

Gold's True Story

Back in 1971, I had just started in the institutional research and trading business on Federal St. in Boston. Our firm traded and researched gold shares. I would in fact shortly be on the way to London to begin research [on a lengthy gold study](#). This presentation by Claudio Grass published on *LewRockwell.com* is pretty much as I remember events, and is a great summary of the facts and events of that time. He writes (abridged):

This year marked the 50th anniversary of President Nixon's decision to unilaterally close the "gold window". The impact of this move can hardly be overstated. It triggered a tectonic shift of momentous consequences and it changed not just the global economy and the monetary realities, but it also shaped modern politics and severely affected our society at large.

The Nixon Shock

In July 1944, representatives from 44 nations convened in the resort town of Bretton Woods, New Hampshire, to figure out how the global monetary system should be structured after the end of the war. The US took the clear lead during these talks, exploiting the considerable leverage it had over other countries devastated by WWII or even still occupied by Germany. After all, at that point, Americans were the creditors of the world and had accumulated tons of gold throughout the 1930s and during the war, as the US was widely seen as a safe haven amid the conflict and uncertainty that prevailed at the time.

Indeed, the Bretton Woods system didn't last long. It wasn't fully implemented until 1958 and by the mid 60s it was already obvious that its days were numbered. The US gold stockpiles were dwindling as European central banks soon began redeeming their dollar claims, and there were real fears that US gold

holdings might eventually be exhausted. Also, the Bretton Woods system, even though it was “managed” and much weaker form of the classical gold standard, did still at least partially keep government spending and deficits in check, something that Nixon resented, especially with a view to the next election.

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And yet, there were a few voices that spoke out, for common sense and Reason. As the Cato Institute outlined, “Milton Friedman wrote in his Newsweek column that the price controls “will end as all previous attempts to freeze prices and wages have ended, from the time of the Roman emperor Diocletian to the present, in utter failure.” Ayn Rand gave a lecture about the program titled “The Moratorium on Brains” and denounced it in her newsletter. Alan Reynolds, now a Cato senior fellow, wrote in National Review that wage and price controls were “tyranny ... necessarily selective and discriminatory” and unworkable. Murray Rothbard declared in the New York Times that on August 15 “fascism came to America” and that the promise to control prices was “a fraud and a hoax” given that it was accompanied by a tariff increase.”

Claudio Grass is an independent precious metals advisory based in Switzerland.

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