

Last year the Chairman of the Federal Reserve told me that [gold is not money](#), a position which central banks, governments, and mainstream economists have claimed is the consensus for decades. But lately there have been some high-profile defections from that consensus. As [Forbes recently reported](#), the president of the Bundesbank (Germany's central bank) and two highly-respected analysts at Deutsche Bank have praised gold as good money.

Why is gold good money? Because it possesses all the monetary properties that the market demands: it is divisible, portable, recognizable and, most importantly, scarce - making it a stable store of value. It is all things the market needs good money to be and has been recognized as such throughout history. Gold rose to nearly [\\$1800 an ounce](#) after the Fed's most recent round of quantitative easing because the people know that gold is money when fiat money fails.

Central bankers recognize this too, even if they officially deny it. Some [analysts have speculated](#) that the International Monetary Fund's real clout is due to its large holdings of gold. And central banks around the world have increased their gold holdings over the last year, especially in emerging market economies trying to protect themselves from the collapse of Western fiat currencies.

Fiat money is not good money because it can be issued without limit and therefore cannot act as a stable store of value. A fiat monetary system gives complete discretion to those who run the printing press, allowing governments to spend money without having to suffer the political consequences of raising taxes. Fiat money benefits [those who create it and receive it first](#), enriching government and its cronies. And the negative effects of fiat money are disguised so that people do not realize that money the Fed creates today is the reason for the busts, rising prices and unemployment, and diminished standard of living tomorrow.

This is why it is so important to allow people the freedom to choose stable money. Earlier this Congress I introduced the Free Competition in Currency Act (H.R. 1098) to permit people to use gold as money again. By eliminating taxes on gold and other precious metals and repealing legal tender laws, people are given the option between using good money or fiat money. If the government persists in debasing the dollar – as [money monopolists](#) have always done – then the people would be able to protect themselves by using alternatives such as gold that are both sound and stable.

As the fiat money pyramid crumbles, gold retains its luster. Rather than being the barbarous relic Keynesians have tried to lead us to believe it is, gold is, as the Bundesbank president put it, "a timeless classic." The defamation of gold wrought by central banks and governments is because gold exposes the devaluation of fiat currencies and the flawed policies of government. Governments hate gold because the people cannot be fooled by it.