Gold: from “barbarous relic” to “Trump trade” (23 May 2025)

Match the words in bold with the definitions below:

Keynes called gold a “barbarous relic”, and one of the few videos we have of him shows the founding father of macroeconomics explaining the advantages to the British economy of coming off the gold standard in 1931. In his very old-fashioned, and **high-pitched** upper-class accent, he describes the overall benefits to output and employment from the **monetary easing** associated with the devaluation of the pound.

In August 1971, Richard Nixon too sounded optimistic for the American economy when he announced that the United States was “suspending temporarily” the **convertibility** of the dollar into gold (with an official rate of only $35 per ounce, although by then market rates were higher). This unilateral move by the United States ended the Bretton Woods international monetary system, which had existed in the “West” since the end of World War II. It began the era of what is called “fiat money”: money which only exists by the **decree** (*fiat* in Latin) of the government and the central bank, when they make a currency **legal tender**.

To the surprise of some, gold has become the so-called “Trump trade” this year: i.e. a profitable trade or investment. Its price had already risen strongly in 2024, as investors bought gold-backed ETFs (*exchange-traded funds,* which are paper **assets** (stocks) that represent the ownership of physical gold) and central banks across the world increased their gold reserves.

This upward trend in gold prices has continued into 2025. On 2 January the price was $2,624 per ounce, rising to $2,696 per ounce on 20 January, the day Donadl Trump was inaugurated as President. Since then, the price has continued to rise as US economic policy under the new Trump administration has been erratic with the on-again, off-again tariffs he has announced, and now with the huge deficit budget he is putting to Congress, which will lead to a marked rise in US government debt. Gold is benefitting from its historical function as a **safe-haven** and as investors are diversifying out of dollar assets, while the weakening value of the dollar contributes to rising prices. It has been a good time for **gold bugs**. But prices at today’s levels (around $3,250 to $3,300 per ounce) are very high indeed, and are fluctuating a lot. Future **Goldfingers** should be careful.

Definition	Work/expression
1/ government order	
2/ The name of a James Bond film, and its main villain. One of the best performances of Sean Connery, although now no longer acceptable in the way it shows women.	
3/ a sound that has a high frequency and is often perceived as shrill or piercing	
4/ bringing down interest rates and possibly using quantitative easing	
5/ investors who believe that this precious metal is the most reliable store of wealth.	
6/ an reliable investment that helps preserve wealth in times of crisis	
7/ the currency which must be accepted in a jurisdiction (usually a country)	
8/ Anything of value owned by an individual or organization that can provide future economic benefit, including cash, real estate, stocks, bonds, and equipment.	

Answers: 1. Decree; 2. Goldfinger; 3. High-pitched; 4. Monetary easing; 5. Gold bug; 6. Legal tender; 7. Asset.