



Republicans Eye Return to Gold Standard

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The gold standard has returned to mainstream U.S. politics for the first time in 30 years, with a “gold commission” set to become part of official Republican party policy.

Drafts of the party platform, which it will adopt at a convention in Tampa Bay, Florida, next week, call for an audit of Federal Reserve monetary policy and a commission to look at restoring the link between the dollar and gold.

The move shows how five years of easy monetary policy — and the efforts of congressman Ron Paul — have made the once-fringe idea of returning to gold-as-money a legitimate part of Republican debate.

Marsha Blackburn, a Republican congresswoman from Tennessee and co-chair of the platform committee, said the issues were not adopted merely to placate Paul and the delegates that he picked up during his campaign for the party’s nomination.

“These were adopted because they are things that Republicans agree on,” Blackburn told the Financial Times. “The House recently passed a bill on this, and this is something that we think needs to be done.”

The proposal is reminiscent of the Gold Commission created by former president Ronald Reagan in 1981, 10 years after Richard Nixon broke the link between gold and the dollar during the 1971 oil crisis. That commission ultimately supported the status quo.

“There is a growing recognition within the Republican party and in America more generally that we’re not going to be able to print our way to prosperity,” said Sean Fieler, chairman of the American Principles Project, a conservative group that has pushed for a return to the gold standard.

A commission would have no power except to make recommendations, but Fieler said it would provide a chance to educate politicians and the public about the merits of a return to gold. "We're not going to go from a standing start to the gold standard," he said.

The Republican platform in 1980 referred to "restoration of a dependable monetary standard," while the 1984 platform said that "the gold standard may be a useful mechanism". More recent platforms did not mention it.

Any commission on a return to the gold standard would have to address a host of theoretical, empirical and practical issues.

Inflation has remained under control in recent years, despite claims that expansion of the Fed's balance sheet would lead to runaway price rises, while gold has been highly volatile. The price of the metal is up by more than 500 per cent in dollar terms over the past decade.

A return to a fixed money supply would also remove the central bank's ability to offset demand shocks by varying interest rates. That could mean a more volatile economy and higher average unemployment over time.
