

# 11. Potential reforms III. – current ideas of money backing and historical exposure

*Mojmír Hampl, MSc., PhD.*



EVROPSKÁ UNIE  
Evropské strukturální a investiční fondy  
Operační program Výzkum, vývoj a vzdělávání

**MŠMT**  
MINISTERSTVO ŠKOLSTVÍ,  
MLÁDEŽE A TĚLOVÝCHOVY



## 19th century: „golden times“ of metal backing

- Typical standard was either silver or bimetallic (US, France, Austria)
- As new rich silver mines had opened in the 2H of the 19th century (California, Nevada), price of silver started plummeting = silver/bimetallic standard not a source of stability anymore
- Switch to gold standard (US – 1873, 1879), Austria-Hungaria (1892)
- This leads to new gold-mine openings in South Africa and Australia

## 19th century: „golden times“ of metal backing

- Austria-Hungary establishes **gold crown** in 1892, replacing the previous currency called gulden (silver gulden 😊)



Source: <http://artcontrarian.blogspot.com/2011/09/koloman-moser-did-it-all.html>

## 20th century: „golden times“ over

- World War I – effective end of golden times of gold standard
- Returning to it, or establishing it later on seen as disastrous from macro perspective

UK 1925 (Keynes vs. Churchill)

CZ 1929 (Rašín vs. Engliš)

FR 1928

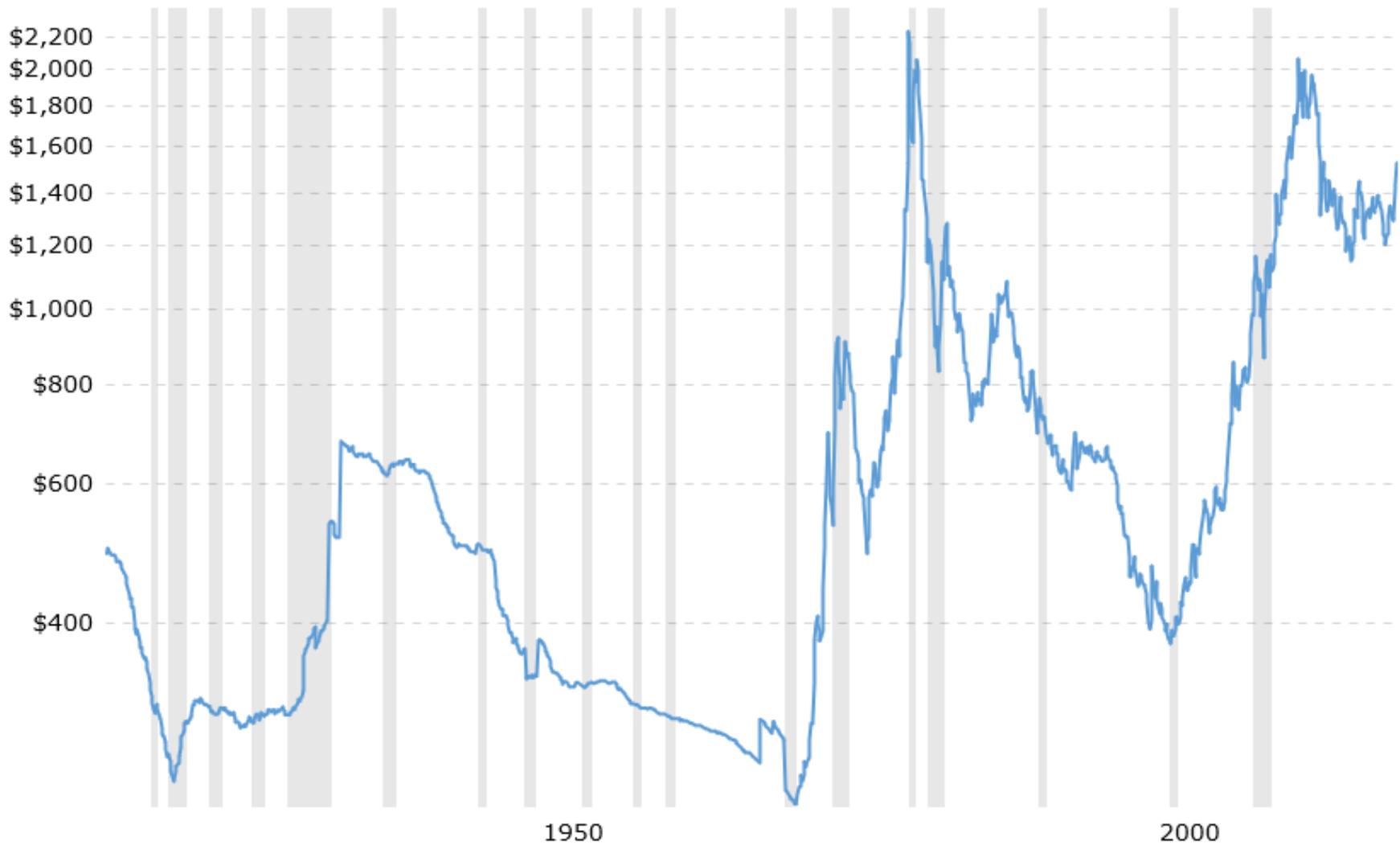
- Gold never to get back its previous status
- World War II – hopes ultimately disappear

**1971 – US formally closes the gold window, the end of metal in the area of money worldwide!**



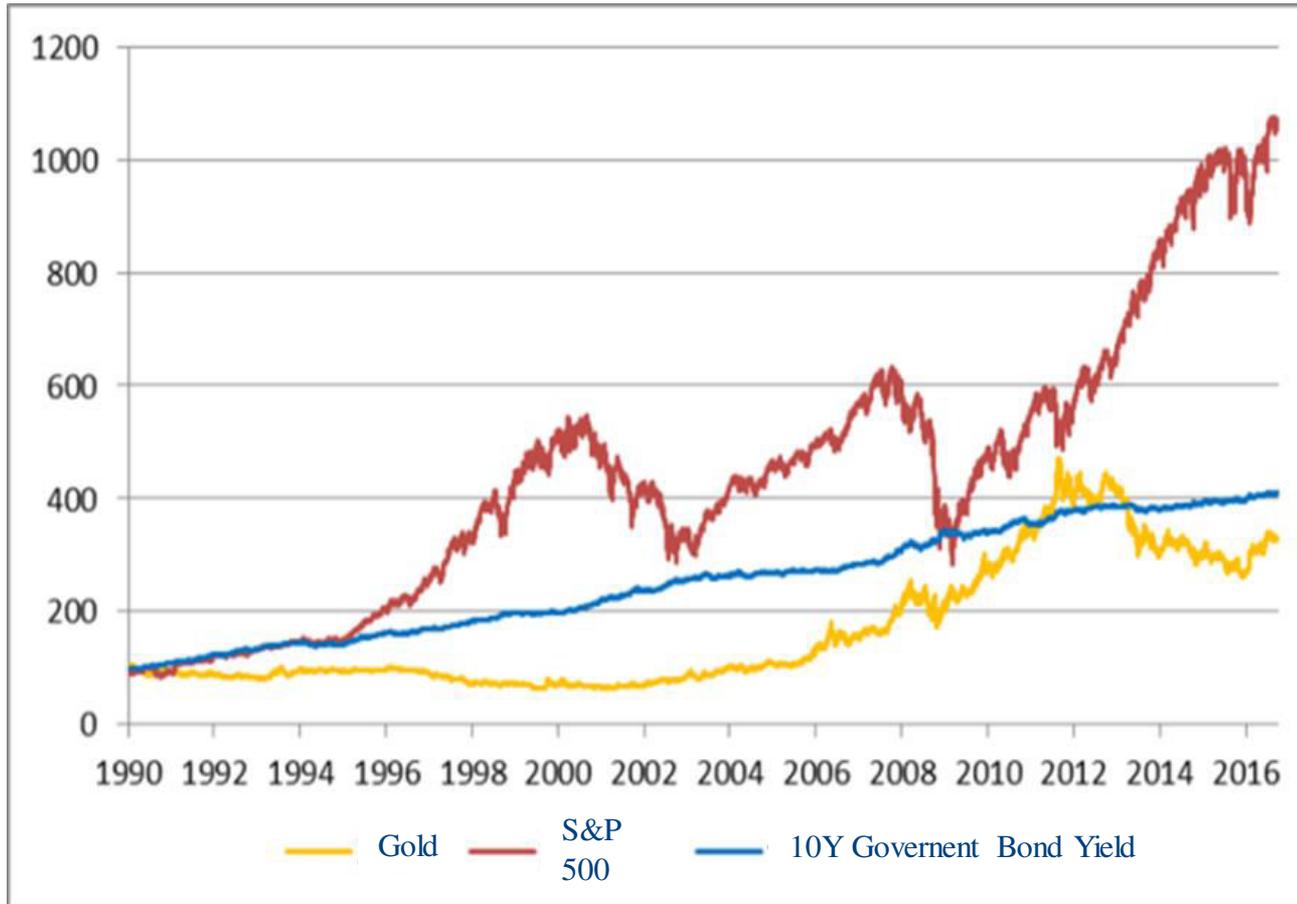
Source: <https://truepundit.com/category/security/page/427/>

## Gold prices – last 100 years, the times of volatility



Source: [macrotrends.net](https://www.macrotrends.net)

## Gold price – a presumed value preserver...



Source: Bloomberg

# Silver – a better alternative?

Silver - Daily - Ten Years

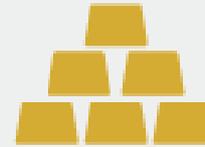
Source: world gold charts @ [www.goldchartsrus.com](http://www.goldchartsrus.com)



## 19. Gold – an emotional asset?

### Central Banks Ranked By Largest Gold Holdings

as of September 2019



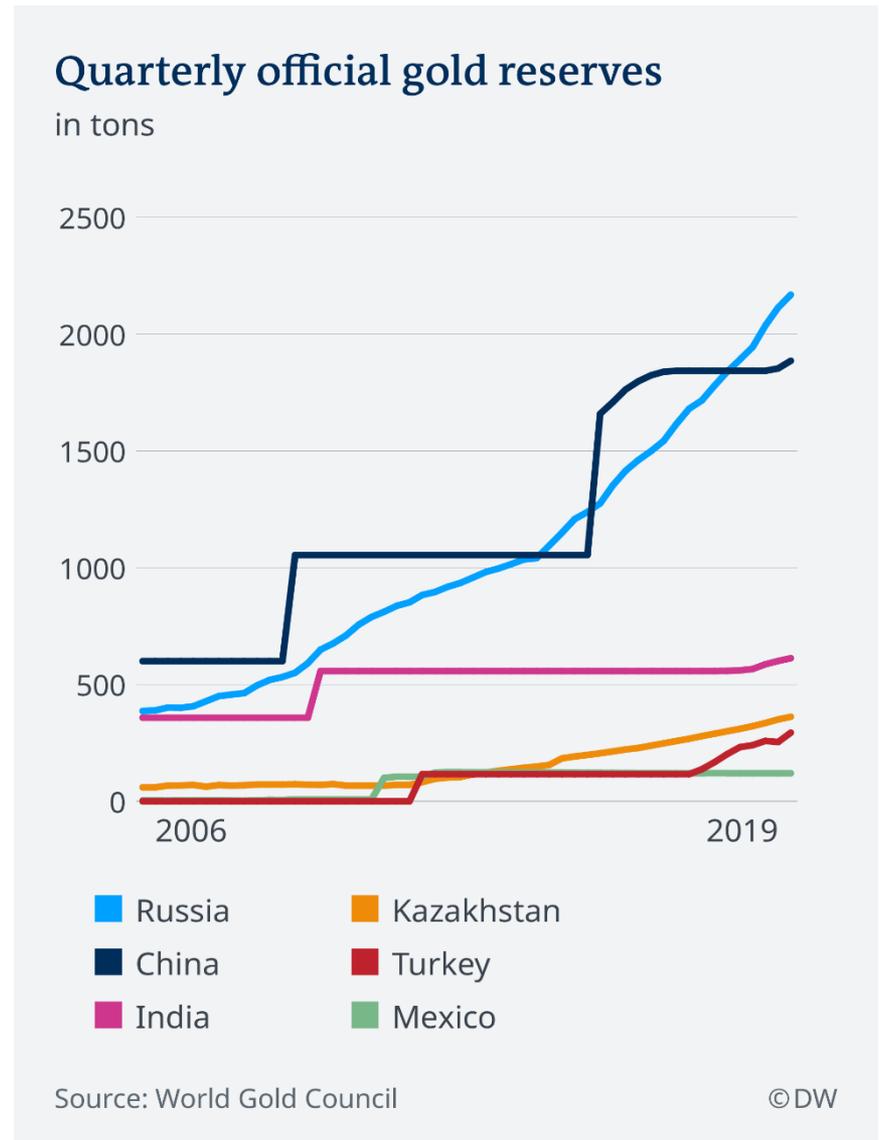
|   |               | Tonnes | Percent of<br>Total Reserves |
|---|---------------|--------|------------------------------|
|    | United States | 8,134  | 76                           |
|    | Germany       | 3,367  | 72                           |
|    | Italy         | 2,452  | 67                           |
|    | France        | 2,436  | 61                           |
|    | Russia        | 2,219  | 20                           |
|    | China         | 1,937  | 3                            |
|    | Switzerland   | 1,040  | 6                            |
|    | Japan         | 765    | 3                            |
|  | India         | 618    | 7                            |
|  | Netherlands   | 613    | 68                           |

Source: World Gold Council, U.S. Global Investors

- While Canada/Hong Kong no gold whatsoever, CZ almost no gold

## 19. Gold – an emotional asset?

There's no proven relationship between amount of gold reserves and price/financial stability!!



## 19. Gold-backing backers now?

- Alan Greenspan (FED 1987 -2006)
- Some liberatrians (Jedlička in our country, Larry White, George Selgin of Cato in the US – *gold price targeting?*)
- Radical conservatives (Judy Shelton, PhD)

BUT

Not a serious proposal for academia

## References and further reading:

1. **Keynes, J. M., 1914.** „The Treatise on Money“, London, Macmillan.
2. **White, L., 2019.** <https://www.alt-m.org/author/white/>
3. **Selgin, G., 2019.** <https://www.alt-m.org/author/selgin/>

**Thank you for your attention!**

Mojmír Hampl

[mh@mojmirhampl.com](mailto:mh@mojmirhampl.com)