

The core economic criticisms of a gold-pegged (or deflationary) currency

1. How a Gold-Pegged Currency Works

A gold-pegged currency (the **gold standard**) means each unit of currency (say \$1) represents a fixed amount of gold. The government can't freely print money; it must have enough gold reserves to back it.

This keeps inflation low — but it also **fixes the money supply** to gold availability.

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2. Why It Can Increase Poverty or Slow Growth

a. Deflationary Bias

- As the economy grows (more goods and services), but the amount of gold stays roughly the same, **each unit of gold becomes more valuable**.
- That means **prices fall over time** (deflation).
- People expect prices to fall, so they **delay spending and investment**, thinking their money will buy more later.

- This reduces demand → reduces production → reduces jobs → and can **amplify poverty**.

b. Hard Constraints on Government Spending

- In crises (like recessions, pandemics, or wars), governments can't easily inject liquidity or run deficits, since they can't create money beyond their gold reserves.
- This makes **stimulus and welfare policies hard to implement**.

c. Wealth Concentration

- Those who already hold gold or money **gain purchasing power** as prices fall.
- Debtors (like farmers, small businesses) lose, because their debts are fixed in nominal terms but the money's value rises.
- This can **widen inequality**.

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3. Historical Evidence

- The **Great Depression (1930s)** worsened partly because countries stayed on the gold standard too long.
- When countries (like the UK and US) **abandoned gold**, they recovered faster since they could print and spend freely again.



4. Possible Ways Out or Alternatives

a. Flexible or Managed Peg

- Instead of a strict peg, allow a **band or partial reserve system** — e.g. 40% backed by gold, 60% by economic output.
- That preserves some stability but allows flexibility in money supply.

b. Commodity Basket Peg

- Peg currency to a **basket of assets** (gold + silver + energy + food index + renewable energy) rather than only gold.
- That reduces volatility and ties value to real-world production.

c. Productivity-Based Currency

- Peg money creation to **total factor productivity (TFP)** or GDP growth — i.e., create new money in line with real output increases.
- This balances price stability and growth.

d. Digital or Algorithmic Monetary Policy

- A **crypto system** could automatically adjust money supply based on spending and savings rates.

- Example: increase supply if spending falls below a threshold, to discourage hoarding.

e. Renewable Energy–Pegged Currency

A renewable energy–pegged currency ties the money supply or its value to the price, output, or capacity of renewable energy (like solar, wind, hydro, or geothermal).

- 1 “SolarCoin” = value of 1 kWh of renewable energy produced or backed.
- The currency supply expands as renewable energy capacity or generation grows.
- Higher renewable production → more currency issued → supports economic expansion.
- Lower renewable output → currency scarcity → encourages more investment in renewables.

Effect of Renewable Energy–Pegged Currency	Description
Stability	Energy demand is relatively stable, so the peg is less volatile than commodity-based currencies.

Effect of Renewable Energy–Pegged Currency	Description
Incentives	Investors and governments are rewarded for building renewable infrastructure — money supply grows with sustainability.
Reduced Hoarding	Since renewable energy is continually produced, there's less incentive to hoard currency — its value is tied to ongoing flow, not finite reserves
Energy Independence	Nations relying on this system reduce dependency on fossil fuel imports.
Poverty Reduction	Expanding renewable capacity creates jobs, lowers energy costs, and stabilizes prices, supporting long-term inclusive growth

Summary

Model	Effect on Poverty	Spending Behavior	Government Flexibility
Gold Standard	Can increase poverty via deflation	People hoard	Low
Fiat Currency	Can cause inflation if misused	Encourages spending	High
Managed Peg / Hybrid	Balanced	Moderate	Moderate
Productivity-Based System	Low risk of poverty	Encourages real growth	Flexible
Renewable Energy Peg	Low risk of poverty	Balanced	Flexible

Future of Currency Systems — Beyond a Single Standard

I'm not a fan of a single, monolithic state currency.

With crypto and decentralized finance, we can literally

have thousands of specialized utility tokens, each designed to support a different supply chain, community, or ecosystem.

These currencies can reflect real-world productivity, sustainability, or purpose — from clean energy to local food networks or education credits. Building such systems is challenging because designing the right incentive structure takes time, experimentation, and governance — but real progress is being made.