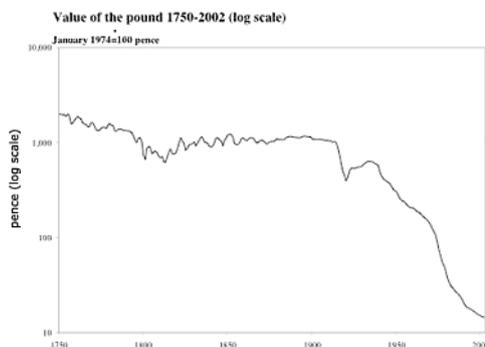


[Inflation is theft](#) [1]

Written by [Sam Bowman](#) [2] | Wednesday 13 April 2011



The chart above shows the pound's purchasing value in real terms (taking January 1974 as a baseline). It comes from Dominic Frisby's [latest article](#) [3] for MoneyWeek, where he asks whether the gold standard might make a comeback. The main drawback of gold, he says, is the inconvenience associated with transferring and storing it, but this might not be such an issue in the era of digital money:

And the chances of my going to Tesco's some time in the not-too-distant future and doing my weekly shop with a gold sovereign are, at best, remote.

But that doesn't mean gold won't be used again as a medium of exchange. Digital gold currencies ? where ownership of gold safely stored in vaults is transferred digitally, just as ordinary fiat-money transactions take place today ? are already starting to be used across the net. In theory at least, digital gold has the potential to become as good a form of exchange as any other digital currency.

I'd prefer free currency competition, but if a gold standard is more politically feasible, then great. My one reservation is the impact of the gold standard on trade in a world where most countries use fiat currency ? I don't really know what the implications would be, but Churchill's half-hearted return to the gold standard seems to have had pretty awful consequences in the 1920s. If any supporters of the gold standard would care to address these concerns in the comments, I'd be grateful.

In any case, the chart above sums up the theft-by-inflation that has reigned since the end of the gold standard. It's even more insidious than taxation, because very few people realize how much inflation devalues their savings. I recommend [the whole piece](#) [3].

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