonly demand to return to the gold standard of yore; neither is it a demand to return to the Bretton Woods era. Instead, Shelton offers something new: an explanation of how we can use gold for a *new* international monetary order.

This book makes time-tested economic truths accessible, interesting, and vital to readers. How does price stability function as the foundation for productive economic growth? How are political freedom and economic freedom fundamentally linked ... and can one possibly exist without the other? How can we reconcile the stability of America's domestic currency in a global context? What's the proper role of government in the economy? With grace, intel-

lectual rigor, and unmatched passion, this book is a must-read for anyone invested in the future of the American—and global—economy.

What doesn't work?

What does it mean for an economy to function optimally? A good place to start is to examine what success does *not* look like.

One of the most profound and important historical examples of economic failure is the Soviet Union's central planning system, which ended in internal bankruptcy and political collapse. As it turns out, lofty rhetoric and noble dreams of “equality” aren't enough to make a fair and functional economy.

Why, then, do we allow central banks in America to control the price of loanable funds and influence credit markets in pursuit of the government's economic objectives? Why does such a small committee of unelected officials on the board of the Federal Reserve control the money supply? The collapse of the Soviet Union taught us that this kind of economic system leads to disaster. Are we willing to embrace the same fate? If not, then Shelton argues it's time to wake up.

Another important metric of economic failure or success is economic growth. But, Shelton insists, “economic growth” is a term that must be carefully and intentionally defined. Gross domestic product (GDP) is only a starting point; it doesn't tell the full story. Other factors such as life expectancy,

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well-being, and ecological footprint deserve consideration. We also must ask: Does it matter if economic growth happens in the financial sector versus manufacturing or service-oriented pursuits? In America today, the former seems to yield great fruit; hedge fund managers, investors, and stock market brokers make millions on billions of dollars working in the financial sector. Inevitably, this leads to an excessive financialization of the economy—at the expense of other sectors. “Speculative investing in financial markets that seek to profit from the monetary and exchange rate instability caused by central bank decisions may generate high incomes, but it doesn’t increase the size of the economic pie,” Shelton writes.

Shelton argues that the productive output of a nation is an equally (if not more) important measurement of economic growth. While the profits from practices like currency trading may count toward America’s GDP on paper, they do not constitute productive output. There is a stunning disconnect between *real* economic growth and the growth of financial assets.

What does work?

The first and most important ingredient for good economic activity and true productive growth, Shelton writes, is *stable money*. If we want to consider ourselves part of the global economy, then “stable” money must mean money that measures value across borders and through time. Only when money does both these things can it provide stable purchasing power to rich and poor people alike.

Shelton writes that the classical gold standard and the Bretton Woods system, both of which linked money and gold, achieved these goals. They weren’t perfect systems (no system is perfect), but they got the job done.

Under the classical gold standard, there was scarcely a difference between money and gold. Gold’s metallic value has always been (and remains today) incredibly high.

In fact, the reason modern gold coins are almost never used in daily transactions today is precisely because their metallic value is so much higher than the nominal value printed on the surface. Clearly, gold is valuable. Even those whose livelihoods depend on the central planning system, like former Federal Reserve chairman Ben Bernanke, know this. Indeed, Bernanke, who famously dismissed concerns over the dollar’s value as “overstated” in 2011, acknowledged that the gold standard “did deliver price stability over very long periods of time” in a hearing before the Committee on Banking, Housing, and Urban Affairs in the United States Senate. Now, even more than in 2011, price stability over “very long periods of time” seems like a very worthy goal.

Under the Bretton Woods system, fixed exchange rates between nations were enforced to bring order to international trade and investment. The idea was to prevent currency depreciation from being used by cheating nations to skew financial outcomes to their own advantage. It was, for a time, enormously successful.

The architects of Bretton Woods insisted on the enforcement of stable exchange rates precisely because they recognized the need to prevent currency wars from becoming *real* wars. That was wise. Shelton warns that precious few of today’s economic leaders have such existential concerns on their radar.

There are very real threats to America’s liberty and status on the world stage and in the world’s marketplace. They ought to spur us from the world of theory to the world of action.

From theory to action

Part One of Shelton’s book works to build the necessary intellectual consensus to provide the groundwork for implementing an innovative approach for a new monetary future. In light of the lessons she presents from the distant and not-so-distant past, we can move from the world of theory to the world of action. We can address the

shortcomings of our own system and create a new one that works for all Americans.

To start, Shelton recommends launching new Treasury Trust Bonds—George Gilder calls them “Shelton bonds”—to move toward sound money and away from economic management through central bank intervention. “The dollar is made as good as gold by pledging gold convertibility of a Treasury bond at maturity with a nominal face value defined in dollars,” Shelton writes. Such bonds would “signal a new commitment to fiscal and monetary accountability by offering an official debt instrument backed by the United States government that reaffirms gold convertibility for the first time since the Bretton Woods system was dismantled.” She also recommends that the president under whose leadership this initiative be launched appoint a commission to investigate ways to set a fixed value for the dollar—another important way America’s economy would earn public trust.

Shelton’s sphere of action extends beyond the borders of the U.S. The entire world, she argues, ought to be concerned with international monetary reform. How could an American leader help make this happen? To start, Shelton recommends going up against the International Monetary Fund (IMF), which claims to work “to achieve sustainable growth and prosperity for all of its 190 member countries.” An American leader should demand an explanation for the IMF’s transformation away from its founding responsibility (to “safeguard exchange rate stability”) and declare that the organization has outlived its purpose. “Indeed,” writes Shelton, today the IMF actually “works against leveling the international monetary playing field. If the IMF were true to its mission espoused by its architects to bring about financial disarmament by preventing beggar-thy-neighbor currency depreciation from undermining trade, it would facilitate a move toward a new international monetary order based on gold convertibility for a class of long-term

government debt instruments issued by participating nations using their own currencies.” Of course, for political and ideological reasons, the IMF would do no such thing today ... despite holding over 90 million ounces of gold itself.

Holding so much, the IMF sees the value of gold; it even notes on its website that “gold remains an important reserve asset.” But when it comes to action—e.g., actually confronting disorderly currency movements—the IMF remains shamefully paralyzed. America must not follow suit.

The necessity of political leadership

Shelton emphasizes the declining faith American people place in their economic leaders. In a May 2023 Gallup poll, Federal Reserve Chairman Jerome Powell received the lowest Gallup rating for any prior Fed chair, with only 36 percent of Americans expressing confidence that he would do or recommend the right thing for the economy.

Change is needed—and clearly, Americans are ready for it.

But fighting for change means fighting the Federal Reserve, the status quo, and the years of inertia that have paralyzed most of Washington’s leadership class. That is not a mission for the faint of heart. Shelton warns that none of the work or recommendations in her book will bear fruit without one indispensable resource—political leadership.

The next generation of American leaders must rise to the challenge of sound money. And they must heed Shelton’s urgent words: “The solution to providing sound money at home and abroad is to link the value of the dollar once again to gold—not all at once, not overnight. But to bring clarity of purpose to the need to restore faith in our currency as an honest measure, a dependable store of value and to reinforce the integrity of the U.S. dollar as the most trustworthy currency in the world.” The next great American leader must insist that money is a moral contract between the government

and its citizens. This will restore confidence in the basic competence of America’s government in terms of both monetary and fiscal policy. A confident and visionary leader will recognize that “establishing a stable monetary foundation for achieving optimal economic performance—and granting access to participating trade partners willing to abide by its tenets—would serve as a testimonial to free markets and free people.”

Shelton sets the bar for the American economy high. But high does not mean impossible. A stable dollar that provides a reliable measurement tool for making decisions about the future is *not* a pipe dream. “A skilled political leader will comprehend the powerful appeal of putting forth the question that is treated with belittlement by central bankers while strongly registering with people who must contend daily with the real economy: Why not sound money?”

It’s past time to make the U.S. dollar the most trustworthy currency in the world—to make it good as gold.

About the Author



Judy L. Shelton is a senior fellow at Independent Institute, former chairman of the National Endowment for Democracy, and former U.S. director of the European Bank for Reconstruction and Development. She has testified before the U.S. Senate Banking, Senate Foreign Relations, House Banking, House Foreign Affairs, and Joint Economic Committees and has been consulted on international economic and financial issues by national security officials at the White House, U.S. Congress, and the Pentagon. She holds a PhD in business administration, with an emphasis on finance and international economics, from the University of Utah. She also received a postdoctoral fellowship from the Hoover Institution at Stanford University as a national fellow, and was named a Hoover senior research fellow (1985–1995).

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