

A Road to Prosperity

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Gold, a fundamental, metallic element of the earth's constitution, exhibits unique properties that enabled it, during two millennia of market testing, to emerge as a universally accepted store of value and medium of exchange, not least because it could sustain purchasing power over the long run against a standard assortment of goods and services. Rarely considered in monetary debates, these natural properties of gold caused it to prevail as a stable monetary standard, the most marketable means by which trading peoples worldwide could make trustworthy direct and indirect exchanges for all other articles of wealth.

The preference of tribal cultures, as well as ancient and modern civilizations, to use gold as money was no mere accident of history. Nor has this natural, historical, and global preference for gold as a store of value and standard of measure been easily purged by academic theory and government fiat.

Gold, by its intrinsic nature, is durable, homogenous, fungible, imperishable, indestructible, and malleable. It has a relatively low melting point, facilitating coined money. It is portable and can be readily transported from place to place. Gold money can be safely stored at very low cost, and then exchanged for monetary certificates, bank deposits, and notes—convertible bills of exchange that efficiently extended the gold standard worldwide.

Like paper money, gold is almost infinitely divisible into smaller denominations. But paper money has a marginal production cost near zero. Producing gold money, like other articles of wealth, requires real labor and capital.