

## FINANCIAL HISTORY AND BIBLE PROPHECY

Winston Churchill once stated that the further you look back into history the further ahead you can see forward. One area of history that is relatively little known is financial history. When you can understand how the history of the current economic system developed you will get a clearer idea of where it is probably headed.

One fascinating lesson of financial history I recently learned about is the different currency systems that have developed in the last century and a half. Each different system has lasted about 30-40 years and we are close to a new system developing according to Mike Maloney, author of "Guide to Investing In Gold and Silver: Protect Your Financial Future" and presenter of the documentary series "The Hidden Secrets of Money" where he presents this history in simple, everyday language.

Between 1880 and 1914 was the time of the classical Gold Standard. Governments would only print money to the value that there was gold in the vaults to back up the currency printed.

With the enormous costs of World War I there was not enough gold to pay for the costs of the war and so the next system developed between the two wars was the Gold Exchange Standard, where currency was only partially backed by gold. U.S. dollars, for example, were printed to the value of \$50 for every \$20 backed by gold – a 40% ratio of gold to currency printed.

World War II led to the development of the next system known as the Bretton Woods system. Contrary to popular belief, America's involvement in World War II did not prosper their economy. It was, in fact, the time of the war before the Pearl Harbour attack where they supplied arms and supplies to Europe that made America rich. During this period an enormous amount of gold flowed from Europe to America. By the end of WWII America had 2/3rds of the world's gold and other nations had little gold reserves.

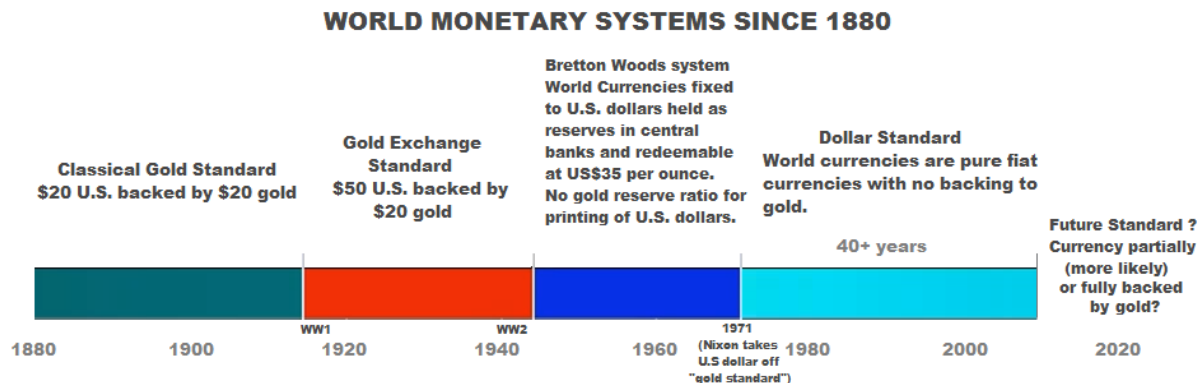
At the Bretton Woods conference in 1947 in New Hampshire the world's nations agreed to fix their currencies proportional to the U.S. dollar and America would anchor its currency to gold at the value of \$35 per ounce. The other nations would use the U.S. dollar as a reserve currency which could be redeemed from America for gold. The value of other nations currencies were tied to the U.S. dollar which was partially anchored by gold.

Under the Bretton Woods system there was no reserve ratio of gold that America had to hold for the currency it printed, though gold from the U.S. could be redeemed from other central banks for \$35 per ounce. Due to massive spending on the Korean and Vietnam wars and major social programs, America printed far more currency than the gold they had backing it up. Other nations, starting with France, could see this and, not trusting America, they redeemed gold from America to the point that America lost 50% of its gold reserves between 1959 and 1971. What happened was essentially just like a bank run.

This dramatic loss of gold led to U.S. President Richard Nixon taking the U.S. dollar off the gold standard. Once he did this the value of all world currencies (still tied for a time to the U.S. dollar) were no longer connected in any way to gold reserves. All currency printed was fiat currency. When currency is created there is now no store of value (such as gold or silver) to back it and give it value.

The amount of currency being printed since the financial crisis of 2008 is growing at a staggering exponential rate in all nations, especially America, far outstripping the goods produced and gold that might back it and national debts are expanding exponentially. This is

leading to a debasing of our currencies, inflation and massive government indebtedness that is unsustainable and has to give at some point. Governments do this for short term gains at the expense of our future prosperity as all debt comes home to roost eventually.



If the fiat (unbacked currency) system falters during another global financial crisis what system might we see in its place?

Once faith begins to be lost in paper currencies there will probably be a swing back to backing currencies with something and gold has always been the store of value of choice. Governments and banks swayed by human nature, however, will probably try and back it with as little as the market will have faith in.

What can Bible prophecy tell us about what is ahead?

Despite its current Euro issues it would appear from Bible prophecy that Europe will fare surprisingly well down the track. Revelation 18 shows the Babylonian system based in Europe to be very rich. This system is backed by the great church that is based in Rome (Revelation 17).

The central banks of Germany, France and Italy combined currently hold about 8 270 tonnes of gold (<http://www.sbcgold.com/blog/much-gold-central-banks-actually>). A friend of a church member I know did some installation work in the Vatican and was taken to parts of the Vatican few ever get to see, including its gold vaults. He was told the amount of gold held by the Vatican was 7 200 tonnes, not that much short of the combined gold held by Germany, France and Italy. The Vatican's own gold may play a part in Europe's improved fortunes, perhaps acting as collateral for a partially backed European currency in the future in exchange for much greater control by the Vatican. The level of control it can leverage in return may play a part in the prophecy about the beast turning on the woman near the end of the Great Tribulation in Revelation 17:16.

In Daniel 11:42 we read how the "King of the North" takes the gold and silver of Egypt and perhaps taking gold reserves through conquest (as Hitler did) is another factor in how this future system will prosper.

There's an old saying called the Golden Rule that says "He who has the gold makes the rules." We should be watchful as the world's economy shifts direction and it's possible that the golden rule may prove to be very relevant in the great geo-political shifts we will see in the years ahead.