

Why Some Economists and Policymakers Want to Bring Back the Gold Standard

Here in North America, debt has become an ever-present part of life and a constant source of stress. Today we see record U.S. federal debt exceeding US\$38 trillion[1] and Canadian federal debt just over CDN\$1 trillion[2]; commentators on both sides of the world's longest shared land border express persistent concerns about long-term fiscal sustainability. A growing number of voices, ranging from libertarian thinkers to some supply-side economists, are calling for a return to a gold standard or some form of gold-linked monetary system.

The core idea is simple: tie the value of the U.S. dollar directly to a fixed quantity of gold, making currency convertible into gold at a predetermined rate. Proponents argue this would restore discipline to monetary policy and protect the dollar's purchasing power.

1. Curbing Inflation and Currency Debasement

Fiat money, or currency not backed by a commodity, allows governments and central banks to create money without limit – very convenient, but problem-plagued as well. Under a gold standard, the supply of dollars would be constrained by the physical stock of gold reserves (currently about 8,133.5 metric tonnes for the United States).[3] This mechanical limit, advocates say, would prevent the kind of sustained inflation that erodes savings and wages.[4]

Historical periods under the classical gold standard (roughly 1870–1914) saw relatively low and stable average inflation compared with some later fiat eras. Proponents note that gold's value has been recognized across civilizations for thousands of years, giving it credibility as a neutral anchor that cannot be manipulated by politicians.[4]

2. Imposing Fiscal Discipline and Limiting Government Power

Advocates of a return to the gold standard say it would act as a “straightjacket” on deficit spending. Because the government could not simply print money to finance deficits, it would face harder choices on taxation and spending. This, supporters claim, would reduce the risk of excessive national debt accumulation and the crowding-out of private investment.[4]

With U.S. debt held by the public projected to reach 120% of GDP by 2036[5] (I'll talk about Canada's more problematic figures in just a few paragraphs) and interest payments becoming one of the largest U.S. budget items, some argue that only an external constraint like gold can break the cycle of ever-rising borrowing.[5]

3. Restoring Predictability and Long-Term Economic Stability

Advocates contend that a gold-linked dollar would deliver more stable prices over the long run and also predictable exchange rates, encouraging trade and investment. By removing discretionary control from central bankers, a gold standard would reduce boom-bust cycles allegedly fueled by easy money policies.[4]

Prominent supporters such as economist Judy Shelton and former U.S. Congressman Ron Paul have long argued that sound money protects ordinary citizens from the hidden tax of inflation and restores trust in the currency.[6]

4. Addressing Geopolitical and Debasement Risks

In a world where central banks in countries like China, Poland, and India continue adding gold to their reserves, some see fiat currencies, especially the U.S. dollar, as increasingly vulnerable to sanctions, debt concerns, and loss of confidence. A gold standard would signal credibility and reduce reliance on pure faith in government promises.[7]

Practical Proposals and Challenges

In theory, a return to a gold standard system sounds ideal, but as with most things the details expose challenges. Ideas for reinstatement thus vary widely. Some advocates envision a full classical gold standard with immediate convertibility, while others favour a modern gold-exchange system or a gradual approach such as issuing gold-convertible Treasury bonds.

A key practical question is what any new system would mean for the price of gold.

The U.S. holds 261.5 million troy ounces of gold. At today's market price of roughly \$4,750 per ounce (April 2026), these reserves are worth about \$1.24 trillion—far too little to back today's vastly expanded U.S. money supply or debt without a major official revaluation.[3]

Here are examples of what different plans would require:

- **100% backing of the monetary base** (narrowest and most commonly discussed technical approach - monetary base worth approximately \$5.39 trillion as of February 2026); gold would need to be officially priced at about \$20,600 per ounce, which is more than 4 times the current market level;[8]
- **Partial (40%) backing of the monetary base** (a more flexible historical-style coverage ratio) - roughly \$8,200 per ounce or about 1.7 times today's price;[8]
- **Partial backing of broader M2 money supply** (\$22.67 trillion as of February 2026) – a 25% coverage ratio would imply roughly \$21,700 per ounce, while a 40% ratio would push the price to about \$34,700 per ounce;[8]
- **Gold-convertible Treasury bonds** (Judy Shelton's proposal) - instead of a single nationwide revaluation, the U.S. government would issue long-term (e.g., 50-year) "Trust Bonds" redeemable in gold at maturity; this would allow markets to discover

an appropriate convertibility price gradually rather than imposing one overnight, thereby potentially avoiding an immediate shock to the system.[9]

Global Central Bank Demand: Who's Restocking and Who's Not

While the U.S. debate focuses on whether to reinstate a gold standard, central banks worldwide are already voting with their actions. In 2025, they added a net 863 tonnes of gold. This recent acquisition is historically elevated yet still below the record pace of 2022–2024. The World Gold Council forecasts roughly 850 tonnes of net gold purchases in 2026, providing a steady demand floor.[10]

Actively restocking countries (major buyers in 2025 and early 2026) include:

- **Poland** (National Bank of Poland): The world's largest buyer for the second straight year, adding over 100 tonnes in 2025 and another 20 tonnes in February 2026 alone. It is explicitly raising gold's share of reserves (targeting up to 30%);[10]
- **China** (People's Bank of China): Consistent monthly additions (its 16th consecutive month in February 2026) bring holdings to about 2,308 tonnes; and[10]
- **Kazakhstan, India, Brazil, Uzbekistan, and others** — strong or returning buyers. Emerging-market and mid-sized central banks (including the Czech Republic, Malaysia, and Indonesia after long hiatuses) are broadening the demand base for geopolitical hedging and diversification.[10]

Countries which are not restocking include:

- **Canada**, the only G7 country with zero official gold reserves (they were sold off completely by 2016). Canada continues to hold no gold and has shown no interest in buying any back;[11] and
- **Most other developed-economy central banks** (U.S., Eurozone members, Japan) — holdings are largely stable with no significant net purchases. A few (e.g., Russia and Turkey in February 2026) have even been modest net sellers for liquidity or currency-defense reasons.[10]

This divergence, aggressive accumulation by a geographically diverse group of emerging and mid-sized central banks versus inaction or minimal activity among most advanced economies, underpins expectations of continued support for gold prices in the near term. Even if 2026 buying moderates slightly from 2025's pace, it remains far above the long-run average and acts as a structural tailwind amid ongoing geopolitical tensions and fiat-currency concerns.[10]

Canada's Own Debt Situation

Canadians may find these U.S. concerns familiar. Canada's combined federal-provincial-territorial gross debt stands at roughly 110–113% of GDP in 2025–2026, with projections

trending slightly higher in coming years.[12] Federal net debt (after subtracting financial assets) was around \$1,010 billion CAD at the end of Q4 2025.[2]

The federal government frequently highlights Canada's very low net debt-to-GDP ratio (reported around 13–15% for general government in recent IMF and Statistics Canada data), claiming it is the lowest in the G7.[13] However, this figure includes the substantial assets of the Canada Pension Plan (CPP) and Quebec Pension Plan (QPP), which are valued at hundreds of billions of dollars, as offsettable financial assets. Many critics, including the Fraser Institute and others, argue this approach is misleading or distorts international comparisons. Unlike most other G7 countries (which operate largely pay-as-you-go pension systems), Canada's partially pre-funded CPP/QPP assets are earmarked for future pension benefits and cannot realistically be used by the government to service its debt without affecting retirees. When these assets are excluded, Canada's net debt-to-GDP rises significantly (to around 43–45% in some analyses), and on a gross debt basis, Canada ranks among the higher indebted G7 nations alongside countries like France.[14]

This accounting debate echoes broader concerns about fiscal sustainability and the value of an external monetary anchor, which are precisely the issues raised by gold-standard proponents.

Critics counter that a rigid gold standard could amplify deflationary pressures or limit the U.S. Federal Reserve's ability or the Bank of Canada's ability to respond to crises, but proponents maintain that the costs of unchecked fiat money, namely rising debt, inflation risk, and eroded savings, now outweigh those concerns.

Whether a return to gold is politically feasible remains uncertain. Yet as fiscal pressures mount, trust in pure fiat systems frays, and central banks continue to diversify into gold, the debate continues to gain attention among those who believe sound money is essential for lasting prosperity.

Thanks for reading,

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Endnotes

1. U.S. Treasury Fiscal Data – Debt to the Penny:
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2. Statistics Canada – Government Finance Statistics, Q4 2025:
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(federal net debt \$1,010.2 billion CAD)
3. U.S. Treasury / World Gold Council data on official U.S. gold reserves:
<https://tradingeconomics.com/united-states/gold-reserves> (8,133.5 tonnes)
4. Investopedia – Understanding the Gold Standard:
<https://www.investopedia.com/articles/economics/09/gold-standard.asp> (updated 2026)
5. Congressional Budget Office – The Budget and Economic Outlook: 2026 to 2036 (February 2026): <https://www.cbo.gov/publication/61172> (or latest equivalent)
6. Judy Shelton writings and interviews (e.g., *Good as Gold*, 2024, and 2025–2026 discussions)
7. World Gold Council Central Bank Survey and reports (2025–2026)
8. FRED (St. Louis Fed) – Monetary Base and M2 series (February 2026 data):
<https://fred.stlouisfed.org/>
9. Judy Shelton proposals on gold-convertible Treasury bonds (2025–2026 interviews)
10. World Gold Council – Gold Demand Trends: Full Year 2025 (29 January 2026):
<https://www.gold.org/goldhub/research/gold-demand-trends/gold-demand-trends-full-year-2025> (863 tonnes net central bank buying; 2026 forecast)
11. Department of Finance Canada – Official International Reserves (March/April 2026):
<https://www.canada.ca/en/department-finance/services/publications/official-international-reserves.html> (zero gold)
12. Trading Economics / IMF / Fraser Institute projections for Canada gross debt-to-GDP: <https://tradingeconomics.com/canada/government-debt-to-gdp> (≈110–113%)
13. Statistics Canada / IMF Fiscal Monitor (Q4 2025 data)
14. Fraser Institute – The Growing Debt Burden for Canadians, 2025 Edition:
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