

# Gold price surge continues, passing the \$4,000 mark

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7 October 2025

After hitting record highs throughout this year, the price of gold continues to surge and has now passed \$4,000 an ounce, taking its rise this year to more than 50 percent after a 12 percent increase for September alone.

The gold price surge is a sign of growing uncertainty and doubts over the stability of the international monetary system based on the US dollar as the global currency. As a *Wall Street Journal* article noted, the gold price “has surged this year more than it did during some of America’s biggest crises” including the 2007–2009 recession and the onset of the pandemic.

Back in June, as the gold surge was accelerating and it had become the second-largest reserve asset held by central banks after the dollar, surpassing the euro, an article in the *Financial Times* (FT) described it as the “world’s refuge from uncertainty” and pointed to the broader implications of its rise.

Bullion, it said, had “made a roaring comeback, not just among speculators and so-called gold bugs who mistrust paper currencies, but even among the most conservative investors in the world” and that “in a febrile political era, when many of the core assumptions about the global economy are being questioned, gold has once more become an anchor.”

In the four months since these lines were written all the processes it identified have intensified.

The key “core assumption,” not only being questioned but increasingly eroded, is the capacity of the US state and its financial institutions to provide a stable foundation for the international monetary order based on the US dollar as a fiat currency after US president Nixon removed its gold backing in August 1971.

While this process has accelerated under the second Trump presidency it was already well underway before

he arrived on the scene.

It has been fueled by the ongoing crises in the US financial system, expressed most sharply in the financial crisis of 2008 and the freezing of the US Treasury market in March 2020 when, for a number of days, no buyers could be found for US government debt, supposedly the safest financial asset in the world.

A central factor in the latest gold surge has been the escalation of US government debt. It now stands at more than \$37 trillion. For more than a decade the rise in debt—used to finance wars, tax cuts to the wealthy and corporations as well as government bailouts—was able to proceed almost unnoticed because of the ultra-low interest rates maintained by the Fed.

But after the rate rises started in 2022, the interest bill has become an increasing drain on government finances, such that it has risen to almost \$1 trillion annually and is set to become the biggest item in the US budget, surpassing even military outlays.

This has meant that the global monetary system is based on the currency of the most indebted country in the world, whose credit rating has been downgraded by all the three major rating agencies and which needs to borrow money just to pay the interest bill on past debts.

The policies of the Trump administration are working to exacerbate these underlying tensions within the global financial system.

A major blow came with the so-called “reciprocal tariffs” of April 2, through which the Trump regime upended what had remained of the post-war international trading order. The “liberation day” measures led to a spike in Treasury yields combined with a fall in the value of the dollar—a rare occurrence.

Since then, in the trade “deal” with Japan and the proposals of the Trump regime for South Korea, the tariffs have been revealed as the mechanism for

standover demands by the US for the investment of hundreds of billions of dollars in the US under the direct control of the administration.

As part of his drive to establish a personalist dictatorship, combined with the moves to establish martial law in major US cities, Trump has moved to try to take direct control of the Fed. This has sparked concerns that its political independence will be effectively ended, sparking concerns in international markets about financial stability leading to an increasing turn to gold as a safe haven.

And the latest surge has been spurred on by the US government shutdown initiated by Trump as part of a drive to sack hundreds of thousands of government employees and axe whole departments.

As Mark Sobel, a former US Treasury official and now the US chair of the think-tank OMFIF told the FT back in June: “Gold’s rise in part reflects the administration’s undermining of the properties underpinning dollar dominance.”

Sobel said that attacking institutions such as the Fed and the courts while “threatening to add massively to debt and deficits through the ‘big, beautiful bill,’ and being an unreliable partner to our allies and partners” had all undercut the dollar’s status.

Others have gone further in their analysis, describing the shift into gold as a move “back to the future.” As the latest surge was getting underway in the middle of the year, Randy Smallwood, chief executive of a precious metals company, told the FT: “It wouldn’t surprise me if, in 20 years, when you take an economics course, there will be a discussion about the 60-year experiment from 1970 to 2030 on fiat currencies, and how it failed.”

In an earlier period, such comments might have been dismissed simply as the outlook of “gold bugs.” Not so today.

Even before the latest actions by Trump, central banks had begun to move. In each of the past three years, they have bought more than 1,000 tonnes of gold, hitting record levels. The bulk of the purchases have been by countries not closely aligned with the US such as China, India, and Turkey. But the rise of gold to be the second-largest reserve asset is an indication that other central banks are heading in the same direction.

The shift is extending to the private sector with the

move by investors into gold-backed exchange-traded funds (ETFs). The World Gold Council has reported that \$13.6 billion flowed into these funds in September, bringing the total so far this year to \$60 billion—a record.

The significance of this shift is reflected in an analysis by Morgan Stanley. The traditional benchmark for investor allocations is 60 percent of funds in equities with 40 percent in bonds. But it suggested that the split should be 60/20/20. That is, gold should have an equal weight with bonds.

Significantly, such is the uncertainty around the financial position and indebtedness of all the major economies—the debt-induced turmoil in France is a case in point—that the move out of the dollar is being accompanied by growing uncertainty about other currencies. As one analyst at a metals trading firm told the FT: “People are looking to short the dollar, but they are not quite sure what currency to purchase—that uncertainty leads you straight to gold.”

And while the gold issue may appear to be simply a market phenomenon—investors trying to capitalize on the surge, others seeking a hedge in times of uncertainty, on top of the concerns of central banks, it goes deeper than that.

The entire fiat monetary system that has prevailed for the past 50 years and more—the foundation for the functioning of the global capitalist order—is starting to unravel, and that will have major economic, financial and political consequences.



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