Last week we received worse than expected unemployment numbers, challenging recent claims that the recession has come and gone. Also, as the economy continues to suffer the after effects of the Federal Reserve-created bubbles of the last decade, there is renewed interest in gold. Fears that the Federal Reserve will pump even more money into the system had caused the price of gold to reach new highs. Also contributing to enthusiasm for gold is continued instability in the banking industry, symbolized this week by fraud allegations that have caused many banks to halt foreclosure proceedings, thus further destabilizing the housing market. Yes, October has a reputation for being a scary month economically and this month is shaping up to be frightening, as well.

The Fed has been wreaking havoc and devaluing our monetary unit steadily since 1913, and greatly accelerating it since the collapse of the Bretton Woods agreement in the 1970s. This severing of the dollar's last tenuous link with gold allowed the Fed to create as much new money as it pleased, and it has taken full advantage of this opportunity.

In 1971, Gross Domestic Product (GDP) was $1.29 trillion. Today it is $14.6 trillion, nominally. But adjusted for all the inflating the Fed has been doing, it is only $2.73 trillion, which constitutes only a 1% real increase per year!

So with all this extra money going around, we may appear nominally wealthier, but the reality is, we have barely moved at all.

This is unfortunate especially for the prudent, conscientious savers, whose nest eggs are constantly being devalued.

Unless of course, they have saved in something out of the Fed's reach, like gold.

While the economy has basically been in a holding pattern against the leeching of wealth by the Fed for 39 years, gold has seen an inflation adjusted increase in value of over 5% per year, if measured in 1971 dollars.

This is due to the Fed's ability to make dollars plentiful.

And yet, this is the only tactic the Fed can come up with to rescue an economy already devastated by “quantitative easing”, as they call it.

The turmoil in the housing market demonstrates how disastrous it is to flood the economy with fiat money. Latest events with foreclosures are good examples of mistakes made in the market, in this case, by the banks, in the rush to soak up manipulated currency. This is why the truly free market depends on sound, honest money, free from false signals of artificially low interest rates.

The government finds ways to spend money even faster than the Fed can create it, bringing our national debt well past the point of the taxpayers ever being able to pay it off. Other nations who, in the past, have eagerly bought up any amount of debt we produced are now starting to resist. We are reaching a crucial point at which the dollar will no longer function, and in the absence of a functioning dollar, restoring sound money will be the only alternative.

The truly scary notion is that those in power might allow our system to collapse so chaotically to the detriment of so many people rather than simply obey the Constitution.