"Why Does The United States Need Constitutional Money?" Six Questions On Monetary Reform

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Foreword

This Monograph asks and answers six of the most important questions concerning America's monetary system.

Any thinking person realizes today that something is very wrong with our money. Precisely what is wrong remains largely undefined in most people's minds, because there has been no meaningful public debate on monetary fundamentals in this country for more than half a century. Thus, the public has been denied crucial knowledge of how our system is supposed to work, and what has gone wrong—and instead has been fed, through the schools and the media, disinformation concocted by the very people who led us into the present mess.

Yes, some concerned citizens have tried, through the courts or by proposed legislation, to resolve the money question and reform the system. All to no avail. The bills die in committee; and court challenges to fiat currency are dismissed as "frivolous" and appeals denied without hearings or meaningful opinions.

Nonetheless, something must be done, because continued use of irredeemable Federal Reserve Notes (and bank-deposits denominated in Federal Reserve units) as our nation's currency will eventually lead to economic disaster, followed by social chaos and political reaction. A broadly based counterattack to impose constitutional reforms on the monetary and banking systems as a whole is much needed. This Monograph can be an effective tool in such an endeavor.

This Monograph reviews the situation and provides answers which concerned citizens can then use to provoke public debate, thereby molding public opinion on the issue of monetary reform:

1. What is the economic role of money?

2. Why is the relationship between money and government important?

3. Why is the Constitution important to money and banking?

4. What powers over money and banking does the Constitution delegate to the government?

5. Why should constitutional monetary and banking reform be an important issue today?

6. Why should Americans demand restoration of the constitutional systems of money and banking?

Pick one of these questions, read and study what this Monograph contains, and then put it into your own words and write a letter to the editor of your local paper. Use the information to help you participate in radio talk-shows. Raise the issue at meetings of clubs or other groups to which you belong. Speak out in every other way you can.

Join the debate wherever it is taking place now. START the debate everywhere else! It all helps to mold public opinion. This Monograph provides every citizen with ample information to begin to do the job we must do for America's future. If we average Americans do not act, we will have none but ourselves to blame when no one else does it for us.

Richard L. Solyom, Chairman Sound Dollar Committee

Although all too many Americans are unaware of it, whether the United States should return to constitutional systems of money and banking is one of the most important issues facing the nation today. To understand why, several questions need answers:

1. What is the economic role of money?

Unfortunately, people too often confuse "money" with "wealth." Wealth may, but does not always, consist of money, because wealth need not be capable of performing the special function of money. And even a very large quantity of some types of money—for example, German paper marks from the period of the Weimar Republic in the early 1920s—may be worth very little, precisely because that money cannot perform (or only very poorly performs) the function that money must fulfill to have or maintain value.

Strictly speaking, "money" is nothing more or less than the social medium of exchange. In any advanced economy, people do not barter goods for goods, services for services, and goods for services in direct exchanges, but instead engage in indirect exchange: that is, exchanging some goods and services for money on certain occasions, and then exchanging that money for other goods or services on other occasions. This system of indirect (or monetary) exchanges is far more efficient than direct barter, and therefore maximizes the total social welfare that derives from all exchanges. "Money" is what facilitates this system of indirect exchange.

Monetary transactions determine the "prices" of goods and services, the values of goods and services expressed in the medium of exchange. All prices are economically interrelated, because ultimately all goods and services compete with one another.[1] Because of this interrelation, prices function as signals to entrepreneurs, indicating how scarce resources should be allocated so as to maximize total social welfare. If money-prices properly reflect the real valuations of goods and services throughout society, then resources will tend to be allocated away from the production of less valuable, towards the production of more-valuable, goods and services.[2] This will tend to maximize the efficiency and value of all production, and thereby the real material wealth of society as a whole.

Of course, the key condition for the operation and success of this process is that money-prices properly reflect the real valuations of goods and services throughout society. This condition will not be fulfilled if there is what free market economists call "intervention" in the economy through the action of politicians and government bureaucrats, of politically or economically powerful private special interest groups, or of other organized criminal elements.

"Intervention" involves the use of force or fraud to divert the allocation of resources from what society as a whole desires, and what benefits society as a whole, to what the politicians, bureaucrats, special-interest groups, or mobsters want, and what benefits them at the expense of everyone else.[3] All intervention in the economy to some degree injects non-rationality into the system, because intervention operates by forcing or deceiving individuals into doing what they would otherwise not do in the pursuit of, and what does not serve, their own interests.

Many forms of intervention are designed to interfere with the free formation of prices—the classic example being outright governmental price controls. Because prices fixed through intervention are not rational, in that they do not reflect the true valuations of goods and services by society as a whole, such prices misallocate—that is, waste—scarce resources and diminish total social wealth and welfare, compared to what would have occurred had prices been set by full and fair competition in the free market.

That scarce resources are wasted, and total social wealth and welfare are decreased, does not mean that some individuals and groups do not obtain (or think they obtain) special, unearned benefits from intervention that they would not have received in a free-market economy. Indeed, the primary motivation for intervention is the desire of some individuals and groups to use force or fraud to appropriate for themselves, at the expense of everyone else, more wealth than they could have earned by competing peacefully and honestly in the free market.

Now, because all prices in an advanced economy are expressed in units of money, intervention in the monetary system will necessarily have a pervasive, negative effect on the allocation of resources and the promotion of social welfare. Intervention in the monetary system is comparable to an infection in the body's blood-supply, which systematically harms all organs that contact the blood, and therefore is potentially more dangerous than an equally virulent infection localized in one organ only.

The central importance of the monetary system to the price-structure, to the allocation of social resources, to the production of all goods and services, and to the distribution of real wealth throughout society teaches three lessons:

First, a society does not enjoy a free-market economy when its monetary system—including the nature of the monetary unit and the supply of money—is controlled or subject to continuous intervention by the government or by private groups colluding with the government.

Second, the shrewdest and therefore the most dangerous public and private interventionists will seek to infiltrate, to manipulate, and eventually to control the monetary system, precisely because the monetary system is at the center of and systematically affects the system of production and distribution of all social wealth.

Third, the most profitable form of intervention in the monetary system is what is known today as "monetary policy"—more accurately described as "legalized counterfeiting:" the ability of the government and private groups acting in concert with it to obtain for themselves, under color of law, new supplies of money without having to invest a commensurate amount of their own real resources or labor in the production of that money.[4] Legalized counterfeiting requires some pseudo-legal mechanism by which the government, specially favored private groups, or both together can manipulate the supply and purchasing power of money (that is, what money will buy) for their own special benefit, and at everyone else's expense.

Generally, this manipulation involves increases in the supply of counterfeit money, which decreases the purchasing power of each unit of money, which in turn increases the prices of goods and services in the economy compared to what those prices would have been in the absence of monetary intervention. These increases in the prices of goods and services John Q. Public calls "inflation." To be accurate, however, the term "inflation" should be reserved only for the expansion of the supply of counterfeit money. Increases in prices are an effect of inflation; legalized counterfeiting is the means by which inflation occurs; and the greed of predatory governmental officials and special-interest groups to obtain unearned wealth is the cause of inflation.

Legalized counterfeiting can take several forms, including:

- debasement of coinage;
- emission of fraudulent "fractional-reserve" notes (what the Founding Fathers of our country called "Bills of Credit")[5];
- emission of so-called fiat paper currency; and creation of so-called "deposit-currency" by specially privileged banks.

Debasement of coinage involves decreasing or even eliminating altogether the silver or gold content of coinage, while stamping the coins with the same nominal values, at the mint.[6] Although probably the most common form of legalized counterfeiting throughout history, straightforward debasement of coinage has several disadvantages:

First, it is crude and often obvious. Observant people can actually see what is happening before their eyes, because there are physical changes in the money (such as its size, shape, weight, color, hardness, and chemical reactivity).[7] This may lead to political repercussions against the government.

Second, debasement of metallic coinage is costly relative to the printing of paper currency or the pen-and-ink or electronic creation of "deposit-currency," because even debased coins must be minted of some variety of metal with a market value greater than that of paper, ink, or electronic "blips."

Third, debasement of metallic coinage is limited by the residual free-market value of the base-metal used for the coins.[8]

And fourth, debasement of metallic coinage is not completely effective as a means to loot the public, because informed people will hold full-valued silver and gold coins in preference to debased specie coins or completely base metallic coins, spend debased or base-metallic coins rather than full-valued silver and gold coin and arrange through so-called "gold-clause contracts"[9] and other similar devices to maximize their incomes in full-valued silver and gold coins.[10]

Fraudulent fractional-reserve notes are a paper currency that promises to pay on demand a certain number of monetary units (in the United States, "dollars") in standard silver or gold coins, but with respect to which currency the issuer both maintains less than enough coin to redeem all the notes it puts into circulation and fails fully to inform the public of its inability to pay on demand, hoping that holders of the notes will never seek to redeem at one time more than the small amount of silver or gold coin the issuer holds in "reserve."[11]

The primary advantage of legalized counterfeiting through fractional-reserve currency is that the swindle is difficult for many people to understand, and can be prolonged by the use of propaganda that deceives people as to the "soundness" of the banks, or by the creation of public or private "deposit-insurance" schemes that mislead people into believing that even unsound banks can be considered safe because they will be "bailed out" in an emergency.[12] However, the emission of fraudulent fractional-reserve notes also has two main disadvantages:

First, to maintain public confidence in the fractional reserve system, the issuers of the notes must maintain some "reserve" of silver and gold coins to redeem notes on demand. This limits the aggregate face-values of the notes that may be issued.

And second, if public confidence in the ability of the issuers to redeem their notes sufficiently declines, so-called "bank runs" will occur (as they have historically occurred again and again), resulting in bankruptcy of the issuers unless the government intervenes to suspend the requirement of redemption or otherwise protect the banks against the consequences of their own profligate behavior.

Fiat paper currency is (in the trenchant words o former central banker and monetary expert John Exter) an "I owe you nothing currency." Although most modern fiat currencies—such as contemporary Federal Reserve Notes ("FRNs")—are printed in the form of "notes" (promises to pay) of central banks or governmental treasuries, in substance they are not "notes" at all, or at best are partially or fully repudiated "notes," because their holders have no legal right to require the issuers to pay the "notes"... face values in standard silver or gold coins. The great advantage of fiat currency is that it eliminates the possibility of the classic "bank run." For a classic "bank run" is, by definition, a sudden rush by large numbers of people to redeem their notes for more-valuable specie coins. Because a fiat currency, again by definition, is not redeemable in anything a traditional "run" against a bank emitting fiat currency can never occur.[13] Nonetheless, fiat currency still has three main disadvantages:

First, even though composed of paper, fiat currency costs something to produce; and, because it is composed of paper, fiat currency in circulation must be replaced at relatively short intervals.

Second, because members of the public can actually hold it in their physical possession, fiat currency can "escape" from the banking system, thereby reducing the amount of the banks' so-called "reserves" (which depend upon the amount of currency on deposit), the banks' abilities to lend (which depend upon the size of their "reserves"), and their profitability (which depends upon the amount of their loans).

And third, because members of the public can actually hold fiat currency in their physical possession and thereby can deal in "cash," they can retain a certain amount of financial and business privacy, thereby insulating themselves from surveillance and control by the government and its client banks.

Finally, deposit-currency is the product of bank credit-expansion. In the course of making new loans, the banks simply "create out of nothing" "deposits" valued in so many units of money (in the United States, "dollars"), which the borrowers holding the deposits may spend by check, or by receipt of paper currency or base-metallic coins.

In exchange for the deposits so created, the borrowers promise to repay the banks the amounts of the deposits with interest, and provide some security with market values supposedly equivalent to the nominal values of the deposits. Through this kind of transaction the banks "monetize" the borrowers' security.

Thus, when banks purchase governmental obligations with new deposit-currency, they "monetize the public debt." Because the public debt can be paid (if at all) only with taxes collected in the future, the monetization of this debt amounts to the present monetization of future taxes.[14] Deposit-currency is perhaps the ultimate form of legal counterfeiting, because: (i) being imaginary, it is capable of instantaneous creation; (ii) depending on essentially no physical resources for its creation, it is unlimited in amount; (iii) lacking any intrinsic value, it is almost costless to produce; and (iv) having no physical substance, it is not subject to loss or accidental destruction.

The usual long-term effect of all forms of monetary intervention is to increase the supply of money-units.[15] If this is done through the banking-system (as typically happens with fractional-reserve, fiat, and deposit-currencies), monetary intervention involves or encourages credit expansion: that is, increases in loans—and the burden of debt and interest—beyond what would have occurred in the free market.[16]

These contrived increases in loans may be advantageous in the short run to the government and its political clients (who will spend the proceeds of the loans on immediate expenditures, and foist off on future taxpayers the repayment of principal and interest), and to private banks (which profit from the payment of interest). But, by encouraging and facilitating debt beyond what the free market would consider necessary or prudent, credit-expansion tends to create three major problems for everyone else in society:

First, credit-expansion creates a social problem. If the new, legal but counterfeit money-units are loaned to individuals (monetizing personal debt), credit-expansion maximizes the worst aspects of hedonistic consumerism and materialism. And by increasing the absolute amount of debt (relative to what would have been incurred in a free market), it also maximizes the burden of interest payments on borrowers, thereby mortgaging the future welfare and financial security of individuals and their families for the evanescent vanities of the present.

Second, credit-expansion creates an economic problem. If the new, legal but counterfeit money-units are loaned into the capital markets (monetizing entrepreneurial debt), credit-expansion causes the familiar "boom-and-bust" business cycle (perhaps more properly called the "banking cycle"), with all the waste that cycle entails for society as a whole.

Third, credit-expansion creates a political problem. If the new, legal but counterfeit money-units are loaned to the government (monetizing the public debt), in the vast majority of instances the proceeds of the loans are simply consumed, not "invested," so that (as in the case of loans incurred for private consumer-spending) the burden of principal and interest-payments becomes a dead weight on the backs of the taxpayers who must "pick up the tab" in the future for the expensive indulgences of politicians and special-interest groups in the present.

This permanently divides society into two antagonistic classes: the holders of the public debt (often the very banks that created the intrinsically valueless legal but counterfeit money that made the loans politically or economically possible in the first place) and the taxpayers who must (as the modern jargon goes) "service" that debt with real resources the government forcibly extracts from their own labor.

The apologists for modern "monetary policy" argue that the government or a cartel of private banks such as the Federal Reserve System ("FRS") is necessary to "stabilize" the money supply and thereby the purchasing power of money, rates of interest, and other financial variables in the economy for the benefit of society as a whole. This is nonsense.[17]

First, any supply of an economically sound money is capable of performing all the services of money that society needs.[18] And no formula exists by which bureaucrats or bankers can decide that the supply of money extant in the economy at any time is "insufficient," or ought to be increased by X or Y%. Rather, to the extent that the supply of money should change at all, changes in that supply should be determined—and can rationally be determined only—in the selfsame way that changes in the supplies of all other goods and services are determined: by the operations of the free market.

If participants in the market conclude that increasing the supply of money would be advantageous, through the process of competition they will bid resources away from other areas of production and into the mining, refining, and minting of silver and gold, until the profit obtainable from producing further units of money is less than the profit obtainable from employing the requisite capital and labor in other productive pursuits.

The great advantage of this process is that it automatically sets the supply of money in a rational relationship to the supplies of all other goods and services that exchange against money, thereby fully integrating money into the economy—as opposed to a system whereby the supply of money is set by the at least partially political decisions of a governmental bureaucracy or specially privileged private banking-cartel.

Second, the purchasing-power of money is its "price" expressed in non-monetary goods and services. In a free market, all prices must be allowed to change, up or down, to reflect the real economic interests of all members of society.[19] Although it is a unique price, to remain a free market price, the purchasing-power of money, too, must be free to change as the economic needs of society demand.

Third, the one economic lesson the Twentieth Century has taught with clarity and finality is that central economic planning does not work, and cannot be made to work, no matter what political party or gaggle of self-styled "experts" is in charge. No governmental agency or private cartel in league with governmental "wise men" possesses enough knowledge rationally to fix the prices even of such simple commodities as bread, shoes, or roofing nails. How, then, could the fonctionnaires [sic] of government or a cartel hope to fix the price of the most complex, and perhaps most important, economic commodity of all—money—when that price reflects the ever-changing values of all other commodities?!

Even the average American realizes that any politician who advocated creation of a "Federal Bread Board" to set the price, supply, quality, and means of delivery of bread throughout the nation ought to be branded a buffoon, and permanently barred from any political position—immediately, if not sooner. Yet few Americans stop to think that the present Federal Reserve Board—which, in effect, has the power to set the price, supply, quality, and means of delivery of money from day to day—is in principle (and, as history shows, in practice as well) a creature even more ridiculous and dangerous than any Federal Bread Board could ever be.[20] And even fewer

Americans appreciate that anyone who knowingly advocates the continuation of the FRS as it now operates is no true friend of the free market.

And fourth, the power to fix the price, supply, quantity, and distribution of money is the power to enrich and to impoverish at will. As such, it cannot be entrusted to politicians, governmental bureaucrats, "expert" economic advisors, the leaders of special-interest groups, or anyone else for that matter. NO ONE can be trusted with the power to loot the economy through manipulation of money. NO ONE.

Far from being a beneficial tool for "stabilizing" the economy to the advantage of almost everyone in society, modern "monetary policy"—legalized counterfeiting has resulted in the forcible and fraudulent redistribution of wealth on a massive scale from the majority of productive people in society to the minority of political and special interest-group drones who swell the ranks of the marauding army of counterfeiters or tag along as their camp-followers.

Indeed, modern "monetary policy" exists primarily to take from the truly "rich" (the people who produce real wealth through honest labor and savings, and who for that reason are capable of being looted) and give to the truly undeserving "poor" (the people who want to acquire real wealth without having to work or to save for it, and who for that reason seek the aid of governmental coercion to expropriate from others what they cannot earn).

For example, if, by increasing the supply of money in society, bank credit-expansion results in increased prices for commodities, a wage-earner whose salary does not increase step-by-step with commodity-prices will suffer a steady decrease in his real income, while some land-speculator who misuses the new bank-loans to build a predictably unprofitable shopping-center in the Texas badlands will enjoy an immediate increase in his real income (even though the loan proves wasteful when the shopping-center eventually "goes belly up" in the hands of the greenhorns on whom the speculator unloads it).

In this case, manipulation of the money-system effectively redistributes wealth from the wage-earner (who is relatively poor, but is producing wealth that can be stolen from him) to the speculator (who is relatively rich, but is not producing wealth subject to confiscation through inflationary credit-expansion, and who benefits from that credit-expansion).

Legalized counterfeiting results in three varieties of monetary theft:

Theft through transactions ("monetary larceny"). New money always enters the economy in a particular place, at a particular time, and in the possession of a particular individual or group. When it does, the holder of that new money (X) purchases goods and services at their then present, low prices. As the new money spreads through the economy, prices of goods and services change, generally upwards, including the prices of the goods and services X bought. X has clearly benefited by spending the new money before anyone else.

But some people in society (A and B) must pay the new, higher prices for the goods and services they need before their incomes increase by their acquisition of any of the new money. Other people (C and D) must pay the new, higher prices without any increases in their incomes. And still other people (E and F) must pay some higher prices before their incomes increase, but also receive those increases while the prices of other goods and services they buy are still low.

The overall effect of the injection of the new money into the economy, then, is a complex redistribution of wealth: X benefits at the expense of A, B, C, D, E, and F; and E and F benefit to a lesser degree at the expense of A, B, C, and D. If X is the government, the effect of the injection of the new money is akin to "taxation" of A, B, C, D, E, and F—albeit "taxation" that is neatly hidden by the complexities of the monetary and banking systems.

If X is a private individual or group, the effect of the injection of the new money is what is deceptively called today "redistribution of wealth"—akin to "picking the pockets" of A, B, C, D, E, and F, who probably have no inkling as to how constantly rising prices of goods and services are related to manipulation of the supply of money, and how some people benefit, and others lose, from this manipulation.

Theft from savings ("monetary embezzlement"). All other things being equal, increases in the supply of money result in decreases in the purchasing-power of each unit of money. An individual (G) who holds a fixed amount of "cash" or is owed debts denominated in units of money before an injection of new money into the economy will find, after that injection (and all other things remaining equal), that his "cash" and the debts he is owed have lost real value as against goods and services.

His monetary wealth has depreciated in substance, even though it has remained unchanged in nominal terms. To the extent of that depreciation, G's wealth has been redistributed to people such as X, E, and F. If X is the government, and G is some naif holder of long-term government bonds unaided by shrewd financial advisors, this sequence of events can be described as incremental repudiation of the public debt—which, in principle, is unconstitutional,[21] but nevertheless occurs without significant outcry from the public.

Theft by foreclosures ("monetary robbery"). Finally, if the legal counterfeiters engage, not in credit-expansion, but in credit-contraction (which, in practice, often amounts to a decrease in the supply of money, or an increase in the purchasing-power of money), debtors unable to pay their outstanding loans because their incomes have decreased as the decreasing supply of money in the society depresses economy activity, or unable to obtain new loans because the banks refuse to exercise their special privilege to create more money, face foreclosures and forcible seizures of the real or personal property that serves as the collateral to secure their outstanding loans. If these loans are owed to the banks, the change in the banks' "monetary policy" amounts to outright expropriation of the debtors.

Of course, that a debtor has overextended himself and defaults on a loan is not, by itself, a valid reason to criticize a creditor who demands his contractual rights to foreclose on the debtor's collateral. If, however, the creditor is the bank that "created out of nothing" the fiat currency or deposit-currency the debtor borrowed in the first place, other considerations may come into play. First, if the debtor's present inability to pay is the result of a monetary stringency contrived by the banking-cartel, equity should require that the bank be restrained from taking undue advantage of a situation it created that renders temporarily impossible the debtor's ability to fulfill his contractual obligations.[22]

Second, if the banking-cartel's powers to create money "out of nothing," as well as to destroy that money, derive from a monopolistic governmental grant, the government can fairly (and in justice ought to) require that the banks use one of those powers for the short-term relief of people disproportionately harmed by the use of the other power.[23]

Third, if the special privilege the government grants to the banking-cartel to create fiat currency or deposit currency "out of nothing" is itself illegal (as it is under the Constitution [24]) a loan-contract the consideration for which on the side of the bank was the creation of such currency should be voidable at the option of the debtor, and unenforceable in the courts. [25]

II. Why is the relationship between money and government important?

In the United States, the relationship between money and government is vitally important, because money has not only an economic, but also a political character.

The political relationship between money and government is institutionalized at the highest level of the legal system.

First, the Constitution—the basic legal and political charter of the nation—explicitly delegates to the government certain powers with respect to money, and withholds others.[26] Obviously, to the extent the Constitution withholds powers from the government (or, in legal parlance, creates governmental "disabilities"), the Constitution depoliticizes money, because it explicitly denies the government (or the process of party and special-interest-group politics working through the government) the ability to take certain definite actions that affect money.

For example, the States lack power to "make any Thing but gold and silver Coin a Tender in Payment of Debts,[27] no matter what special interest groups, politicians, elected officials, bureaucrats, or judges may desire. Less obviously, but equally truly, to the extent the Constitution grants powers to the government, it also depoliticizes money, because it implicitly denies the government (or the political process) the ability to take actions beyond or in contravention or derogation of the powers actually delegated.

For example, that Congress has the power to "coin Money and regulate the Value thereof, and of foreign Coin"[28] implies that Congress has no power to "print" or otherwise "emit" money that is incapable of being coined—that is, that Congress lacks power to generate domestic money, or to recognize foreign money, other than actual coin (such as paper currency).

Second, a fundamental purpose of government, at every level, is to protect individuals' property and liberty.[29] Money is itself property. Moreover, in a complex exchange economy, money is the medium in which contracts for exchanges of property among individuals express the prices or values of the property exchanged. And the right to make and enforce contracts is a basic element of individual liberty.30 Therefore, the constitutional role of government with respect to the protection of property and liberty implies a derivative, protective relationship with money.

Third, the government's own fiscal operations—that is, the taxing, borrowing, and spending the Constitution allows[31]—almost exclusively employ money as the medium of payment.[32] Clearly, in an economy in which governmental taxation, borrowing, and spending are significant in amounts relative to total transactions, the government's choice of which money it will use will have a decided effect on the use of that money by everyone else. For example, the national government (albeit unconstitutionally) repudiated its promises to redeem paper currency with gold domestically in 1933, silver domestically and internationally in 1968, and gold internationally in 1971.33 Since those dates, it has not collected taxes in silver or gold money, borrowed silver or gold money from the credit markets, or spent silver and gold money to pay its debts or make any of the numerous "transfer" payments that constitute the modern "welfare-state" system.

Instead, it has used as money only FRNs (or bank deposits payable in FRNS), which are redeemable in base-metallic coinage, not silver or gold. As a consequence, although American silver and gold coins are in every proper sense still "money,"34 and although people may lawfully own silver and gold coins, may enter into so-called "gold-clause contracts" that specify gold or silver coins as the media of payment to the exclusion of paper currency or base-metallic coins,35 and may obtain and circulate silver and gold coins denominated in "dollars" that the United States Treasury itself now mints (the so-called "American Eagle" coins 36)—nevertheless, essentially the only money in general, day-to-day circulation today consists of FRNs (or bank-deposits payable therein) and "clad" coinage.[37]

This is no doubt in large measure the response of the marketplace to or a reflexion of the government's use of FRNs and "clad" coins as its media of exchange. And there is equally no doubt that, were the government to begin, say, taxing in silver and gold (and thereby effectively requiring people to obtain silver and gold to pay those taxes), more and more individuals would offer their goods and services for sale at prices denominated in silver and gold; and silver and gold coins would rapidly be reintroduced as monies in general, day-to-day circulation.

Thus, even within the narrow ambit of the government's constitutional powers and disabilities, the inherently political relationship between government and money is extensive and important.

The thoroughly political character of contemporary money and banking renders even more significant—indeed, highly dangerous both politically and economically the relationship between government and money. The modifier "thoroughly" deserves emphasis, because the political character of contemporary money and banking is non- and even anti-constitutional, in that the national government and the quasi-public cartel of private banks that make up the FRS claim powers far beyond any the Constitution, fairly or even imaginatively interpreted, delegates. And, for all intents and purposes, the government and the banks deny that the Constitution imposes any monetary disabilities on them at all.[38]

First, the relationship between government and money of which most people are at least vaguely aware, and of which most people probably approve without any real thought if they know about it at all, is present-day "monetary policy." Governmental and FRS officials tout monetary policy" as (and most people likely believe it to be) necessary to "stabilize" the economy through a species of "central economic planning." The fallacies of these claims have been exploded above. Important to recognize at this juncture is that contemporary "monetary policy" is strongly anti-constitutional in at least two respects.

By manipulating the purchasing-power of money from day to day (over the long term downward), modern "monetary policy" expropriates the holders of money and impairs the obligations of all contracts denominated in or to be fulfilled through the payment of money. That is, modern "monetary policy" radically infringes on rights of property and liberty throughout American society—in the vast majority of cases, with the victims more or less in the dark as to what is going on economically or politically, and without legal recourse even if they do realize their victimization.

"Radically" is the correct adverb, because in principle nothing prevents "monetary policy" from being employed to destroy completely the exchange-value of the FRN or the "clad" coinage, thereby extinguishing the value of all holdings of cash or bank-deposits and of all long-term contracts payable in paper or base-metallic money, "redistributing" wealth on a massive scale, and throwing the whole economy into chaos.

Indeed, since the founding of the FRS in 1913, ostensibly to "stabilize" the monetary and banking systems, FRN paper currency has lost over 90% of its purchasing-power; and even a continued rate of depreciation of 3%, which contemporary markets would likely consider modest, would result in a further loss of 95% of purchasing-power in the next 90 or so years! The effect of this huge, chronic depreciation on private property rights, the fulfillment of contracts, and the economy as a whole should be self-evident.

Furthermore, modern "monetary policy" is an attempt to restructure the American economy—and government—away from the free market and republican institutions towards socialism or fascism: socialism, if the so-called "planning" behind the "monetary policy" is entirely the brain-child of governmental bureaucrats; or fascism, if (as is the case in the United States today) the "planning" is largely the product of "experts" in some private cartel (such as the FRS) exercising special legal privileges in concert with governmental bureaucrats and elected officials.

This follows directly, not only from the structure and operations of the FRS cartel (which fits the classic pattern of a fascistic, or corporative-state, scheme of economic regulation), but also and especially from the perverse effects "monetary policy" has on private property and individuals' freedom of contract. Private property and freedom of contract are key, indispensable elements of the free market.

To the extent that "monetary policy" denies or interferes with private property and freedom of contract, it destroys or undermines the free market, substituting instead either socialism or fascism. So, the contemporary relationship between government and its cronies in the private FRS banking-cartel, on the one hand, and money, on the other hand, is political not only in the sense that government is exercising powers (legitimate and illegitimate) over money, but also in the sense that the result of the exercise of the illegitimate powers is the transformation of American society from freedom to fascism in a most important particular!

Second, the relationship between government and money of which most people are probably unaware, and of which most people probably would thoroughly disapprove were they aware of it, is the misuse of present-day "monetary policy" as an instrument of hidden taxation. When the banking system "monetizes" governmental debt, and the government spends into circulation the newly created purchasing-power, the effect is a "redistribution" of wealth from society as a whole to the government and its clients that is essentially the same as occurs through direct taxation, but not subject to the normal political checks on taxation, such as free and open public debate.[39]

In essence, this process amounts to taxation without informed consent on the part of the "hidden taxpayers" (those adversely affected by expansion of the money-supply). Thus, in effect, "monetization" of governmental debt through "monetary policy" amounts to a modern-day variant of taxation without representation—largely over which the American War of Independence was fought! For that reason, the relationship between contemporary government and money is inescapably political, because "monetary policy" enables the government to employ the quintessentially political power of taxation, in the form most offensive to republican sensibilities.

Third, the overall result of all this is a transmogrification of the political system, through which a private group the banking-cartel and the class of professional creditors who traffic in governmental obligations—in effect enjoys a political "partnership" with elected and appointed officials for the purpose of looting the public, by means of a mechanism of monetary manipulation few individuals are even aware exists, let alone understand.

From the perspective of the victimized public, it matters little whether the banking-cartel or governmental officialdom is the "senior partner" in this arrangement of "spend and spend, tax and tax, inflate and inflate, elect and elect." Whichever is in control, the financiers and their political henchmen share in the spoils surreptitiously plundered from the public.

Political-economic logic, however, suggests that the banking-cartel and its allies in haute finance exercise a dominant influence over the politicians and bureaucrats in the long run. A government that recognizes no constitutional limitations on its monetary powers, after all, does not need to create money through the cumbersome process of requesting an "independent," quasi-governmental banking cartel to monetize interest-bearing public debt. Rather, the government treasury itself could simply emit legal-tender treasury notes (presumably, redeemable in base-metallic coin just as are FRNS), without the payment of any interest.[40] That the present system of creation of fiat currency through monetization of interest-bearing public debt continues to exist at all, then, indicates that the government is to some significant degree the captive of the creditors organized around the FRS banking-cartel.[41]

Further, near-conclusive evidence of this is the failure of any candidate considered by the all-powerful national media to be a major contender for election to high national office to propose abolition of the FRS and transfer of its authority to create money "out of nothing" to the Department of the Treasury (let alone a return to constitutional money and banking!). Apparently, successful candidates realize that the "kiss of death" even for entry into the race for, as well as for election to, office is any suggestion that the FRS should be "nationalized" outright, deprived of its vaunted and valuable "independence," or simply eliminated altogether in favor of constitutional, free-market monetary and banking systems.

If, in contrast to the mythology of twentieth-century "democracy," the true importance of a particular institution or issue is how little real public debate about it the arbiters of political power behind the scenes allow, the FRS and its authority to create money "out of nothing" must be among, if not the, most important institutions and issues in the United States today. From the banking-cartel's point of view, "silence is golden" indeed!

The historical development of the present monetary and banking regime also supports the conclusion that the banking-cartel and its allies tend to control the bureaucrats and elected officials over the long term. After the Civil War, a great political struggle began between a group promoting the monometallic "gold standard," and a group favoring silver as money (often called the "free silverites," because they demanded that the government coin all silver brought to the mints). Although their policies were not always well thought out, at base most "free silverites" were monetary constitutionalists, in that they believed that both gold and silver should be equally money of the United States, the relative supplies of which the market should determine through the mechanism of "free coinage."

The monometallic "gold-standard" party, conversely, was at base anti-constitutionalist in principle, in that the necessary implication of its promotion of the unitary "gold standard" was the notion that Congress has the power to manipulate the monetary system at will. For if Congress may establish a monometallic "gold standard" without constitutional restraint, it may just as well establish a monometallic "copper" standard (as it has to a certain extent with the "clad" coinage) or a nonmetallic "paper" standard (as it has with the FRN).

Revealingly, many of the influential people who promoted the monometallic "gold standard" in the late 1800s then became powerful advocates of central banking (eventually through the FRS) in the early 1900s. One of their recommendations at that time was the centralization of the nation's gold stock. This was not achieved in the Federal Reserve Act of 1913, but did come to pass with Roosevelt's "gold seizure" in 1933 when the Great Depression provided the necessary economic crisis.

Since then, the government has (as the saying goes) "gone off the gold standard" (domestically in 1933, internationally in 1971) and "gone off the silver standard" (domestically and internationally in 1964 through 1968), arriving today at the "copper" and paper" standards—or, perhaps more descriptively, the political" standard, because the value of today's money depends more on political than on economic decisions and events. Extraordinary suspicion is not necessary to see a rather straightforward plan here:

First, the reduction of the constitutional system of gold and silver money to the monometallic "gold standard,” which would allow centralization of control over the precious metal that constituted the monetary "standard.”

Second, the creation of a central-bank cartel, issuing a paper currency originally made redeemable in gold to allay public suspicion.

Third, sudden confiscation of all Americans' gold coin, repudiation of the promise to redeem the banks' paper currency, and centralization of gold holdings in the Treasury, on the pretext of responding to an economic crisis.

Fourth, even after the crisis had passed and the economy had fully recovered following World War II, introduction of base-metallic coinage into, and removal of all silver coinage from, circulation. Until,

Fifth, America found herself saddled and bridled with fully political money.

The important lesson here is that, although individual members of the financial oligarchy are mortal and pass from the scene, the institutions they control outlive them, or any segment of the electorate that might coalesce to oppose the puppet-politicians the elitists dress up and parade around as "the people's choices" in the biennial "free elections.”

Because the members of the oligarchy control those institutions today, they are capable of carefully choosing and training their successors who will control those institutions tomorrow, thereby perpetuating their policies and permitting very long-term plans to be set in motion and brought to fruition. Politicians and bureaucrats, distinguishably, do not hand-pick their successors election after election. Therefore, that the banking and monetary systems of this country have developed according to an obvious plan over a period of about one hundred years indicates that they are the product of something other than the electoral process Americans naively call "democracy."

III. Why is the Constitution important to money and banking?

That the government's control over money and banking may very well reflect, not popular sovereignty and "democracy," but instead behind-the-scenes manipulation by powerful self-perpetuating private "wire-pullers" highlights the vital importance of the Constitution to money and banking.

The most important purpose of government is to protect society from predatory special-interest groups—that is, groups with interests distinct from and antagonistic to those of society as a whole that attempt to serve those interests by means of force or fraud. Government is necessary to promulgate and enforce laws to control these groups—by deterrence if possible, by punishment where deterrence fails.

Government, however, consists of only ordinary men—who change not their characters simply because they win elections or receive appointments to bureaucratic positions, but remain ever prone to commit the sin of pride, succumbing to avarice, ambition, and the love of power. And for that reason, history teaches that governmental officials themselves often form predatory special-interest groups. However, in principle these groups are far more dangerous to society than any private criminal gang:

First, predatory governmental officials constitute an organized, coherent body of men one of the purposes of which is precisely to draw resources from society (through the power of taxation, for example) to use for ends that officials determine. Moreover, people in society expect those officials to operate in an organized fashion for that purpose. A private group that formed itself for such end would immediately arouse suspicion and receive careful scrutiny.

Second, predatory governmental officials are centrally positioned to loot society within a defined geographical area. Moreover, people expect those officials to exercise their authority throughout their jurisdiction. A private group that claimed such a territorial prerogative would also be highly suspicious and subject to investigation.

Third, these officials disguise their predation through pretended enforcement of otherwise legitimate powers, such as taxation, regulation, eminent domain, prosecution of criminals, and so on. Moreover, people expect them to do precisely that (in form, if not in substance), and often cannot perceive what is really happening, because they do not understand the law or how it is being misapplied or disregarded. No private group can claim to act on the basis of such authority.

Fourth, in any dispute with private citizens, predatory governmental officials are presumptively "in the right.” If charged with wrongdoing (and if any inquiry occurs at all) they investigate, prosecute, judge, and generally acquit themselves, and have concocted all sorts of "immunity" defenses to shield themselves and their accomplices from liability even when their malefactions are fully exposed.

Moreover, people aggrieved but without legal recourse because of the corruption of the courts cannot even defend themselves, because the officials wield a monopoly of "legitimate" force, against which resistance is akin to "treason.” No private group can pretend that self-defense against its aggression is somehow "rebellion.”

Fifth, predatory officials can conspire with predatory private groups to make private predation effective where it would otherwise fail—for example, by licensing specially privileged cartels that a free-market economy would quickly destroy through competition. This "divide-and-conquer" tactic turns one segment of society against others, weakening the resistance that society as a whole could otherwise put up.

Thus, a petty street-corner "stick-up artist" can demand a citizen's money at the point of a shiv. But even he lacks the effrontery to pretend that he has lawful authority to rifle the citizen's pockets, that the citizen is making a "contribution" or "sacrifice" for the "public good,” that the robber is performing a "public service,” that he is the citizen's "sovereign" and after stealing the victim's money can follow him around endlessly telling him how to live his life in other ways—or, worst of all, that the citizen may not pull out a pistol and defend himself, because to do so would be a crime! Yet, predatory governmental officials misbehave this way ceaselessly and shamelessly.

Thus, to brand criminal officials and private crooks as equally bad is both inaccurate and unfair to the crooks. Official crime is always worse than private lawbreaking—because, whereas private lawbreaking is merely a violation of law, and honestly recognized as such even by the lawbreakers themselves, official crime amounts to "lawless law" or "legal terrorism:” law-breaking that is camouflaged and defended as law-enforcement, for the purpose of denying citizens the protections of law so that they may be more easily stripped of the property the law's very purpose is to safeguard. Therefore, no criminals are more dangerous, culpable, and needful of being exposed than criminal officials.

The Constitution is the law that controls the making and enforcement of all other laws. The Constitution is thus the law for government. It sets definite bounds on governmental action, by defining what officials may do (their powers) and, perhaps more importantly in a free society, what they may not do (their disabilities). It determines what actions of officials taken (as the lawyers' saying goes) "under color of law" are, in fact, lawful. Any action of any official that transgresses the Constitution is not and can not be "law,” but is either usurpation (exercise of a power the particular official does not have) or tyranny (exercise of a power that no one has or should have). That is, officials act constitutionally, or as usurpers, or as tyrants—

there is no other alternative.[42]

This is not to say that the Constitution has always been or now is necessarily complete. For example, the formal abolition of slavery required enactment of the Thirteenth Amendment. Neither is it to say that the Constitution is necessarily the best possible system of governmental powers and disabilities that might theoretically be devised. However, it is the supreme law of the land now; and no governmental official acts as an "official" in the true legal sense of that word unless he acts in conformity with the Constitution as it now exists.

Therefore, insofar as anyone claims to be an "official," exercising "official" powers, he implicitly claims to be following—and therefore to understand—the provisions of the Constitution that pertain to the performance of his duties. If he cannot explain how his actions conform to the mandates of the Constitution, he is at least a charlatan. If he refuses to prove that conformity when challenged, he is presumptively at least an usurper. And if he tries to punish the people who challenge his actions as unconstitutional, he is definitely a tyrant.

This applies just as much to officials who exercise powers over money and banking as it does to any other officials.

IV What powers over money and banking does the Constitution delegate to the government?

The only conclusion any careful student can draw from American history is that the Constitution established silver and gold coin exclusively as the money of the United States.

In 1787, the Founding Fathers were deeply concerned, in the most practical possible way, with the role of government in America's monetary and banking systems. They themselves were eyewitnesses to the raging inflation and business depression—what we today know all too well as an "inflationary depression" or "stagflation"—that followed the emission of "Bills of Credit" (paper money) by both the Continental Congress and the States during the War of Independence.

And they recognized that that inflationary depression was the result of that emission —that governmental "monetary policy" (to use the modern jargon) had led to the disaster. Therefore, confronted with the task of drafting a new fundamental law to control the government, the Founders carefully crafted the monetary powers of the Constitution to prevent repetition of such a calamity, by (they hoped forever) outlawing what James Madison in the Federalist Papers denounced as the "fallacious Medium" and "improper and wicked project" of paper money.

First, in Article I, Section 8, Clause 5 and Article I, Section 10, Clause 1, the Constitution adopts silver and gold coin exclusively as the money of the United States. The standard of value in this system is the "dollar," as that coin historically existed in the late 1700s, containing 371-1/4 grains (troy) of fine silver. The Founders knew no other "dollar." Indeed, one may confidently say that, had the members of the Constitutional Convention been presented with a table on which lay every form of coin and paper currency that has circulated in the economy of the United States from the earliest days until today, and asked to identify the "dollar," each and every one of them would unerringly have identified one, and only one, silver coin as a "dollar." So, when the Constitution mentions the "dollar"—as it does in Article I, Section 9, Clause 1 and in the Seventh Amendment—it can mean but one thing.

Under the constitutional system, the legal value of all silver coins must be proportional to the weight of silver they contain, in comparison to the dollar. The legal value of all gold coins must be proportional to the weight of gold they contain, in comparison to the dollar, at the prevailing free-market exchange ratio between gold and silver. All silver and gold coins may be legal tender for the dollar-values of the silver or gold they contain. And Congress retains exclusive authority to coin money and regulate its value according to these principles.

Second, in Article I, Section 8, Clause 2 and Article I, Section 10, Clause 1, the Constitution prohibits, implicitly or explicitly, the emission of any form of paper money (what the Founders called "Bills of Credit"). And the latter provision disables the States from imposing on unwilling creditors "any Thing but gold and silver Coin" as a "Tender in Payment of Debts"—which re-emphasizes that Congress may declare only silver and gold coin a legal tender.

Third, in Article I, Section 8, Clauses 1, 2, and 5, Article I, Section 10, Clause 1, and the Fifth, Ninth, Tenth, and Fourteenth Amendments, the Constitution denies Congress and the States any power to seize the people's silver or gold except through proper means of taxation, and to prevent specific performance of private contacts explicitly payable in silver, gold, or any other monetary medium. And,

Fourth, in Article I, Section 8, Clause 3, Article IV, Section 2, and the Fifth, Ninth, Tenth, and Fourteenth Amendments, the Constitution guarantees individuals free entry into private banking; ensures that private banks may issue their own, non-fraudulent notes and other securities, and deal in deposits of silver, gold, foreign currencies, or any other monetary medium; and outlaws any governmentally sponsored banking monopoly or cartel.

Taken together, these constitutional provisions define a monetary and banking system that reflects and relies on free-market principles:

- The Constitution adopts the type of money the world historically favored—commodity money, money capable of being coined or tendered as coin.
- The Constitution adopts as money the very commodities the quality of which international markets historically recognized as pre-eminent—silver and gold.
- The Constitution adopts the very unit of money the American market had found most convenient during the 1700s, and would find convenient still today—the dollar of 371-1/4 grains of silver. And,
- The Constitution leaves the ultimate supply of money to the market, too, by implicitly incorporating the system of "free coinage" traditional in Anglo-

American law.

Equally true is that the only conclusion any careful student can draw from American history is that, since the Civil War, governmental officials have followed policies that radically diverge from constitutional principles of money and banking.

First, in 1862, Congress emitted the first legal-tender paper currency since ratification of the Constitution. Shortly thereafter, the Supreme Court upheld this emission on the specious theory that it amounted to a permissible "forced loan" from the people.

Second, in 1913, Congress created the FRS, a quasi-public, mostly private banking-cartel that asserts political "independence" from supervision by Congress, the President, the courts, or the electorate—and that is specially privileged to emit its own paper currency, FRNs. Although Congress has declared these notes to be "obligations of the United States," in complete disregard of Article I, Section 9, Clause 7 of the Constitution it has never enacted a single statute authorizing the dollar-amount of such obligations the FRS can "create out of nothing" and for which the Treasury of the United States—ultimately, the American people as taxpayers—are supposedly liable.

Third, in 1933, Congress declared FRNs legal tender for all debts, public and private, and rescinded the requirement that FRNs be redeemable in gold coin for citizens of the United States.

Fourth, in 1933 and 1934, Congress licensed the President to seize all gold coin held by American citizens, and nullified all private and public contracts that called for payment in gold.

Fifth, in 1965, Congress terminated coinage of constitutional (silver) dollars and authorized the first debased "clad" coinage.

Sixth, in 1968, Congress terminated redemption of any form of United States paper currency in silver coin.

Seventh, although in 1973 and 1977 Congress permitted Americans once again to own gold and to make private contracts payable in silver or gold, nevertheless it continued to refuse to pay or redeem any obligations of the United States in silver or gold coin. And,

Eighth, although in 1985 and thereafter Congress authorized the minting of various new silver and gold coins, these coins do not circulate freely as media of exchange, because their face values are far below their market values.

Thus, since 1968, for all practical purposes the money of the United States has consisted almost solely of: (i) legal- tender FRNs, not redeemable in silver or gold coin; and (ii) "clad" coins composed entirely of base metals. As the supreme law of the land, the Constitution requires that no changes be made in its content except by formal amendments. The monetary provisions of the Constitution have never been amended. Yet officials of the government act as if the most drastic possible amendments have been ratified. Specifically,

- The contemporary "clad" "dollar" coin contains no silver at all, although a constitutional dollar must contain 371-1/4 grains of that metal.
- Silver and gold coins have been withdrawn as the base of the monetary system, although the Constitution provides that "No State shall * * * make any Thing but gold and silver Coin a Tender in Payment of Debts," and delegates to Congress no authority to do otherwise.
- Irredeemable FRNs (which the Founding Fathers would have denounced as less than "Bills of Credit," because of their irredeemability) have become America's currency, although the Constitution provides that "No State shall * * * emit Bills of Credit," and delegates no power to Congress to emit such "Bills" either. And,
- The FRS, composed of thousands of private banks, ultimately controls the supply of America's money, although the Constitution provides that Congress alone has power "to coin Money and regulate the Value thereof."

Who is fooling whom here?! No one. Any clear-thinking person can comprehend that no coincidence whatsoever exists between the contemporary regimes of money and banking in this country and the Constitution. Has paper currency in the hands of present-day politicians, bureaucrats, and self-interested bankers shucked off its noxious character as a "fallacious Medium" and "improper and wicked project," that caused the Founding Fathers to outlaw it? Or have present-day politicians, bureaucrats, and self-interested bankers, in league against the American people, contemptuously cast aside the Founding Fathers and the Constitution precisely in order to misuse that "fallacious Medium" for their own "improper and wicked projects"? But the answer to these questions is obvious: The present-day monetary and banking systems of the United States are unconstitutional, through and through.

V. Why should constitutional monetary and banking reform be an important issue today?

To judge from the contemporary press and media, monetary and banking reform along constitutional lines is simply not an "issue" in political discourse. (Actually, no reform of any kind along constitutional lines is an "issue," because the press, the media, politicians, officials, pundits, academics, and just about everyone else—including judges—pay mere lip-service, if any attention whatsoever, to the Constitution.) There is no alternative to constitutional reform, however.

No one doubts that contemporary America is in serious financial difficulties. To contend that these difficulties were caused solely by the absence of constitutional money and honest banking would be to overemphasize the roles of money and banking. The true causes of America's financial difficulties—and all her other problems that trace back to misbegotten governmental policies—are avarice, ambition, and the love of power in special-interest groups, professional politicians and bureaucrats, and their camp-followers. Yet, no one can doubt that America's financial difficulties could never have become as acute and menacing as they are had this country adhered to the constitutional principles of money and banking.

Neither can anyone believe that the present regime of non- or anti-constitutional money and banking has within it the methods or the means to tackle these difficulties. No—the present system of money and banking cannot eradicate, or even lessen, but only exacerbate America's financial difficulties, because the present regime is the problem, everything else being merely a symptom.

The present regime of unconstitutional money and banking does not work—but, more than that, it can not work, and will not be made to work.

First, the system of irredeemable legal-tender paper urgency and central-bank credit expansion cannot work, no matter who may be in charge of the monetary and banking authority," because the system is a species of nonrational "central economic planning." The problems central economic planning causes central economic planning cannot rectify, any more than dinosaurs could have constructed computers to assist them in avoiding their own extinction, had they known they were threatened. To the contrary: Central economic planning typically "solves" problems by creating new (and usually worse) problems.

For example, to "solve" the problem of ever-increasing prices of goods and services because of increases in the supply of fiat currency (what the public calls "inflation"), central economic planning imposes "price controls." Then, to "solve" the problem of scarcity of goods price controls cause, central economic planning mandates rationing. Then, to "solve" the problem of the so-called "black market" that comes into being to help people acquire rationed goods, central economic planning imposes criminal penalties on buying and selling in the "black market." And so on, and so on, and so on ad nauseam.

Central economic planning is a merry-go-round of economic incompetence: The wheels turn, the lights flash, the painted wooden horses go up and down, the calliope plays, and the riders strain to pluck down the brass ring—but everyone simply goes 'round and 'round in a circle, at a large cost. A real carousel, though, is entertainment, and meant just for fun. The ride is worth the price of admission. Central economic planning, conversely, pretends to be a (even the) way to "manage" a national economy. It is supposedly a serious endeavor. But it is an unnecessary, nonrational trip to nowhere, in which the price of admission is, over the long term, disaster to the economy (even though, in the short term, it advances the careers of politicians and bureaucrats and lines the pockets of greedy special-interest groups).

Second, even were the system of central economic planning embodied in contemporary fiat currency and central banking itself theoretically capable of self-reform and correction, it would still remain a species of monopoly or oligopoly power (that is, a system that excludes most people from the process of decision-making, but subjects them to the decisions made without their consent). Unlike the constitutional system of money and banking—where no one group controls the monetary unit (the silver "dollar"), the type of currency used (silver and gold coins), the supply of money (which arises from "free coinage" of whatever silver and gold the market brings to the mints), or who may engage in honest banking and allied pursuits, under today's unconstitutional monetary and banking regimes a self-perpetuating clique of politicians, bureaucrats, private bankers, and their cronies runs the show, to the exclusion of everyone else.

Monopolistic power, however, is always subject to abuse, and is usually abused, because its main use (and the source of the profits it puts in the monopolists' pockets) is abuse. Monopolists infrequently, if ever, apply their power to serve the public good. For, if they did, in almost every case they would first have to dissolve the parasitic monopoly they control, which they never voluntarily do! So one must predict that the monopolists who control America's monetary and banking regimes will (mis)use their power, not only to the exclusion of everyone else, but at everyone else's expense. If not now, then assuredly sometime.

That is, even were central economic planning workable as a matter of economics, it is unworkable as a matter of human nature. Even if the "planners" knew what to do in pursuit of the public interest, their own self-interest would eventually divert them from the paths of rectitude into the by-ways of personal profit. In short, central economic planning cannot be trusted to control modern monetary and banking "policy," because people cannot be trusted to control monetary and banking "policy." In anyone's hands, modern monetary and banking "policy" is a veritable "license to steal," which no one should be granted.

Third, even were central economic planning in money and banking workable as a matter of theoretical economics, and even were human nature less prone to succumb to original sin than it has always been, the history of twentieth century America teaches that people somewhat less righteous than candidates for sainthood have been in charge of affairs since the beginning of the FRS, and appear likely to remain in charge for the indefinite future (absent disestablishment or radical alteration of the regime). Indeed, American history exhibits a systematic looting of the public, through apparently planned, step-by-step destruction of the constitutional monetary system, including:

- the creation of the FRS (1913), at which point a private banking-cartel usurped power over the monetary system;
- the seizure of the American people's gold coins (1933);
- the "demonetization" of gold (1933 and 1971) and silver (1964 and 1968);
- the declaration of FRNs as legal tender (1933);
- the chronic depreciation (loss of purchasing-power) of FRNs;
- the ever-increasing load of interest-bearing debt, both public and private;
- the ever-increasing burden of taxation to "service" the debt, enslaving the borrower (the American people) to the lender (the financial oligarchy) through the collection- agency of the government;
- the creation of new regulations mandating "record-keeping" and "reporting" of all kinds, and other police-state measures, to subject the American people to an all-encompassing surveillance of their monetary and banking activities; and, last but not least,

- the all-around suppression of real discussion of money and banking—which subjects are simply not even allowed to be raised as issues" in political campaigns or legislative debates, to be taught in schools, to be the themes of television "docu-dramas," and so on.

The result of all this has been to put into the hands of an unelected, supposedly "independent" agency of someone (the FRS) essentially totalitarian power over money and banking. The term "agency of someone" is necessary, because the FRS is certainly not the agent of the Constitution (the charter of government authorized by the American people), because it is plainly unconstitutional. Neither is the FRS the agent of the government (the office-holders selected by the American electorate), because it claims to be "independent" of Congress, of the President, and of the courts (which, by definition, an "agent" could never be).

Inasmuch as the FRS over the last eighty years has facilitated (through credit expansion) the greater and greater indebtedness of both the government and the average American, apparently the FRS is the agent of a class of coercive creditors: people who invest in governmental debt (paid immediately through taxes), governmentally guaranteed debt (paid through taxes if the debtors default), and private debt the government helps to collect through court judgments, foreclosures, bankruptcy-proceedings and so on.

Thus, it should surprise no one that the problems of America's monetary and banking regimes—chronic depreciation of the currency and chronic increases in the load of interest-bearing debt—have become worse and worse over the years since 1913. For the regimes are largely unworkable except to depreciate the currency and maximize debts; and it apparently has been in the interest of those in control to do exactly that.

For real reform, the American people must focus on the goal they want to achieve. This goal is quite different from the goal of the political and economic oligarchy that operates through the FRS. The oligarchy's goal—first, foremost, and forever—is to maintain its own power, no matter what. If not entirely the product of the present monetary and banking regimes, this power works through and needs those regimes to be effective. Therefore, the oligarchy's goal—and implicit in its "solution" of any problem in money and banking—is to preserve the present regime (and thereby the oligarchy's power), at whatever cost to everyone else. The oligarchy will never voluntarily return to the constitutional system of silver and gold coinage and nonfraudulent banking.

Conversely, the goal of the American people must be to install (or, actually, to reinstall) monetary and banking systems that serve society as a whole, not just a few self-perpetuating political and economic special-interest groups.

In the course of achieving that goal, provision must be made for selectively directing the inevitable economic losses that monetary and banking reform will occasion.

First, no significant reform (constitutional or otherwise) can or will be costless. Since World War II, inflation of the supply of flat currency alone has "redistributed" wealth on a massive scale. If each "redistributed" FRN "dollar" has been coercively or fraudulently redirected from a use of more value to society as a whole to a use of less value (but of greater value to some special-interest group), then the total misallocation of resources by the nonrational central economic planning of the FRS has certainly been very large. Returning to constitutional systems of money and banking will expose much of this hidden waste for what it is, deflating the value of "assets" that monetary legerdemain artificially propped up.

Second, the losses that return to constitutional systems of money and banking may unavoidably cause should not fall on innocent parties, or be spread out indiscriminately among the American people as taxpayers. For example, if X has a long-term commercial contract with Y that is payable in FRNs, and reform of the monetary system significantly lowers the real purchasing-power of FRNs, X should not in justice be required to absorb the loss, nor should the American people be required to "bail out" X.

Rather, Y should be required to pay the real value of that contract, in whatever the new medium of exchange may be, so that X receives the real benefit and Y bears the real burden of the contract as they originally negotiated it.[43] On the other hand, if X owes a certain amount of FRNs to bank B that is a member of the FRS, X should be allowed to repay that debt in FRNs, no matter how low the purchasing-power of FRNs may sink, because FRNs are the notes of the cartel to which B belongs.

The American people are not truly responsible for the present mess in money and banking under which everyone outside the privileged elite suffers. And, therefore, they should not be asked, let alone required, to "sacrifice" to correct the mistakes and malfeasance of their "leaders" and the wire-pullers who yank those "leaders" around from behind the political scenes.

After all, the American people would be theoretically responsible only if they had had full disclosure from their "leaders" of what was going on and its consequences—namely, that the constitutional system was being replaced with a fascistic banking-cartel, that non-rational central economic planning was being substituted for a free-market system of money and banking, that a political and economic oligarchy was assuming direction of monetary and banking affairs largely for its own purposes, and so on. But, since creation of the FRS in 1913, there has never been the kind of "wide-open" national political debate on the fundamental issues of money and banking that took place, time and again, during the 1800s.

To the contrary: since 1913 those issues have been turned into non issues. For example, the "gold seizure" and repudiation of "gold-clause contracts" in 1933 and 1934 were unprecedented events that struck at the very heart of the constitutional monetary system. Yet, even in 1936 these acts were not raised as major issues in the presidential campaign, and have never been raised since. True, in 1973 and 1977 people in Congress friendly to sound money were able to pass legislation that restored Americans' rights to own gold and to make "gold-clause contracts."

But even they did not promote this legislation as part of a broadly based political counter-attack to impose constitutional reforms on the monetary and banking systems as a whole. And, presumably, the opponents of sound money did not fully exert themselves to block this legislation precisely because they recognized that it was not part of such a broadly based counter-attack, and precisely because they foresaw—correctly, it turned out—that the vast majority of Americans who were (and today remain) uneducated in monetary and banking matters would not make effective use of the rights to own gold and to make "gold-clause contracts."

Similarly, although the day-to-day policy decisions of the FRS with respect to the money-supply, interest rates, and other matters are often the subjects of media coverage and political controversy, the existence, structure, supposed "independence," and powers over money and banking of the FRS are not. The "issue" the American people and their elected representatives are allowed to "debate" is whether the FRS is exercising its powers well or poorly—not whether the FRS, or any other quasi-public or governmental agency, should have those powers at all under our Constitution.

Under these circumstances, to structure monetary and banking reform on a theory that all Americans should "sacrifice" equally would be unfair to the vast majority, who have already sacrificed a great deal in national wealth, productivity, and so on because of the FRS and the refusal of their elected representatives to enforce the Constitution.

VI. Why should Americans demand restoration of the constitutional systems of money and banking?

The only remaining question is why Americans should demand restoration of the constitutional Systems of money and banking, as opposed to some other, supposedly more "modern" arrangements. There are at least six good reasons.

The present unsatisfactory monetary and banking regimes are the products of violations—whether intentional or inadvertent—of the Constitution. Today's problems are the result of not adhering to the system the Founders created. It is only logical to presume that, if a failure to follow the "user's manual" has caused a machine to break down, consulting the manual will at least help to correct the situation.

The present monetary and banking regimes are the products of statutes, regulations, and court decisions—in large measure unconstitutional, to be sure, but there nonetheless. Any reform of the present regimes will require the repeal or radical amendment of at least some of these statutes and regulations and the enactment of new ones, and will no doubt generate a large volume of litigation. In all of this, the Constitution must be controlling. For the Constitution sets the only rational political, legal, and moral boundaries on the powers of legislators, administrators, and judges. If the American people do not look to the Constitution, first and foremost, as their only sure rule of action, and their basis on which to gauge the rectitude of the actions of their elected and appointed representatives, they will lack any real guidance at all.

Recognition that, with respect to money and banking, the Constitution has been misinterpreted, neglected, or even improperly set aside since 1913—and must now finally be enforced before it is too late—will allow the American people to assign responsibility or culpability for what has happened, and to structure reforms so as to impose the unavoidable costs on the parties and institutions that actually caused or contributed to the contemporary mess, rather than piling the financial burden indiscriminately on the backs of innocent taxpayers who have been misled for generations about what was going on. The other alternative—to say that monetary and banking policy since creation of the FRS in 1913 has all been a "big mistake" for which no one is to blame—would be, in effect, to allow those who created the mess to profit from it, while imposing the burden of cleaning it up on faultless, duped Americans.

The constitutional system is eminently workable, because it contains numerous fixed points of legal reference on which all Americans of good will can agree once they have studied the Constitution and its history. For example, under the constitutional system the "dollar" is a known weight of coined silver (371-1/4 grains); government may not issue any form of paper currency ("Bills of Credit"); and only "gold and silver Coin" may be made "a Tender in Payment of Debts.” Thus, there is no need to debate what the monetary unit should be, whether government can substitute debt-instruments (such as Treasury Notes or FRNs) for commodity money of silver and gold, or whether government can force creditors to accept substitutes for the real money they contracted to receive from their debtors. Those issues (and many others as well) the Constitution settles definitively.

Because these fixed points are—if the Constitution is properly enforced—already the law, agreement on what the Constitution requires automatically sets the standards of the monetary and banking systems, and to a very great extent dictates what must be done to reform the present regimes. In contrast, for even a majority of Americans to agree on some new, supposedly "ideal" monetary and banking systems seems less than likely. And for any such "ideal" systems to become part of the Constitution through the complicated process of amendment seems highly improbable.

On the other hand, to argue that some "ideal" systems can be enacted into law without a constitutional amendment, because the Constitution gives legal carte blanche to the government in monetary and banking matters, is to perpetuate the fundamental problem Americans face today: that money and banking are out of control precisely because they have been removed from constitutional restraints and thoroughly politicized, so that "anything goes

In short, the only practical way to bring legal order into money and banking, and to keep it there, is to return to fixed, knowable, and already known constitutional principles.

There is no need, moreover, for Americans to tax their brains to devise some new, supposedly "ideal" systems of money and banking, because the constitutional systems the Founders enacted are, both politically and economically, good ones. As explained above, constitutional money and banking are, for all intents and purposes, free-market money and banking, with a particular form of money (silver and gold coins based on the "dollar" as the unit) fixed for the government.

This is in principle the most desirable of all possible worlds, because it severely limits the authority and freedom of action of the government, allows individuals to use whatever they desire as money (except in dealing with the government), and protects society against deceptive practices such as fraudulent "fractional-reserve" banking. Economists may debate—no doubt endlessly—whether silver and gold coins are the absolutely "best" form of money in some theoretical sense. Historically, however, silver and gold coins have always performed admirably as money. And this record certainly commends them as an appropriate, if not the "best," choice for the money the government is required to use.

Surely, if the Founders' choice of silver and gold coins as official governmental money had never been effective in constraining the ability of elected officials and bureaucrats to manipulate the monetary and banking systems, those officials and bureaucrats (and the private special-interest groups supporting them) would not have worked so tirelessly since the late 1800s to remove silver and gold coins from day-to-day use as Americans' media of exchange, media of taxation, and so on! And if silver and gold coins are not the "best" money for all purposes, at least the constitutional system does not require that private individuals use them (except in dealing with the government).

Finally, a movement to restore constitutional principles of money and banking can help to rally Americans behind their country, rekindling hope in our governmental institutions and helping to dispel the cynical view that those institutions are hopelessly corrupt and the pessimistic view that nothing can be done to rectify the situation. If this were all that a renewed public debate on money and banking accomplished, it would be a fine achievement indeed.

NOTES

1 E.g., a consumer may have to decide whether to spend his disposable income on a new automobile or an overseas vacation. Only after he decides to forego the vacation in order to purchase an automobile will he have to choose among the many competing makes available. In this instance, the initial competition is between vacations and automobiles. Obviously, the prices of vacations, as compared to the prices of automobiles, will strongly influence the consumer's actions.

2 E.g., if the selling price of some consumer good X is higher than the selling price of consumer good Y, all other things being equal entrepreneurs will tend to invest in the production of X rather than Y This will increase total social welfare, because the higher price of X indicates that consumers value it more than Y, and would be benefitted by an increase in the amount of X, and a corresponding decrease in the

amount of Y, produced.

3 People are often reluctant to conceive of the government as engaged in systematic fraud. This attitude, however, is naif. See, e.g., J.T. Bennett & T.J. Lorenzo, Official Lies: How Washington Misleads Us (1992).

4 This definition distinguishes monetary intervention from the simple crime of counterfeiting, on the one hand, and from the quite legitimate activity of mining, refining, and coining the precious metals silver and gold into commodity money, on the other hand.

5 See U.S. Const. art. I, § 10, cl. 1.

6 This differentiates debasement through legalized counterfeiting from "coin clipping," "coin shaving," private counterfeiting and other forms of debasement that take place outside the mint and not under color of law.

7 In the United States today, though, people capable of making correct observations about money seem to constitute a small minority. For example, under present law the base-metallic "clad" "dollar coin * * * is 1.043 inches in diameter and weights 8.1 grams," whereas the "clad" "half dollar coin * * * is 1.205 inches in diameter and weighs 11.34 grams"; and both coins are composed of the same "sandwich" of copper and nickel. 31 U.S.C. §§ 5112(a)(1, 2), 5112(b). The average person apparently sees nothing incongruous about a supposedly less-valuable coin being larger and heavier than a more-valuable one of the same substance! This anomaly is not the product of some popular delusion peculiar to base-metallic coins. For under present law the "fifty dollar gold coin contains one troy ounce of fine gold," whereas the "ten dollar gold coin *** contains one- fourth ounce of fine gold." 31 U.S.C. § 5112(a)(7, 9). The average person apparently sees nothing strange in the result that five "ten-dollar" gold coins (total nominal value of "fifty dollars") contain 1-1/4 ounces of gold, while one "fifty-dollar" gold coin contains only 1 ounce of that metal!

8 This holds only where the issuer of the coins retains the original nominal values and sizes (e.g., debasing a "dollar" coin by gradually cheapening the metallic content from silver to copper, from copper to nickel, from nickel to iron, and so on). If the issuer also changes the sizes of the coins (making them smaller), and the denominations (making them larger), or both, no practical physical limits to debasement exist.

9 See 31 U.S.C. § 5118(d)(2).

10 To be maximally effective, government and its cronies must link debasement to a "call in" or seizure of outstanding full- valued silver and gold coins, and especially to a prohibition of "gold-clause contracts," as the United States government did in the 1930s. See H. Holzer, How Americans Lost Their Right to Own Gold and Became Criminals in the Process (Committee for Monetary Research & Education, Monograph No.35, December 1981).

11 A system of nonfraudulent fractional-reserve currency, in which the issuers fully disclosed to the public that holding the currency involved a risk of loss, is not impossible to imagine. If the public were fully informed about how such a system operated and what its risks were, however, probably relatively few people would choose to hold as their money fractional-reserve currency in preference to 100% reserve currency or silver or gold coins themselves.

12 Few people seem to appreciate that, if fractional-reserve currency schemes were truly safe in an economically meaningful way, there would be essentially no need for deposit insurance. "Insurance," after all, deals with contingent risks. The greater the need for deposit insurance, the greater must be the risk of default by the banks. Where the government insures the entire banking system, the risk must be both pervasive and significant.

13 E.g., holders of contemporary FRNs can demand that the "notes" be "redeemed" in "lawful money." 12 U.S.C. § 411. The medium of redemption, however, will be base-metallic, not silver or gold, coins. See 31 U.S.C. §§ 5118(b), 5118(c)(1)(B, C), 5119(a). To the extent that these "clad" coins contain some real metal with a small residual market value, FRNs are not a completely repudiated, or true flat, paper currency. For purposes of practical analysis, however, FRNs may be considered essentially a flat currency, because it is difficult to imagine a "bank run in which people raced to exchange FRNs for "clad" coins.

Of course, a "bank run" can occur in a flat-currency system when people, suspicious of a bank's solvency, rush to withdraw money—of any kind—from their accounts before the bank "goes bust." In this case, however, people make a "run" on the bank to obtain the money they originally deposited, not to convert one form of money into another through "redemption."

Analytically, however, because a person's deposit (say, in a checking account) may be considered "deposit-currency," a "run" of this kind is akin to a traditional "run," because the depositor is attempting to "redeem" his "deposit-currency" (the pen-and-ink notations or electronic "blips" in the bank's accounts) for paper currency or base-metallic coins. But if a central bank or governmental treasury stands ready to provide individual banks with all the bank-notes they need to convert "deposit-currency" into "cash" on demand, then, although a traditional run may occur, it cannot "break the bank." Also, "deposit-insurance" schemes are a means banks and governments use today to avert "runs" of this kind, by convincing people that their deposits are safe no matter how irresponsible the bankers may be, because the taxpayers will make good on the bankers' losses.

14 Old debt can, of course, also be paid with money borrowed in the future (new debt). But then the new debt remains to be paid. If the debt were paid immediately with taxes collected contemporaneously, no "borrowing" would take place (and certainly no interest would be chargeable on the debt).

15 Episodes of intervention intentionally aimed at decreases in the supply of money

are historically rare.

16 The best explanation of modern banking is by Murray N. Rothbard, The Mystery of Banking (1983).

17 For reliable information on the economics of money, its supply, its purchasing power, and so on, see Ludwig von Mises, Human Action: A Treatise on Economics (1963); Murray N. Rothbard, Man, Economy and State: A Treatise on Economic Principles (1970).

18 In a hyperinflationary environment, such as existed in Weimar Germany in the early 1920s, radical increases in the supply of paper currency may appear necessary to enable the currency to continue to perform—albeit poorly and for only a short period of time—the functions of money. See, e.g., Constantino Brescioni-Turroni, The Economics of Inflation (1937). This situation arises, however, precisely from the economic unsoundness of the currency.

19 In a free market, the purchasing-power of silver and gold coinage would probably tend to increase slowly over time, which would particularly benefit wage-earners and retired individuals on pensions, and encourage investment in long-term projects. Under interventionism, the purchasing-power of paper currencies and deposit-currencies has tended to decrease rapidly, reducing the real take-home pay of wage-earners and the real value of pensions, discouraging long-term investments, and lifting people into ever-higher tax-brackets so that the government could confiscate and squander ever more of their wealth.

20 Even when—not if—a Federal Bread Board fouled up the production and distribution of bread, the people could still bake their own bread. But when the Federal Reserve Board fouls up the monetary and banking systems, forms of money other than the FRN are not readily available for the people to use.

21 See Perry V. United States, 294 U.S. 330 (1935).

22 E.g., government can protect banks from excessive runs on their deposits. Veix V. Sixth Ward Ass'n, 310 U.S. 32, 34-41 (1940). If "bank runs" by depositor-creditors are viewed as a type of self-help "foreclosure" on bank-debtors, it should follow that government can protect debtors of banks from oppressive foreclosures. Cf. Home Building & Loan Association v. Blaisdell, 290 U.S. 398 (1934).

23 See Wickard v. Filburn, 317 U.S. 111, 131 (1942)("[i]t is hardly lack of due process for the Government to regulate that which it subsidizes").

24 See E. Vieira, Jr., Pieces of Eight The Monetary Powers and Disabilities of the United States Constitution (1983).

25 The classic example in American law is Craig v. Missouri, 29 U.S. (4 Pet.) 410, 436-37 (1830).

26 Grants of power: See, e.g., U.S. Const. art. I, § 8, cl. 2 (power to "borrow Money"), cl. 5 (power to "coin Money and regulate the Value thereof"). Denials of power: See, e.g., U.S. Const. art I, § 10, cl. 1 (States may not "coin Money," "emit Bills of Credit," or "make any Thing but gold and silver Coin a Tender in Payment of Debts").

27 U.S. Const. art. I, § 10, cl. 1.

28 U.S. Const. art. I, § 8, cl. 5.

29 See U.S. Const. amends. V and XIV (no person shall be deprived "of life, liberty, or property, without due process of law").

30 See U.S. Const. art. I, § 10, cl. 1 (States shall not pass any "Law impairing the Obligation of Contracts").

31 See U.S. Const. art. I, § 8, cls. I and 2.

32 Indeed, the Constitution explicitly limits the power of Congress to "borrow" to the power to "borrow Money." U.S. Const. art. I, § 8, cl. 2.

33 These acts are now codified in 31 U.S.C. § 5118(a-c).

34 E.g., all United States silver and gold coins are denominated in "dollars" and remain "legal tender," even today. See 31 U.S.C. §§ 5101, 5103.

35 See 31 U.S.C. § 5118(d)(2).

36 See 31 U.S.C. §§ 5112(a)(7-10), 5112(e).

37 The qualification of "general, day-to-day" circulation is necessary, because silver and gold coins are in limited circulation. Most of the time, however, these coins are held (not spent) by individuals responding to Gresham's Law, which teaches that people will tend to spend less-valuable money (in this case, FRNs and "clad" coins) and to hold in their cash balances more valuable money (silver and gold coins).

38 Presumably, even Congress and the State governments would concede that the explicit prohibitions the Constitution directs against the States still apply. See U.S. Const. art. I, § 10, cl. 1. This, however, is perhaps a questionable presumption, as the States generally impose on their citizens FRNs as "legal tender," even though: (i) FRNs are not themselves gold or silver coins and are not redeemable in gold or silver coins; and (ii) the Constitution mandates that "No State shall *** make any Thing but gold and silver Coin a Tender in Payment of Debts."

39 Indeed, when "monetization" of governmental debt results in general price-increases in the marketplace (what the public calls "inflation"), the government and its apologists blame a laundry-list of convenient scapegoats, such as unions, greedy businessmen, Swiss "gold speculators," and so on, in order to divert public suspicion

from the true culprits. See Higgs, "Blaming the Victims: The Government's Theory of Inflation," The Freeman, Vol. 29, at 397 (1979); T. Bethell, Television Evening News Covers Inflation: 1978-79 (1980).

40 E.g., assume that, in order to fund a budget of W "dollars" in year A, the government taxes X "dollars" from the public and borrows Y "dollars" by monetization in year A, promising to repay Y "dollars" in principal and Z "dollars" in interest in year B. Further assume that, when year B arrives, the government decides to collect its entire revenue through taxes, including the Y + Z needed to pay off the debt incurred in year A. If the government spends as much in year B as it did in year A (i.e., W = X + Y), it must collect a further Z in taxes to pay the interest on the debt. It could do this, without overburdening the public with taxes, if the tax-base had increased—i.e., if the economy had become more productive as the result of the government's expenditure of Y in year A, and therefore tax revenues increased even though tax rates remained the same. In this case, the expenditure of Y could be considered in some sense an "investment," as it had increased taxable productivity in society as a whole. However if Y did turn out to be an "investment" in this sense, that would be the consequence of the expenditure in year A, not of the requirement that the government also tax from the public and pay to bond holders Z in year B. The "investment" effect could have been achieved without any monetization of interest-bearing debt, simply by emission of governmental fiat currency directly from treasury.

On the other hand, if the tax-base does not increase by year B as a result of the government's expenditure of Y in year A—i.e., if the expenditure turns out to be complete "consumption," or even waste, rather than "investment" -, the taxes necessary to pay the interest due (Z) will constitute an increased, deadweight burden on society, for the special benefit of the banking- cartel which created the new money "out of nothing" in the first place.

In both cases, the government and the general public gain nothing by "monetization" of interest-bearing public debt, in preference to a system of direct creation of flat currency by the treasury itself. If any creation and expenditure of flat currency can "stimulate" the economy in a productive fashion (i.e., can function as an "investment" by government), there is no need for that creation to be accompanied by the incurrence of interest- bearing public debt. And, if creation and expenditure of flat currency turns out to constitute pure "consumption," there is even more obviously no need for that creation to burden the taxpayers with the duty to fund payments of interest. This is not to say, of course, that the emission of flat currency by the government would be advisable in and of itself, in preference to a system of constitutional (silver and gold) money—only that, if fiat currency must be used, common sense teaches that it should be generated without the burden of interest-payments.

41 To be sure, the government apparently can, from time to time, pressure the banking-cartel into temporarily following policies more favorable to the short-term political interests of officeholders than to the longer-term interests of the financial

elite. But the banking-cartel's compliance with the government's demands on these occasions, one suspects, evidences merely the wisdom of the parasite that avoids angering the host. That the parasite, on occasion, moderates its behavior in favor of the host in order to maintain its (the parasite's) own position does not change the essentially parasitic nature of the relationship.

42 See Poindexter v. Greenhow, 114 U.S. 270, 290-91 (1885).

43 This approach was adopted in the Southern States after the Civil War, when Confederate money had become worthless, but contracts of innocent parties denominated in that money remained to be executed. See, e.g., Thorington V. Smith, 75 U.S. (8 Wall.) 1, 11-14 (1868).

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