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Discussion Points

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Issue:	Question:
Legal tender	<ol style="list-style-type: none"> 1- If our money is good, then why do we need legal tender? 2- If our money is not good, and would not be preferred by the people, then why in a democracy should we be forced to use it?
Money	Why should we have money that depreciates?
Inflation	<ol style="list-style-type: none"> 1- If “inflation” means that money is depreciating, and if workers exchange their work for money that they then save for future, isn't any amount of depreciation of money in effect stealing the work product of ordinary people? 2- Why should this be allowed to continue?
Banks: Today, bank balance sheets are in effect guaranteed by the public. Bank assets are protected systemically by the so-called “lender of last resort” bailout facility at the Federal Reserve, and bank liabilities are protected at the micro level by so-called Federal Deposit Insurance.	<ol style="list-style-type: none"> 1- Are these guarantees in conformity with free market principles? 2- What authorization is there in our <i>Constitution</i> for these guarantees? 3- Do these guarantees induce banks to leverage their balance sheets more than would otherwise if these guarantees were not present, as has been suggested by former Federal Reserve Chairman Greenspan? 4- Mindful that ever-increasing bank leverage poses a systemic risk to the world’s financial system, what is the public policy justification for allowing this to continue?
Governance: Federal Reserve governors meet in secret with members (generally officers of the nation’s largest banks) of the Federal Advisory Council. No other regulated industry gets to meet in secret with its putative regulator.	What is the public policy justification for allowing secret consultations between the regulator and those who are regulated to continue?
Governance	<ol style="list-style-type: none"> 1- Why shouldn't the Federal Reserve get its funding from Congress, just like everybody else? 2- What is the constitutional authority for allowing the Federal Reserve to make up its own budget and fund that budget with money that it creates out of nothing?

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Gold	Does anyone at the Federal Reserve have knowledge of influencing, directly or indirectly, through cooperation with other central banks or other organizations, such as the International Monetary Fund or the Bank for International Settlements, the price of gold during the past 15 years?
Gold	<ol style="list-style-type: none"> 1- Are there any circumstances whereby it might be appropriate for the U.S. government to seize gold owned by any entities under its jurisdiction? 2- If “yes,” what might those circumstances be? 3- If “yes,” what part of our <i>Constitution</i> authorizes such seizure?
Gold: The gold holdings of the U.S. have not been audited since the 1950s.	Would the Federal Reserve be in favor of an audit of the nation’s gold holdings in Fort Knox and elsewhere?
Gold	Since gold has been demonetized, is there any reason why the nation’s gold stock should not be distributed to the public?
Gold: The International Monetary Fund, in its Articles of Agreement, Section 4-2b, prohibits member nations from linking their currencies to gold.	<ol style="list-style-type: none"> 1- What is the public policy justification for continuing this prohibition? 2- Doesn't this prohibition impede on member nations’ sovereignty, including U.S. sovereignty?
Price Stability: Since the onset of the Industrial Revolution, as a result of increases in knowledge and manufacturing processes, prices have come down, and products and services have improved. This has resulted in more and better products and services for more people at ever-decreasing prices. It is what we mean by an improving standard of living. However, in recent years, especially since president Roosevelt seized the nation’s gold, prices have increased.	<ol style="list-style-type: none"> 1- Is there a connection between using gold-as-money and an increasing standard of living? 2- Absent the creation of money out of nothing, shouldn't prices be going down and “real” wages be going up?

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<p>Interest rate stability: Since the end of the 18th century, except for periods of war: the Revolutionary War, the War of 1812, the Civil War, World War I, and World War II, up until the time when president Nixon reneged on the U.S. sovereign promise to redeem “dollars” to foreign central banks at the rate of one ounce of gold for \$35, interest rates have been about 3½ %, with yearly interest rate volatility plus or minus 30%. After Nixon reneged on gold redemption for foreign central banks, on August 15, 1971, yearly interest rate volatility fluctuated as much as plus or minus 200%.</p>	<ol style="list-style-type: none"> 1- Is a stable interest rate structure desirable for those engaged in productive enterprise, e.g., manufacturing? 2- Absent a connection to gold, is there any way to ensure interest rate stability?
<p>Foreign exchange rate stability: Former Federal Reserve Chairman Volcker has stated that a global economy requires and a global currency and that foreign exchange volatility is not acceptable to small countries.</p>	<p>Except for having gold-as-money on a worldwide basis, how might foreign exchange stability, along with interest rate stability, be achieved?</p>
<p>Financial sector profits: According to Professor Susan Long at Syracuse University, relying on IRS data, the financial sector now garners nearly 62% of all corporate profits (\$322 billion) and nearly 25% of all corporate revenues (\$3 trillion). At the same time, many other sectors of our economy are hurting, have migrated to foreign shores, or have gone out of business altogether, e.g., steel, textiles, machine tools, airlines, automotive. Further, real wages have either gone down or have stagnated since president Nixon reneged on redeeming our “dollars” for gold for foreign central banks.</p>	<ol style="list-style-type: none"> 1- Is there a connection between the outside profits to financial players and our irredeemable paper ticket-electronic money? 2- How is it in the interests of ordinary people, along with those sectors of the economy that produce goods and services that improve the lives of ordinary people, to have a monetary structure that benefits financial players in such a great way as compared to everyone else?

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<p>Financial leverage: When there was a connection between our “dollars” and gold, up until the time that president Nixon reneged on redemption by foreign central banks on August 15, 1971, there was a potential lid on increasing financial leverage, because at least some of the money created out of nothing could be called for redemption into gold by foreign central banks.</p>	<ol style="list-style-type: none"> 1- Now that gold is completely out of the picture, as a practical matter, doesn't this mean that there is no longer any constraint on increasing financial leverage? 2- As financial leverage continues to increase, along with promises to the electorate by politicians who will not be around when those promises are called, doesn't this mean that at some point our monetary system will blow up? 3- What can be done to rectify this situation? 4- Other than martial law and rationing, what contingency plans does the Federal Reserve have in the event of a complete collapse of the “dollar?”
<p>In 1946, according to our Federal Reserve, our total money supply (M3) was about \$150 billion. Today, it is about \$10 trillion. Of that, the Federal Reserve created about \$900 billion, and the balance, about \$9 trillion, was created by banks.</p>	<ol style="list-style-type: none"> 1- Physically, how did the additional \$10 trillion enter into our economy, i.e., where did the money come from? 2- What is the authorization in our <i>Constitution</i> for private companies to create irredeemable paper ticket-electronic money out of nothing? 3- Is this money creation in conformity with free market principles?
<p>Derivatives: According to the Bank for International Settlements, there are presently about \$300 trillion in derivative bets worldwide. In the U.S., which accounts for about \$100 trillion of these, almost 98%, according to the Office of the Controller of the Currency, are concentrated in just five banks.</p>	<p>Since derivative bets constitute gambling by banks, why should the public subsidize these bets by protecting bank balance sheets systemically through the so-called “lender of last resort” at the Federal Reserve?</p>
<p>The Seventh Amendment to our <i>Constitution</i> states: “In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury shall be otherwise re-examined in any Court of the United States, than according to the rules of the common law.” Clearly, this means that according to our <i>Constitution</i> a dollar must be something specific and unchangeable. If the definition of the Constitutional dollar could be changed by Congress, it would mean that the Congress could rewrite the Seventh Amendment at will, which is ridiculous.</p>	<ol style="list-style-type: none"> 1- What is a constitutional dollar? 2- Since a dollar obviously cannot be a Federal Reserve Note, doesn't this mean that our money is not in conformity with the <i>Constitution</i>, i.e., the rule of law?

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<p>Banks: Mr. Greenspan has characterized the protections that are provided to banks, e.g., the so-called “lender of last resort” bailout facility and so-called Federal Deposit Insurance as subsidies to banks. By definition, any subsidy involves wealth transfer.</p>	<ol style="list-style-type: none"> 1- Since banks and bankers are generally richer than most, why should ordinary people subsidize banks? 2- Aren't these subsidies in fact a form of taking from the poor to give to the rich? 3- What is the constitutional authority for providing subsidies to banks?
<p>Systemic Risk and financial collapse</p>	<ol style="list-style-type: none"> 1- In the event that there is a run on the “dollar,” however unlikely that may be, what contingency plans should the General Government have? 2- What contingency plans does the Federal Reserve have?
<p>Consumer Price Index: As expertly documented by John Williams of Shadow Government Statistics, the Bureau of Labor Statistics has changed the methodology of calculating the CPI numerous times including: introducing the notion of a “core rate,” geometric weighting, hedonic pricing, chain-weighted pricing, substitution, seasonal adjustments, adjustments for assumed improvements in the quality of large items such as autos, etc. Mr. Williams has shown that if the CPI was calculated using a consistent methodology, it would be nearly twice as high as claimed today.</p>	<ol style="list-style-type: none"> 1. Isn't manipulation of the CPI a fraud on the public, depriving Social Security beneficiaries of what they would otherwise get as well as depriving unionized workers from receiving their proper COLA increases? 2. Using a consistent CPI methodology, is it fair to conclude that our “economy,” as measured by the GDP has been decreasing, and not increasing? 3. Most important, since financial institutions calculate returns on investment as measured against so-called “real” interest rates, if we used a consistent CPI methodology doesn't this mean that the bond market, and by implication the equities market is also grossly mispriced? 4. How is tampering with the CPI methodology different from adjusting a bathroom scale to start from, say, minus five pounds to give one the illusion that one is losing weight when in fact one is gaining weight?

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<p>Governance: Former Federal Reserve Chairman Paul Volcker is on record: “So it was a matter of buying time. In an effort to hold things together psychologically, we agreed with considerable unease to extend overnight swap credits once or twice to the Bank of Mexico to bolster the month-end figures for their dollar reserves. We would transfer the money each month on the day before the reserves were added up, and take it back the next day. Our unease did not arise from any fear of financial loss, but because the ‘window dressing’ disguised the full extent of the pressures on Mexico from bank lenders and from the Mexicans themselves.”</p>	<ol style="list-style-type: none"> 1. If the Federal Reserve is willing to facilitate a foreign central bank to phony up its balance sheet, where are the limits on what it might do? 2. Is this kind of activity authorized by Title 12, i.e., is it lawful? 3. Should it be lawful? 4. Who benefited and who lost from this deception? 5. Do Federal Reserve actions in helping a foreign central bank to phony up its balance sheet have foreign relations aspects? 6. Do such activities, as described by former Fed Chairman Volcker, impact sovereignty of the U.S. or other countries? In other words, are there any limitations on the Federal Reserve from manipulating foreign currencies or meddling in the financial affairs of foreign nations? 7. Are any of the actions by the Federal Reserve in helping to manipulate foreign currencies, foreign interest rates, etc. under the control of our elected representatives, or does the Federal Reserve act unilaterally?

FAME

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