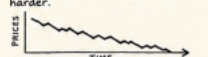
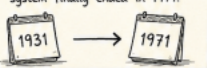


Infographic: The Gold Standard

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The Gold Standard

- 1. What was the gold standard?**
 - The gold standard linked a country's currency to gold.
 - Each unit of currency had a fixed value in terms of gold.
 - Governments promised to exchange currency for gold at that fixed rate.
 - This created fixed exchange rates between participating countries.
- 2. Why was it introduced?**
 - The gold standard aimed to create confidence in money.
 - It made international trade and investment easier.
 - Stable exchange rates reduced uncertainty for merchants and financiers.
 - It was intended to limit inflation by restricting money creation.
- 3. How did it work?**
 - Governments held gold reserves.
 - Currency issued was expected to be backed by those reserves.
 - If gold flowed out of a country, the money supply usually contracted.
 - Economic activity often slowed as money became scarcer.
- 4. The problem of scarcity**
 - Gold is naturally scarce.
 - Economic activity can grow much faster than gold supplies.
 - When money depends on gold, economies can suffer shortages of purchasing power.
 - Scarcity becomes a political choice rather than an economic necessity.
- 5. The cost of adjustment**
 - Countries losing gold often had to:
 - reduce government spending
 - raise taxes
 - cut wages
 - increase unemployment
 - Workers usually bore the burden of adjustment.
- 6. Deflation became the solution**
 - The gold standard encouraged falling prices instead of expanding money.
 - Deflation increased the real burden of debt.
 - Businesses failed more easily.
 - Investment became less attractive.
 - Economic recovery became harder.
- 7. Governments lost flexibility**
 - Governments could not simply create the money needed to support employment.
 - Public investment became constrained.
 - Financial markets gained influence over public policy.
 - Economic policy increasingly served the needs of gold rather than society.
- 8. Why it collapsed**
 - The system came under severe pressure during economic crises.
 - Countries repeatedly suspended the rules during wars and recessions.
 - Britain left the gold standard in 1931.
 - The remaining international gold system finally ended in 1971.
- 9. Modern money is different**
 - Today's currencies are fiat currencies.
 - Governments create money when they spend.
 - Gold does not determine how much money can be created.
 - The real limits are people, skills, technology, resources and inflation.
- 10. Why some still support gold**
 - Supporters believe gold limits irresponsible governments.
 - They argue it creates financial discipline.
 - But it also removes democratic choice.
 - It prevents governments responding properly to crises.
- 11. Funding the Future conclusion**
 - Money should exist to support society.
 - It should not be constrained by the availability of a precious metal.
 - The purpose of money is to mobilise real resources.
 - Economic policy should serve people, not gold.

The gold standard treated gold as more important than people. Modern monetary systems allow governments to use money to meet society's needs, provided they manage inflation and real resources responsibly.

funding the future
Funding the Future
<https://www.taxresearch.org.uk/Blog/>
Richard Murphy's blog on political economy