

# ISIS And The Gold Standard

By *Alexander Baron* - Sep 14, 2015

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Recently, both the mainstream and social media have been awash with a story about ISIS minting a gold coin, which they appear to think will be a direct attack on the dollar and fiat currency everywhere. Not everyone is impressed with this, including *The Economist blog*.

ISIS may have produced a slick video to promote their new product – one that makes a change from their usual beheading videos – but the Gold Dinar Movement is far from new. Those of a conspiratorial nature have long suggested that both Saddam Hussein and Colonel Gaddafi were overthrown because they took steps towards this. Gaddafi even went so far as to attempt to unify the African continent behind the gold dinar. In the US, Libertarians, including veteran Congressman Ron Paul, have long advocated a return not simply to gold but to the gold standard, which was abandoned in 1933 and abolished for international trade by Richard Nixon in 1971.

Whether or not the conspirators are right about US perfidy in the Middle East, the idea that restoring the gold standard will solve all the world's financial problems is too silly for

words. The real value of money derives from the goods and services that back it, but money has value only as long as people believe in it, ie it is purely psychological. Like water, money will also find its own level. There is a finite supply of gold but in theory there is an infinite supply of money, although in practice its supply must be limited to avoid its becoming worthless. There are though two big questions to answer here: the first is who shall control the supply of money, who will issue it, the government, or the banks? The second is how is it to be issued?

While the government is not to be trusted, it is, unlike the banks, accountable to us, at least in theory. More important is how is it to be issued? The correct answer is debt-free. This appears to be what ISIS is aiming for, that and toppling the Great Satan, but fortunately for the rest of us, they will not succeed.

Finally, if you want to understand the foolishness of the gold standard and the way money should work, check our *Salvation Island*, which although first published in 1933 is more relevant today than it has ever been.

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