Fix What Broke: Building an Orderly and Ethical International Monetary System

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It has been more than six years since the global economy was put through the financial wringer and left hung out to dry. According to former Federal Reserve chairman Ben Bernanke, who presided over the debacle: "September and October of 2008 was the worst financial crisis in global history, including the Great Depression" (da Costa 2014). Given that Bernanke is a scholar on the global economic collapse of the 1930s, his assessment is particularly sobering. After all, a horrifying world war followed in its aftermath.

Today's situation might be less worrisome if we had any reason to believe that the fundamental problem of calibrating the global money supply to the needs of the global economy had been resolved. But we don't. Instead of establishing a sound money foundation that would permit free-market mechanisms to optimize capital flows and maximize long-term economic growth, we have empowered central banks to engage in central planning. Instead of building an international monetary system consistent with the values of democratic capitalism—free markets, free enterprise, and free trade—we have amplified the influence of government over the voluntary transactions of individuals operating in the private sector.

And what have we gained in terms of global financial stability? Central bankers and government authorities are likely to prove less

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than omniscient once more; the next worldwide financial meltdown may well be looming on the horizon.

Even more disabling would be our loss of leadership and perceived bankrupt principles. How can America promote the virtues of economic opportunity and honest competition in an open global marketplace while allowing currency disorder to distort the terms of trade? How can our nation stand for free people and free markets, and yet have nothing to say about the disrupting and destabilizing effects of capital flight and manipulative monetary practices?

Financial Disarmament

The world has experienced more difficult and more dangerous conditions than our current setting. On July 1, 1944, delegates from 44 nations came together in Bretton Woods, New Hampshire, to work out arrangements for a new international monetary and financial order. Less than four weeks earlier, on June 6, 1944 (termed "D-Day"), more than 160,000 Allied troops had landed on the beaches of Normandy to battle against heavily entrenched Nazi forces. The outcome of the war was far from being assured.

In spite of the distractions of global hostilities—indeed, precisely because of such challenging circumstances—the assemblage was infused with a strong sense of purpose and resolve. The goal was to forge an agreement that would establish a stable international monetary system to serve the needs of a postwar world recovering from devastation. It was an endeavor both hopeful and fateful; if ravaged nations could not look forward to a more functional and productive global economy than the one that had sparked belligerence and confrontation, they might not be able to summon the necessary fortitude to prevail against totalitarianism.

Harry Dexter White, a monetary expert at the Treasury, sought to inspire struggling nations by providing a glimpse of an economic future that would grant them the opportunity to rebuild their economies through full participation in an open global trading system. In a draft memo that would be the precursor to the Bretton Woods agreement for international monetary cooperation, White (1942: 46) argued that prosperity should be built on a solid monetary foundation of stable exchange rates:

> The advantages of obtaining stable exchange rates are patent. The maintenance of stable exchange rates means the

> elimination of exchange risk in international economic and financial transactions. The cost of conducting foreign trade is thereby reduced, and capital flows much more easily to the country where it yields the greatest return because both short-term and long-term investments are greatly hampered by the probability of loss from exchange depreciation. As the expectation of continued stability in foreign exchange rates is strengthened there is also more chance of avoiding the disrupting effects of flights of capital and of inflation.

The logic and clarity of the ideas pursued by White at Bretton Woods still have resonance today. They should not be tainted by the controversy that clouded his reputation. White was accused in 1948 of passing information to communists, a charge he denied before the House Committee on Un-American Activities; he died shortly after giving testimony (Shelton 1994).

What we should take from his economic writings and policy undertakings is the imperative of preventing "beggar-thy-neighbor" devaluations among currencies leading to retaliatory tariffs and a breakdown in international commerce and credit. As a bulwark against monetary disorder and economic depression, White proposed the creation of an international monetary fund comprising gold and national currencies. It would stabilize foreign-exchange rates, encourage the flow of productive capital among participating nations, help stabilize domestic price levels, promote sound credit practices, and reduce barriers to foreign trade.

All these tasks, as Treasury Secretary Henry Morgenthau Jr. observed in 1943, were interrelated. "It is generally recognized that monetary stability and protection against discriminatory currency practices are essential bases for the revival of international commerce and finance" (in Horsefield 1969: 83).

The other key architect of the Bretton Woods agreement, John Maynard Keynes, brought his own perspective to the proceedings. Keynes was primarily interested in channeling needed financial resources from wealthy countries to needy countries; he wanted to ensure that Britain, in particular, would continue to receive defense aid from the United States. Yet Keynes also understood that international monetary stability was the key to promoting increased trade and capital flows. He was intrigued with the idea of elaborating a truly international plan for global financial cooperation and he likewise saw an important monetary role for gold. Keynes recommended

the creation of an international currency unit (he called it "bancor") into which other currencies would be convertible. Keynes proposed that exchange rates be fixed in terms of bancor and that bancor be valued in gold.

Keynes (1942: par. 51) described the proposal for a gold-based international monetary union to facilitate world trade as nothing less than a call for global "financial disarmament." White, for his part, believed that the vision of a better world offering nations a more prosperous existence in the future would inspire them to persevere in winning the war. People had to be assured that the United States would not desert them, but rather would help them through the difficult task of economic reconstruction. "To help them, not primarily for altruistic motives, but from recognition of the truth that prosperity, like peace, is indivisible" (White 1942: 38–39).

Golden Age

It would be too pat to merely proclaim that the Bretton Woods agreement brought about a time of economic prosperity, high productivity, high average wages and high consumption. The International Monetary Fund (IMF) officially commenced operations on March 1, 1947, launching a gold exchange standard based on a U.S. dollar convertible into gold at the rate of $35 per ounce. The Marshall Plan would be implemented the following year, through which the United States would provide $17 billion (approximately $160 billion in 2014 dollars) in economic support to European countries.

Was it the existence of a reliable golden anchor for international monetary relations that was most responsible for delivering the period of high economic growth? Or should we attribute America's foresight in channeling financial capital to Europe as a way to impose our own free market values and strengthen capitalism's hold across the Atlantic? Improving the economic productivity of Western Europe not only served as a buffer against communism, it also created markets for American goods.

Still, the Marshall Plan was in operation for only four years whereas the Bretton Woods international monetary system continued to function until August 15, 1971, the day President Richard Nixon suspended convertibility of the dollar into gold.

Can it be coincidental that a fixed-exchange rate regime linked to gold accorded generally with the high-growth period from 1945 to

1975 referred to in France as the "Trente Glorieuses" or 30 glorious years? In his book *Capital in the Twenty-First Century*, French economist Thomas Piketty describes the postwar years in Europe as an exceptional time of economic "catch-up" as per capita output leapt ahead. "Western Europe experienced a golden age of growth between 1950 and 1970, only to see its growth rate diminish to one-half or even one-third of its peak level during the decades that followed" (Piketty 2014: 97).

This more specific reference to the prosperous decades of the 1950s and 1960s, which marked the heyday of the Bretton Woods gold exchange regime, is echoed by economist Paul Krugman. Writing in the *New York Times,* Krugman (2002) laments the increase in wealth inequality since the 1970s and concurrent decline of the middle class. "For the America I grew up in—the America of the 1950s and 1960s—was a middle-class society, both in reality and in feel." For Krugman, the widening gap between the "very rich" and the rest is having profound effects in the economic, social, and political spheres; specifically, he asserts that the growing concentration of wealth since the early 1970s is at the root of "an extreme polarization of our politics."

Yet even as Krugman points out that income inequality was historically low during the era from World War II until the 1970s, he doesn't make the association with the gold-linked monetary system that was in effect during the same period.

Fallacy of Floating

Economists today accept the paradigm of freely floating exchange rates with the same conviction that an earlier generation of economists acknowledged the gold standard as the most rational and efficient approach to structuring international monetary relations. Those who propose alternative exchange-rate arrangements to the currency mishmash that exists in the world today are quickly branded heretics by fellow economists.

But has the system for determining exchange rates among currencies that came into being as the result of the void left by the collapse of Bretton Woods actually delivered results in keeping with the theoretical assumptions of a floating rate model? Has it delivered the results its proponents claimed it would achieve? Can we even refer to the current manner in which exchange rates are determined as any kind of system with regard to structure or orderliness?

In their book *Manias, Panics and Crashes: A History of Financial Crisis*, Charles Kindleberger and Robert Aliber (2011: 40–41) describe the reasoning of Milton Friedman in his assertion that destabilizing speculation would not take place under floating rates, or at least would be unlikely to persist: "The Friedman view is that since the destabilizing speculators would fail to survive, destabilizing speculation cannot occur." Since the end of the Bretton Woods system, however, the behavior of exchange rates has not comported with Friedman's expectations for a freely floating international monetary regime. Instead of providing a rational monetary approach to accommodate international trade and capital movements, fluctuating rates have engendered greater uncertainties and associated costs.

By the mid-1970s, the gyrating dollar had turned foreign trade into a game of currency speculation. An oil crisis and deep recession engulfed the global economy even as major industrial countries found themselves suffering unprecedented levels of inflation; a new phenomenon called "stagflation" combined rising prices with high unemployment. The price of gold soared to more than 10 times its value under the former gold exchange system. Instead of stabilizing major currency exchange rates, floating rates wrought disturbances and disruptions that far surpassed those that had occurred under the Bretton Woods system.

Should we be surprised that the supposed "free market" approach to determining exchange rates through the unalloyed interplay of demand and supply for various currencies has not worked out so well? What seemed an ideologically appealing concept lost its way in the transition from theory to reality.

Of course, "floating rates" in the vacuum left by Nixon's closing of the gold window were not generally floating freely, as governments were not constrained from intervening in currency markets to manipulate exchange rates. And the Bretton Woods system was not truly based on "fixed rates" as it permitted changes in exchange rates in response to a fundamental disequilibrium. The IMF, which was charged with overseeing the system, was responsible for identifying when an adjustment was warranted. Thus, there was never a purist gap between an era of fixed exchange rates and an era of floating exchange rates for comparison's sake.

While we can point to the rare instance when a floating rate approach delivered remarkable exchange-rate stability—Canada's float of its dollar from 1950 to 1962 in defiance of the rules of Bretton

Woods provides an illustrative example—we can still draw broad conclusions about the relative differences between two fairly distinct historical approaches to international monetary relations.

In short, we can appropriately characterize Bretton Woods as a "fixed-but-adjustable-rate" system and likewise recognize that today's non-system encompasses an array of currency arrangements, including pegged rates as well as floating rates, all contributing to global monetary cacophony. And even though the differences between the two approaches are blurred by numerous political compromises imposed by reality, it's still clear that the post-Bretton Woods international monetary regime that came closest to fulfilling the notion of "market-determined" exchange rates could not meet the strictures of that theoretical paradigm.

The so-called "free-market" approach begins to fail with the fact that only governments are the issuers of currency, where central banks act in an official capacity on behalf of governments. This highly restricted set of suppliers circumvents the requirement of free entry to other potential suppliers of currency. Powerful cartels are an anathema to free-market adherents. If private-sector suppliers are not permitted to compete against government-supplied forms of money, how then can we refer to a floating currency regime as a "free-market" approach to determining exchange rates? Moreover, governments are not prohibited from intervening in those same markets for the specific purpose of confounding the impact of market forces on the value of their currencies.

The irony is that the advent of floating rates should have meant that governments would no longer have to accumulate foreign reserves. If the value of currencies is truly left to the market under floating rates, and destabilizing speculation cannot rationally persist, why should governments concern themselves with trying to limit exchange rate movements? Why build up expensive war chests of gold and dollars (or euros, pound sterling, yen) to defend their own currencies against supply-and-demand forces? Pressured by the exigencies of real-world economic shocks and the anxieties of fiscal scrambling, political demands for currency protection will always trump the elegance of theoretical constructs.

In truth, the experiment with floating rates since the end of Bretton Woods has brought about Friedman's worst nightmare: It has empowered central banks—particularly the Federal Reserve—and strengthened government control over the private sector.

What the World Needs Now

The distortions that have been diffused throughout the global economy through monetary machinations make it exceedingly difficult for the real economy to recover. The clarity of price signals has been compromised. As a result, the process of efficiently channeling financial capital into productive opportunities has been undermined. How can investors be persuaded to provide funds for those innovative projects that might generate higher returns in the future—the kind that actually raise living standards for whole societies—when global equity markets artificially pumped up by monetary policy offer easy gains?

The "flexibility" inherent in today's global monetary arrangements enables central banks to indulge in policies explicitly aimed at pursuing domestic economic policy goals while retaining plausible deniability with regard to the impact on other currencies, on international capital flows, and on global economic performance. Even as the world's major central banks are liberated from responsibility for the "spillover" effects imposed on other economies through their decisions, monetary policymakers are quick to point to international developments as important determinants in considering their next move.

So even as the existing non-system allows the world's most influential central bankers to exercise total discretion versus adhering to any formal set of rules, the distortions unleashed around the world through highly speculative financial markets confound the ability of those officials to discern between real economic effects and the aberrations caused by price signals skewed by monetary policy.

The discipline of a rules-based approach to monetary policy—let alone the overlay of an international monetary system anchored by gold—might be seen as unnecessarily confining to governments that have grown accustomed to running budget deficits. Moreover, governments have come to rely on the ability to finance sovereign debt at suppressed interest rates through accommodative monetary policies. The zero-interest-rate policies imposed by the Federal Reserve since December 2008 cater to government borrowing even as they discourage more risky small business loans.

But therein lies the economic price paid for monetary flexibility in a world presumably devoted to free trade and the free flow of international capital. The concept of risk is inherent to making any

financial decision to invest. Yet when the risk lies in trying to decipher the utterances of Federal Reserve officials and how they may impact equity markets versus analyzing the genuine attributes of a potential new idea, it makes a mockery of the notion of financial intermediation. Entrepreneurs should not have to compete with the latest nuanced statement of a central banker in trying to obtain financial seed money for worthwhile endeavors.

The wag-the-dog impact of monetary policy has so perverted the natural process of evaluating the tradeoff between risk and reward for investment opportunities that negative economic news often has an immediate stimulating effect on financial equity markets. Profit-seeking investors readily anticipate that poor economic performance means further intervention from the Federal Reserve and its counterparts around the world. Slower growth of the real economy portends higher returns in financial markets.

All of which has caused an alarming disconnect between the global equity markets and the underlying world economy. While major stock exchanges have experienced spectacular returns, real-world economic growth has limped along at a meager pace. Garry Kasparov and Peter Thiel (2012) observed in a *Financial Times* op-ed that "the world has willingly retreated from a culture of risk and exploration" during the past 40 years, leading to a "depressed rate of technological progress since the 1970s." Could the demise of a well-anchored monetary system be a factor in stifling innovation? Even more distressing: The miscalibration of money and credit to the productive needs of the organic economy suggests that a bubble may yet plunge the world into another global financial crisis.

Have we learned nothing about the perils of monetary policies that perpetuate destructive boom-and-bust cycles? Can the world go through another financial meltdown without despairing over the capacity of free markets to raise prospects for prosperity? Can democratic capitalism survive the next crushing economic blow?

Looking back at the goals and aspirations of the Bretton Woods agreement is not so much an exercise in nostalgia but rather a way to compare the benefits (economic, political, and social) of a stable global monetary system against the perilous platform that reigns today. Calls for a new Bretton Woods are prompted by the need to preserve democratic capitalism for reasons of morality, not mere efficacy. If our current monetary non-system plays favorites by rewarding holders of large stock portfolios while punishing virtuous small

savers with near-zero interest on their savings accounts; if it imposes unwarranted burdens on developing nations through currency effects that hurt their capacity to export; if it presupposes a level of omniscience for the world's leading central bankers that is not only unrealistic but violates American principles of self-government: How can we knowingly permit such a regime to be perpetuated?

Free markets and free people are being demoralized by the absence of a global monetary system, worthy of the designation "system," to ensure the clarity of price signals and the integrity of economic outcomes. If free-market capitalism is to survive, along with its principles of individual liberty and personal responsibility, we must have a free-market monetary system.

The new system must be dedicated to orderly monetary arrangements that provide equal access to a global monetary unit of account; this has nothing to do with furnishing capital itself or transferring wealth by government decree but instead would enable all individuals to voluntarily utilize a defined monetary unit for purposes of valuing goods and services. The unit must be immune from the machinations of governments and central banks. It must be transparently self-disciplining through an automatic stabilizing mechanism.

Solid Choice

Lest it seem as if all the preceding has amounted to making the case for implementing a new global gold standard, or at least a gold exchange system capable of transcending the vagaries of national economic priorities, let me acknowledge here: It doesn't have to be gold.

In pointing out the disorderliness and inefficiencies of the current monetary state of affairs, the purpose is to question why a better approach has not been conceived and implemented. Why must we continue to live with constant fears over the economic damage wrought by central bank actions that are even now beginning to diverge from one to another across oceans and continents, transmitting further capital asset misallocations and financial distortions in their wake?

And in questioning the morality of such a "system" and its impact on the world, the point is well-taken from Pope Francis that today's arrangements have failed to meet the criteria for inclusion and social

justice. "While the earnings of a minority are growing exponentially, so too is the gap separating the majority from the prosperity enjoyed by those happy few," the pontiff wrote in his "Evangelii Gaudium" statement (2013). The inequality of financial outcomes related directly to central bank policies has exacerbated social tensions, and with good reason. How can people have confidence in the Federal Reserve when so many disenfranchised workers are still paying the price of a financial crisis spawned by monetary excess and distorted credit signals?

The indictment against status quo international monetary arrangements is not that the system is inherently immoral. What's immoral is that there *is* no international monetary system. There is no practical means for allowing individuals to voluntarily conduct transactions across borders and through time using an honest and reliable monetary unit of account. Everything gets filtered through the carnival mirror of government-issued currencies. Money is meant to provide a useful tool for private enterprise; instead, it has become an insidious instrument of government policy.

So, no, it doesn't have to be gold. It may be possible to designate some other unit of value that is universally recognized, readily accessible to individuals, yet highly utilized by governments as a monetary reserve asset. But can anyone think of a better reference unit than gold to serve as a monetary standard?

In an article published two decades ago in *National Review*, the same Milton Friedman who propounded flexible exchange rates in 1953 made the observation: "A true gold standard—a unified currency—is indeed consistent with free trade." While he believed no government would be willing to submit itself to the discipline of a strict gold standard, Friedman wrote (1994): "The lesson is that for any group of economic entities to have a unified currency, there can be at most one independent central bank. ('At most,' because with a pure commodity standard, e.g., a gold standard, no central bank is needed.)"

Getting There

Is it possible that, under pressing circumstances (or a vision of the coming chaos engendered by currency wars unwittingly launched by divergent central bank policies), a major government might indeed be willing to submit itself to the discipline of a gold standard?

Would that government likely represent the people of the United States or would it be based in Beijing? According to Kwasi Kwarteng (2014), a British parliament member, writing in a *New York Times* op-ed: "With a balanced budget and a gold-backed currency, China's economy could be even more formidable than it is today." Kwarteng notes that China has large reserves and might wish to claim leadership in the creation of a new monetary order, especially if the dollar continues to prove unreliable as a store of value. He concludes: "Hard as it may be to contemplate today, this scenario would, in many ways, be a more secure basis for an international monetary regime system than the system of floating exchange rates that Nixon inadvertently created in 1971, one that forever overturned the Bretton Woods order."

It is true that China has been aggressively purchasing gold, and in 2013 China overtook India to be the world's largest gold consumer (Badkar 2014). The head of China's largest gold mining company, Sun Zhaoxue (2012), stated in *Qiushi*, the main academic journal of the Chinese Communist Party's Central Committee: "As gold is a currency in nature, no matter if it's for state economic security or for the acceleration of renminbi internationalization, increasing the gold reserve should be one of the key strategies of China."

Still, with U.S. gold reserves nearly eight times the amount held by China—8,133.4 tonnes versus 1,054.1 tonnes, according to the World Gold Council (2014)—the United States would seem to be the more logical nation to offer a gold-backed currency. The fact that the U.S. dollar is already the most dominant global reserve currency grants to America an additional powerful advantage in seeking to build a new monetary order.

What is lacking is the political will. Yet if democratic capitalism still works in the country where it was boldly embraced more than two centuries ago as a radical experiment in self-government, it may be that public outcry at the impotence of monetary policy—indeed, its negative impact on economic performance—will propel a presidential candidate forward who is willing to challenge the current monetary regime. It will take political courage to make the statement: We should be prepared to debate the potential role of gold in our nation's monetary affairs and as an anchor for international monetary stability.

What's required is to explain that monetary policy today is proving intellectually bankrupt. Injecting empty credits into the reserve

accounts of Fed-member banks in hopes that cheap money will somehow lure wealthy investors and big corporations to eventually choose to finance productive enterprises and hire more workers has not worked. If it did work, we would see wage growth due to demand for workers. We would see price gains due to increased demand for goods stemming from higher wages. Instead, the Fed reports in its October survey that wage growth has been "modest" and price gains remain "subdued" across the U.S. economy (Board of Governors of the Federal Reserve: 2014).

The cheap money has instead largely gone into speculative investment, with derivatives linked to interest-rate plays and exchange-rate movements at record levels, while listed corporations purchasing their own shares have become the single biggest category of stock buyers. Such window dressing adds no real value to the economy. But it does explain why inflation, as measured by the Consumer Price Index (CPI), has been relatively subdued. If the increased liquidity provided by the Fed is not filtering beyond sophisticated financial investors and boardroom strategists, there is no kick to economic production or consumer demand.

The rallying cry for fundamental monetary reform should begin with a clear-eyed assessment of these failings, which have stymied economic recovery through the perverse financial effects of distorted price signals. It should then proceed to initiating an alternative to central banking and a return to free-market money. This new approach should align domestic monetary calibration with an orderly and ethical international monetary system forged through a link to gold.

As a first step, a limited issuance of Treasury obligations—redeemable at maturity for a fixed amount of dollars or a specified amount of gold, at the option of the bondholder—should be implemented through congressional legislation or as an initiative by the Department of the Treasury in response to an administration's directive (Shelton 2012). These gold-linked Treasury obligations would conjoin financial instruments already familiar to investors (Treasury debt securities and gold futures contacts), while also providing an alternative to the currently-available Treasury Inflation-Protected Securities (TIPS) as a means for holders to protect themselves from monetary distortions that impact purchasing power.

The difference between gold-linked Treasury bonds and TIPS is that the latter reimburse the bondholder for the impact of inflation

as measured by the Consumer Price Index while the former would reimburse the bondholder for the impact of monetary misalignment as measured by the dollar price of gold. The availability of this new Treasury instrument would be an acknowledgement that seriously distorted price signals leading to severe misallocations of financial capital present a greater risk to many investors than unanticipated changes in the CPI. Chronic inflation at seemingly harmless low rates is seldom viewed as posing an imminent financial threat. It is the panic-inducing breakdown of financial markets as asset bubbles burst that causes the more severe damage to portfolios and proves most debilitating to economic functionality.

If the United States would take this first step toward linking the dollar to gold, it would send a signal of America's commitment to restoring the integrity of the dollar as a meaningful unit of account and reliable store of value. What could we expect from other nations and regional monetary authorities? Would they be willing to subject their own currencies to the discipline of a gold-convertibility option on sovereign government obligations?

One suspects that China might jump at this opportunity to compete with the validity of the dollar by offering its own version of a gold-convertible sovereign debt obligation. If China linked the value of the renminbi to gold through a parallel instrument, investors would price expected exchange rate risk into the comparative bids. Other countries with large holdings of gold reserves (Germany, Italy, France, Russia, Japan, and India) would likely be willing to demonstrate their own capacity to participate in offering gold-convertible debt, not only to join those nations deemed financially solvent by virtue of their reserves, but also to borrow inexpensively.

An increasingly broader group of countries and successively larger set of gold-linked offerings should lead to greater monetary stability—and effectively, fixed exchange rates among participating currencies. Since the various gold-convertible securities all promise a fixed weight of gold or a fixed amount of the particular currency at maturity (its face value), they represent a unified currency system. And most beneficial is that market forces would determine the bid-and-ask prices for these analogous instruments, implicitly establishing fixed exchange rates among the currencies denominating them, rather than having governments arbitrarily impose their own assessments.

Achieving a unified currency system through this approach would be a vast improvement on the monetary status quo, which brought

about the explosion of credit and leverage in the 1990s leading up to the 2007–08 global financial crisis. As former IMF head Jacques de Larosiere observed at a Vienna conference in February 2014: "If one reflects on the monetary setting of those last fifteen or twenty years, one cannot just say that it amounted to a 'non-system'. It was actually much worse: it amounted to an 'anti-system'" (de Larosiere 2014).

One might even suggest that the IMF should help to facilitate the building of such a unified currency system in order to establish the foundation for global monetary stability based on fixed exchange rates anchored to gold. It is, after all, an objective wholly in keeping with the original purpose for which the organization was brought into being at Bretton Woods, New Hampshire, in 1944. As the world's third largest holder of gold (with 2,814 tonnes), the IMF is uniquely situated to assist member nations in linking their currencies to gold.

Yet, since April 1978, with the acceptance of the Second Amendment to its Articles of Agreement, the IMF has abandoned the notion of "system" with regard to international monetary relations (Shelton 2010). A visit to the IMF website confirms that the organization created to oversee a stable monetary system based on fixed exchange rates anchored by gold now endorses precisely the opposite approach: "Since the collapse of the Bretton Woods system, IMF members have been free to choose any form of exchange arrangement they wish (except pegging their currency to gold): allowing the currency to float freely, pegging it to another currency or basket of currencies, adopting the currency of another country, participating in a currency bloc or forming part of a monetary union" (IMF 2014).

Given that the IMF now expressly denies member countries the right to peg their currency to gold, it is difficult to understand why the IMF would still cling zealously to its substantial gold holdings. Why not permit member nations to utilize their contributed gold as they so choose? If necessary, it might be useful for a major nation to remind the IMF that the Articles of Agreement include a section devoted to the administration of liquidation procedures. Schedule K charges that in the event of liquidation, after discharge of the Fund's liabilities, a suitable portion of gold "shall be distributed to those members that were members on August 31, 1975 in proportion to their quotas on that date" (IMF 1978).

In short, in order to fix what broke with the end of Bretton Woods—i.e., a stable international monetary system based on gold

convertibility—it may be necessary for a group of like-minded nations to withdraw from the IMF and take their gold with them. Even as the IMF advises its members that linking their currency to gold is the one exchange-rate option they are not free to choose, that's the very approach they *should* now actively be pursuing in the interests of recalibrating the value of money with real economic activity.

Conclusion

If the world is to have an orderly and ethical international monetary system disciplined by gold; if we are to avoid the next financial meltdown infused by unwarranted money creation; if we are to quash the increasing trend toward central planning by central banks: We must challenge today's monetary anti-system and replace it with a genuine system compatible with liberty, individualism, and free enterprise. It's time to recognize the need for free-market money as the only appropriate foundation for a global economy dedicated to opportunity and inclusion—and to embrace gold as the universally acknowledged standard of monetary value.

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