# All Work and No Pay

By

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**Forward**

The brief era of legal-tender, fiat paper currency is rapidly drawing to its predictably sorry close, propelled by the increasing instability of the system of limitless central-bank credit expansion towards a world-wide financial, economic, social, and political catastrophe of historically unprecedented magnitude. That this catastrophe is unavoidable is beyond doubt. But that its magnitude need not be equally severe in every industrialized nation--and particularly in the United States--is also unquestionable. For appropriate steps, taken in time, can mitigate the hardships that the collapse of the fiat-currency bubble will impose upon this country; and can provide the foundation for re-building America's (and eventually the world's) economy on the basis of sound monetary principles.

That these steps can be taken is not open to debate. Nothing prevents the government of the United States from acknowledging that Federal Reserve notes constitute only the irredeemable, rapidly depreciating paper "promises" of a private banking-cartel unconstitutionally manipulating the nation's monetary system. Nothing prevents the government of the United States from decrying Federal Reserve Notes as government "obligations," "legal tender," or "lawful money." Nothing prevents the government of the United States from re-issuing silver and gold coins as the nation's monetary media, and from declaring them the unique legal tender in payment of governmentally enforced debts. Nothing prevents the government of the United States from outlawing the inherently fraudulent practices of fractional-reserve banking. Nothing prevents the government of the United States from promulgating rules, for application by the courts, to smooth the transition from a price-structure based on Federal Reserve Notes to one based on silver and gold. And nothing prevents the government of the United States from exposing and punishing civilly and criminally the malefactors--in and out of public office--who have brought this country to the brink of financial disaster.

Nothing, that is, except the cowardice and antisocial self-interest of incumbent politicians and judges, who fear the power of those international bankers and others who control the fiat-currency racket, or who hope to profit (politically or otherwise) by aiding and abetting them to plunder the American economy. However, incumbent politicians and judges always remain subject to censure and removal by the people. So, in the final analysis, nothing prevents the necessary reforms in this country's monetary system except the people's ignorance of what is going on, or their willingness to tolerate it.

` In this book, Paul Hein has contributed significantly to the education of the American people, and to their arousal to action. His writing strips away the camouflage of complex jargon that obscures the reality of the fiat-currency system, exposing its absurdity and immorality in a way that any intelligent individual can understand, and that no politicians, judge, or banker can challenge, let alone refute. Not that politicians, judges, bankers, or the intellectual allies of the fiat-currency regime will try to challenge or refute what Hein says. To the contrary: In fashionable political and intellectual circles, this book predictably will be met with silence. But, ultimately, the refusal of the establishment to join issue on the legality and morality of fiat currency is irrelevant. For the common people of this country--not its cynically corrupt super-structure of politicians, judges, fonctionnaires, and leaders of special-interest groups--is the audience that Hein is attempting to reach, to convince, and to motivate. And it is that audience, becoming increasingly aware of the imminent demise of the fiat currency bubble, that is ready as it never was before to hear, understand, and act on Hein's message.

And how can the people act on this issue ? Hein summarizes the answer perfectly: "The solution to our monetary crisis***is legitimate protest, both in and out of court." Legitimate protest, not the protest of revolutionaries--for, as Hein rightly asks,"Is there any wrong done in demanding that government officials live up to their oath of office?"

Whether the moment for legitimate protest to succeed has already passed, only time will tell. We must hope that it has not, and bend all our efforts to demanding--and, indeed, forcing--governmental officials faithfully to perform their duties. In this book, Paul Hein has given us one indispensable tool to achieve that laudable end. Let us put it to good use.

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## Introduction

Because this little book refers to money on virtually every page, it is inevitable that money be considered the subject of this book. And, on a superficial level, it is. For pagans, this is a book about money. The author, however, is a Christian, and for him, this book is about morality, and its message is a religious one.

At various times in history, men have believed that there was a God, separate and distinct from themselves, who created them; and whose will was know to them in the form of commandments which were to be obeyed if men were to live in harmony with their creator and their fellow-creatures. That belief shaped society and history. While there have always been transgressors, (adulterers, for example) in a Christian society, the adulterer recognized that he had sinned and thereby harmed himself and his fellow creatures; and Christian society agreed. Indeed, there were man-made laws against adultery. In an age which sees no god but man, and which regards sex as having no moral significance, the very term adultery is meaningless. And that belief as well has shaped society and history. For the better?

In the Christian era men observed the transcendent law "Thou shalt not kill." Their own laws made it a crime to deliberately take an innocent life. When the humanists explained that mankind was god, the situation changed. Can a god do wrong? Must a god endure inconvenience and aggravation? Thus was justified the declaration of war on the unborn, whose very existence merited death. And the beachhead, now established, has been expanded to include born children whose existence is deemed undesirable, and who are thereby starved to death in hospitals. The "law" doesn't seem to take note, but why should it? Why should a life which is expendable the day before birth be any different the day--or week--after?

When men regarded certain laws as immutable--Thou shalt not steal--they punished thieves, even if the theft was accomplished subtly and without violence. After they had been taught that the "law" was whatever they said it was, on any given day, prohibition against theft came to be seen in a more liberal light. Enlightened individuals formed a system to create and issue an "elastic" currency--rather like rubber! Their "money" was full of bounce, but it was acceptable because they said it was! And so be it! This book is about that money.

Oh, the niceties must be preserved! Where once we had the sense of sin we are now merely fastidious! Though God is dead, a certain moral inertia propels his memory--like a faint aftertaste--into our time. So indulge in all manner of sexual activity if you wish, but be discreet! And be an amateur, for professional sex is a crime.

Amateurism is out, however, if you wish your handicapped baby terminated. Bludgeon him to death at home and face the legal consequences. Put him in the hospital and let the professionals there starve him to death. Neat and tidy.

And if you wish to obtain your fellow-man's wealth without producing any of your own in exchange, don't don a mask and set forth armed to prey upon him. Rather, persuade him to exchange his production for your "obligations" or "liabilities," so that you can obtain his wealth in return for numbers which you write or engrave on a piece of paper. But be careful! Bills engraved in your garage or basement are counterfeit, and will get you into trouble. Those engraved in a certain building in Washington are "legal" and will get you anywhere you want to go! The "crime" of counterfeiting is not so much a matter of principle as of geography.

Has civilization benefited from the abandonment of Christian moral principles as regards adultery, murder, or theft? My own answer would be an emphatic "no!" Is there a remedy for the specific evil considered in this book; namely, theft via the issuance of legal tender? Not unless that issuance is regarded as evil. Laws can be passed, of course, requiring that money be a tangible substance, but unless the violation of those laws is regarded as evil, they will be no more permanent now than they were in the past. Chapter 17 outlines some mans which might be used to bring about reform. But for the Christian remnant among us, the answer goes much deeper. It involves the total acceptance of a law which transcends human institutions and which is to be obeyed at all costs. To return to sound money because it is expedient now to do so is dangerous, since in the future it may be expedient to abandon it again.

Every working man or woman in this country exchanges his or her life, one week at a time, for a promise of payment--the paycheck. But nothing is delivered to the owner of the paycheck except other pieces of paper which themselves purport to be a promise of payment. We give all our work for no pay. The temptation is to cry, "Who benefits from such a system?," and denounce those who can obtain our services,-- and everything else--in return for numbers which they write on paper which in no way obligate or burden them. But such a denunciation, unless based upon a "hunger and thirst for justice," is simply envy, pique, and resentment. A Christian desires a return to honest money because it is honest, not because he is miffed at not having enough of the dishonest kind, or is jealous of those who do. The ultimate solution to our monetary problems, then, is not in the legislature or in the courts, it is in the minds and consciences of us all. Thou shalt not steal.

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## Chapter One - COUNTERFEIT

Counterfeit: Made in imitation of something genuine with intention to deceive or defraud; forged. Feigned, dissembled. An imitation made to deceive. An impostor, cheat. To pretend. Synonyms: artificial, false. Webster's New World Dictionary.

This is a book about funny money, or counterfeit. It is not a detective story, and I don't plan to keep you in suspense until the last chapter before disclosing the truth. On the contrary, the truth in regard to our money is so incredible that I am going to reveal it to you at once, in the hope that by the time you finish this little volume it may have begun to sink in. And that truth is that: All of our money is counterfeit. It is all artificial, false. It is all an imitation, made to deceive. And that is what this book is all about.

Are you old enough to remember slugs? I don't refer to the slimy garden pests, but to those featureless discs of metal that were used in coin machines in place of coins. I am old enough to recall seeing them and being told that you could put in in a candy machine in place of a nickel and get a candy bar. The person who used a lug robbed the candy-bar vendor because, although nickels were never lawful money, a person with twenty of them could exchange them for a dollar of actual money, i.e., silver; but a person with a bushel basket of slugs could exchange them for nothing.

Have you ever noticed the ridges on the edges of some coins? It is called a "milled" edge and it has an interesting history. Gold and silver are rather soft metals. It didn't take unscrupulous people long to discover that one could shave some of the metal from the coin by running a knife around the edge and scraping off some of the coin's substance. If you removed 5% of the coin's weight by doing this, you could settle you debts at a 5% discount. The milled edge put an end to this practice--called "clipping the coinage," by the way--by making it immediately obvious if the coin had been clipped.

From these examples it is easy to see what "counterfeit" means with respect to coins. A counterfeit coin is one composed either of a base metal instead of gold or silver, or one which has had its weight reduced by clipping. In either case, the person receiving the coin is not getting full measure. Currency, or so-called "paper money" was, of course, never the money itself, but only a claim check for money on deposit with the issuer of the paper. When you gave goods or services for a piece of paper, you did not do so because you desired the piece of paper for itself, but because the paper was a claim upon something which was valuable; namely, gold or silver coin. The issuer of the paper had the actual money on deposit, ready to be claimed by the holder of the paper, which he found easier to carry about than the actual metal. Counterfeit currency was issued by people who had placed nothing on deposit for redemption with their paper. When counterfeit currency was presented at the bank for redemption this sad fact became known to the holder of the counterfeit, who then realized that he had given goods and services for a worthless promise. Thus, the counterfeiter robs his fellow man as surely as if he had used a gun, but much more subtly.

Now with these facts in mind, let's look at our present-day money. The coins themselves are slugs, but cunningly manufactured to resemble silver. Don't forget that the definition of counterfeit includes the words "with intention to deceive or defraud." Of course, I have no way of reading the minds of those responsible for issuing our coins, but I notice that the old silver quarter and the new nickel-coated copper ones appear, on visual inspection, to be the same. The currency also bears a remarkable resemblance to the redeemable bills of a generation ago. Yet behind today's dollar bill there is nothing anywhere, on deposit, which may be claimed by the holder. And checks, of course, are not payable in anything other than coin or currency. Thus, by the standards of a few years ago, all of our modern money is counterfeit.

To put it another way, the word "counterfeit" no longer seems to have much meaning. It seems to boil down to geography. Currency printed in the Bureau of Engraving and Printing is "good;" that printed in your basement is "bad." Neither the "good" bill nor the "bad" one entitles its holder to a specified amount of anything. Neither the issuer of the "good" bill nor the "bad" one has placed on deposit anywhere anything to justify the issuance of the bill. It's just that your bill, printed at home, hasn't the proper pedigree. After all, there's no use counterfeiting if just anyone can do it! From the time of Genghis Khan, who used mulberry bark impressed with his seal as "money," counterfeiting has always been a lucrative business--especially when done as a government-protected monopoly! Think of it. The counterfeiter obtains everything for nothing.

When you can take a few cents' worth of copper or paper and pass it off as one hundred cents, cost is no object! You simply produce a few more coins or bills than you really need, and use the extras to pay for the rest. For example, the Susan B. Anthony "dollar" coin contains about three cents worth of copper with a nickel coating. So not only will it very nicely pay for itself, it will pay for an additional thirty-two more "dollars" as well. It's like going to the grocery store to buy milk, only for every three gallons you "buy" you magically obtain ninety-seven more gallons which the grocer buys from you! In such a case, would you worry about the price of milk? For those who can successfully counterfeit, the word "price" has no relevance. You can see, however, that the success of the scheme lies in being able to do it yourself, while punishing anyone else who attempts it. Thus, counterfeiting on a really large, or national scale, is an operation that necessarily involves government. That same government which inveighs so ponderously against monopoly and pays frequent lip service to the ideal of free enterprise, with its resultant competition, certainly allows no competition in the printing and issuing of money!

Before we finish with the subject of counterfeiting, let me anticipate an objection. Perhaps you're going to tell me that if the government oversees the counterfeiting, and if all the money is counterfeit, it doesn't really make any difference. But isn't that the same as saying that if everyone is robbed, then robbery is somehow OK? Remember, the counterfeiter is a thief who takes what you have to offer and gives nothing--of his own--in return. Is the loss any more bearable if the thief has, in effect, a government franchise? Is the loss any less painful because everyone else is being robbed as well? No, but the loss is a lot less visible. A sore thumb doesn't stick out when all thumbs are sore!

## Chapter Two - The Real Thing

All right, all the money is counterfeit. It is designed to fool us into taking it for the real thing, a task made easier when there is none of the real thing around to compare it with. But in that case, what exactly is the real thing? If our present funny money is the only game in town, and the government approves of it, maybe the government has made counterfeit money the genuine article. I don't think so, for a couple of reasons. One is based upon common sense, and the other upon the law.

Let's consider some elementary words which we use every day and may tend to take for granted. For instance, let's consider the words "money," and "dollar." Money is what is exchanged for other goods, or services. It is what pays debts; it is what we work to obtain. The dollar is an amount of money. Ordinary speech confirms this. Ask a person how much money he has in his wallet, and his answer will be, "twenty (or whatever) dollars." How much does a meal cost in a restaurant? "Oh, about ten dollars." Now this simple fact--that the dollar is a unit of monetary measurement, seems to me established beyond all doubt, yet many people, including those who should know better, do not seem to realize this. How often have you heard a newscaster declare that the dollar was lower today in foreign markets?

But the dollar being a unit of measurement, that is like saying that the inch has shrunk! Perhaps you hear some government official describe steps which we should take to support the dollar. Do we need to support the gallon? Indeed, does it make sense to even consider such an idea? We hear daily of the dollar faltering with respect to the mark, or rallying compared to the yen; but do we ever hear of the foot declining vis-a-vis the centimeter, or the quart surging ahead of the liter? Terms such as "dollar," "yen," or "mark" are all terms of money measurement and are used in exactly that way millions of times every day. How is it, then, that they fluctuate constantly with respect to one another, and even with respect to themselves from day to day? How can governments use as terms of money measurement terms which have no fixed dimensions? If every doctor used the term "pound" to mean whatever he wanted it to mean, you might be dangerously overweight at one doctor's office, and in need to fattening up at another's! Moreover, the doctor who found you overweight this morning might find you underweight this evening, as his concept of pound "floated" during the day. The absurdity of such a system is self-evident, except as it pertains to our money!

But wait! It gets worse! If the term "dollar" means an amount of money, what is that money? To say that our money is dollars is to say that our milk is quarts, or our real estate acres. What is it that we use as money, measured out in dollar quantities? Nothing at all, dear reader, nothing at all! Just stop and think about it for a minute and you'll be forced to the same conclusion.

From the common sense approach, look at it this way: Whatever money is, five dollars of it has to be five times as much of it as one dollar of it, right? (Whatever gasoline is, a gallon of it is four times as much of it as a quart!) Does this painfully obvious relationship apply to anything commonly used as money in this country? Let's start by disposing of the coins: weigh them. The "dollar" coin weighs more than the "quarter" one. How much more? Fifty percent more! If you were selling candy bars for two bits each, you'd have to give four times as much candy to the kid with the dollar coin than the one with a quarter, but you'd be getting only 50% more of the same stuff; namely, nickel-coated copper. Since it is reasonable (to say the least) to expect four times as much money for four times as much candy, the coins you received obviously can't be the money, since there is no 1:4 ratio between them. So perhaps they are just proxies for the money. Well, we'll see!

Most people, if asked what money is, respond by producing one of the familiar green rectangles of paper labeled Federal Reserve Note and declaring it to be the money. They refer to it as "paper money," but the same objection can be raised to it as to the coins: there's no more paper in a five than in a one. Conventional wisdom seems to turn a blind eye to this important and self-evident fact. A clever fellow in St. Louis told me how he deals with people who believe we have paper money. "Go into a bar," he advises them, "and order a beer. Pay for it with a five. You'll get four singles in change. What a good deal! You'll have quadrupled your money (paper) and had a glass of beer in the bargain!"

Even the staunchest believer in "paper money" will concede that he is no better off with one hundred singles than a single hundred, yet there is one hundred times as much paper in the hundred singles. Isn't that significant? When the Boy Scouts in your neighborhood have a paper drive, they sell the paper by the ton. The scrap-paper dealer pays more for twenty tons than he does for one ton--even if the one ton's marked twenty! So the pieces of paper can't be the money either. So what is? Here a bit of law and history enters the picture, but it's not very complicated.

In 1792 the founding fathers established a mint and a monetary system of the country. They had earlier, in 1787, established in the Constitution that no state was to make anything other than gold and silver coin a legal tender; but they had also prohibited the states from coining money. Congress, on the other hand, could coin money. So our money was to gold and silver coin. In the coinage act of 1792 they stipulated that the "unit" or "dollar" of our money was to be a certain weight of silver. (The dictionary, incidentally, defines "unit" as a stipulated amount to be used as a standard.)

The gold coins of five, ten, and twenty dollars (the so-called half-eagles, eagles, and double eagles) would contain gold having the value of five, or ten, or twenty standard units (i.e., "dollars") or silver. In 1834, cognizant that the values of silver and gold relative to one another had altered, Congress changed the amount of gold in the gold coins to make them conform to the standard unit (dollar!) of silver. In 1873, the standard unit was redefined as an amount of gold. The silver coins did not equal the gold in value, but as a dollar of silver could be exchanged for a dollar of gold at the bank, it was not thought to be matter of particular importance. However, in 1933, we were taken off the gold standard, and the citizens were told that it was a serious federal crime to remain in possession of their own gold.

The government at about the same time changed the standard for the dollar to about half as much gold, but for Americans it was academic, as gold ownership was not permitted them. Silver coins were withdrawn from circulation in 1964, and redemption of silver certificates ceased in 1968. Congress has named no replacement for the gold and silver coins, and could hardly do so in view of the utter clarity of the Constitution in prescribing them as our money. Thus we are left with slugs and non-redeemable bills, and the term "dollar" has, of necessity, become meaningless as a term of money measurement when there is no money. The "dollar," in truth, is a fiction of law.

Finally, present U.S. law (31 USC 459, 460) makes the use of minor (i.e., non-silver containing) coins illegal for more than 25 cents of debt, and even the precious metal coins can be used to settle only limited amounts of debt if they are of less than $1.00 denomination. Thus there is no way left for us to pay debt, which may just account for its constant growth! But if debt cannot be paid, it can be settled, by means of "legal tender," the counterfeiter's friend!

## Chapter Three - Legal Tender

So our "money" is phony, merely resembling the genuine article of generations ago. Money today is a figment of the imagination. Very well, but if all that is true, why doesn't the system fall apart? Why do people work--and even kill--to obtain the funny money?

Because most of them don't recognize it as phony, of course. (Did you?) The powerful and august institutions responsible for the counterfeit take their funny money seriously indeed. I speak, of course, of the banks and the government. And as for the system falling apart, it is--rapidly. The last word regarding the public's acceptance of the funny money, however, is not human custom or ignorance, but the brute force of government. The funny money has to be accepted because it is "legal tender."

All governments establish an "official money," or "money of account." How could it be otherwise? How could the government calculate its revenues if some people paid their taxes with chickens and eggs, and other with lumber and nails, and still others with silver and gold? If the account books are to understandable, there must be a standardized "money of account." You will recall that the founding fathers established that each state use gold and silver coins as money. Individuals, of course, could settle debts between themselves any way that was mutually agreeable, but debts owed to and by the state were to be settled with the official "legal tender," gold and silver coin. But governments have always sought to make their IOUs acceptable as money by declaring them legal tender as well, for reasons not hard to see.

Let's suppose that you want to buy some oranges. You go to the store and discover two bins. One is filled with plump, delicious oranges. The other contains pieces of paper, each labeled one orange. From which bin would you pick? The grocer, naturally, would prefer to sell you a "paper orange." After all, they cost him nothing--he made them himself in the back room; and they presented no problems of shipping or storage. But the "paper oranges" just didn't sell. So the grocer did something very clever. He persuaded his friends in the legislature to pass a law making his paper oranges a "legal tender for oranges;" thus, anyone paying for an orange in his store would be forced to accept a paper orange. Eventually, the grocer would do away with non-paper (real) oranges altogether.

Nonsense! Foolishness! Indeed, it is, but it is important to realize just why it is nonsense and foolishness. Oranges are to be eaten. Gasoline is to be burned. Houses are to be lived in. But gold and silver coin is expected to perform no specific service unique to gold and silver. It is a medium of exchange. It passes from hand to hand, unchanged, in return for other goods or services. It doesn't take long for the nature of the money to be forgotten. Gold, silver, copper, paper--what's the difference? Such, it seems, is the attitude of most people today. But it was not always so.

Governments have always had trouble with money, but when the money was gold and silver coin produced and owned by the people, the problems were worse. Politicians recognized the desirability of providing services for the people, but were naturally reluctant to take the people's wealth from them to pay for it. The people were quite content to have the government look after them, but naturally didn't want to pay for it. The best of both worlds would be for the government to pay its way by issuing IOUs. Yes, that would work for a while, but when the IOUs were presented for payment, what then?

That problem could be prevented if 1) the IOUs were never presented for payment, or 2) the IOUs could pay for themselves. And both of these happy circumstances can be brought into being by simply declaring the government IOUs to be "legal tender." Legal tender laws compel you to accept a promise in lieu of payment, while easing the blow by allowing you to spend the promise, or, to put it another way, the issuer of legal tender tells his victims, "Yes, this is counterfeit that I'm giving you for your work, but I've made arrangements for you to pass it without penalty." So there is no point in presenting the IOUs for payment.

There's nothing new about the idea. During the Revolutionary War, the Continental Congress sought to pay its bills by the issuance of a paper currency called the continental. It was to be of the value of the Spanish milled dollar (that word again!) but of course, it wasn't. The continentals were printed so fast and so often that by 1781 they had fallen in value to one mil as compared with the dollar of silver, and they were abandoned. The federal government in those days didn't believe it had the authority to declare the continentals a legal tender, but urged the states to do so; and they did. There were penalties for refusing them. However, when it became obvious that there was an even greater penalty for accepting them, the legal tender laws were rescinded, and our language got a new expression: "not worth a continental." Of course, those thousands of people who had given of their goods and services for continentals were hurt. They had exchanged wealth for nothing. But for the issuers of the legal tender, the profit was 100%. Not a bad deal! And they didn't forget it.

The founding fathers were well aware of this debacle when they met, six years later, to draw up the Constitution. The first draft of that document contained these words,"The legislature of the United States shall have the power to borrow money and emit bills on the credit of the United States." the bills referred to, of course, were "paper money." Don't we call them "bills" even today? The words "and emit bills" were struck from the final version of the Constitution by a vote of nine states to two. Of the debate leading to that vote, James Madison wrote, "Striking out the words cut off the pretext for a paper currency, and particularly for making the bills a tender either for public or private debts.."

Oliver Ellsworth, the third Chief Justice, said, "This is a favorable moment to shut and bar the door against paper money. The mischiefs of the various experiments which have been made are now fresh in the public mind, and have excited the disgust of all the respectable part of America." He remembered the continentals! James Wilson, agreeing, stated, "It will have a most salutary influence on the credit of the United States to remove the possibility of paper money." George Reed, of Delaware, declared, "The words, if not struck out, would be as alarming as the mark of the beast in Revelations." And New Hampshire delegate John Langdon added, "I had rather reject the whole plan than retain the three words 'and emit bills.'" The historical record, therefore, leaves absolutely no room for doubt that the intention of the founding fathers was to prohibit a paper currency.

Don't be confused about this. The Constitution allows Congress to borrow money; and when money is borrowed, notes are issued. What is forbidden is for Congress to make those notes a "legal tender." Anyone, after all, can borrow money and issue an IOU, or note. But when that note is a "legal tender," payment of the note--should it be demanded--can be made with--another note! The injustice of this was obvious to our founding fathers. With the stench of the continentals still in their noses, the founding fathers wanted to be sure that never again would any American be forced to accept a substitute for the actual money to which he was entitled. They so provided in the Constitution, to which all of our public officials, elected or not, swear adherence. Wouldn't it be wonderful if at least some of them took their oaths seriously?

What difference does it make what money is? Just this: unless you know what it is, how do you know what you've worked for? And shouldn't you know?

## Chapter Four - Confusion

Modern money is not a thing. It is nothing--no thing. It does not have length or breadth or width or substance. Therefore, it cannot be measured; and the term used to measure money when it was silver and gold, namely, "dollar," is meaningless today. We referred to that in the last chapter. What I would like to do now is to acquaint you with some of the consequences of that fact. It is perhaps easiest done by example.

An old man is talking to his grandson, who has applied for a job. If hired, the young man's salary will be $25,000 per annum, with periodic increases promised. The grandfather shakes his head at this news. "Why, in my whole working lifetime, I never earned more than $20,000 per year, and then only after many years of service," he said. "You're a lucky fellow to start off so highly paid." The young man nods in agreement.

I disagree. The two gentlemen are confused, and their confusion results from their unquestioning acceptance of the deceptive word "dollar." They are confusing a silver coin composed of 90% pure silver, weighing 412.5 grains, with a slip of paper two-and-a half inches by six inches, and weighing about a gram. Both objects are labeled "dollar."

When the old gentleman last worked, over twenty years ago, the twenty thousand dollars which he earned were dollars of silver. He didn't receive the actual coins each payday, but the paper currency he received entitled him to the coins. And those 20,000 coins had a purchasing power, in terms of today's currency, of about 200,000 "dollars." So you can see that the two men are quite mistaken in their belief that the younger man is receiving the higher income. He is receiving a larger number! Indeed, the problem of measuring the younger man's income is severe, since the "money" is not, as we mentioned above, measurable.

You cannot say what "dollar" is in itself, but only what a piece of paper labeled "dollar" will purchase, and of course, that fluctuates constantly. In general, it declines steadily and inexorably with each passing year. It has become so confusing that the government itself publishes a large volume of wage-price indices which enable you to translate your current income into 1970 "dollars," or 1974 "dollars," etc., so you can determine whether you're holding your own or slipping behind. We may be able to gain a clearer perspective of the relative incomes of the two men if we look not at their paychecks, but how they lived. Grandfather, as we know, never earned more than 20,000 dollars yearly in his life. His grandson earned $25,000 from the start, and peaked at about $65,000. Yet: Grandfather built his own home when he was 30 years old, and had it paid for within fifteen years. The home was full brick, with a slate roof, and plaster walls. There was a sidewalk in front, with streetlights, and an alley out back. Grandson bought a tract house when he was about 30 years of age, and took another 30 years to pay it off. It had a brick veneer front, asphalt shingles, and dry-wall construction. There were no sidewalks or streetlights. Alleys? Those were found in bowling establishments. Grandfather can recall his grandfather reminiscing about the lamplighter, but it never occurred to him how affluent society was then that a man could be paid a living wage to come around each evening and turn on each streetlight, and then come around again at dawn and turn it off.

Today, Grandson lives in darkness in more ways than one.

Grandpa borrowed for the house, and for an occasional automobile. Grandson is perpetually in debt. Grandpa's company had a modest pension plan for its employees, but other than that Grandpa spent most of his working life without such fringe benefits as medical and dental care. He just took care of that himself. Grandson had, from the start, such fringe benefits as health coverage, plus much more; even so, he had trouble making ends meet. Grandpa sent only modest sums to Washington in taxes, and spent his life pretty much unconcerned with the activities of the federal government; Grandson sent nearly half of what he made to Washington, whose regulations, laws, and "guidelines" involved some aspect of his life virtually every day. In Grandpa's time, incidentally, the USA was admired, respected, and feared round the world. In Grandson's time, it was regarded with ill-concealed contempt as a paper tiger. Grandpa put two children through the colleges of their choice. Grandson's two children obtain student loans, which they are still paying back years later. Grandma never worked outside the home after her marriage. Grandson's wife worked full time since their marriage except for two full-paid maternity leaves. Grandma had a cleaning lady once a week. Grandson's children work during summer vacation.

Now which family enjoyed the higher standard of living? It is true that Grandpa and his family did not have the technological wonders of the later age; it is equally true that they didn't miss them. On the other hand, the older couple enjoyed an unhurried, tranquil existence relatively free from debt, while the younger scrambled throughout life to meet payments, despite the two paychecks each week. Yet, to the end of their lives, each man felt that the Grandson enjoyed the higher standard of living solely because the numbers written on his paycheck were so much larger than those written on Grandpa's!

Their confusion extended to prices as well. Both assumed that if an article cost $1.00 in 1960, and $1.00 in 1980, that its price had remained the same. Yet, in 1960 that number 1.00 on a price tag referred to about .78 ounces of silver. To what did it refer in 1980? To no thing at all. To compare prices, the substance exchanged for the goods must be the same, and denominated in the same units; anything else is comparing apples and oranges. It is worse: it is comparing apples with pieces of paper marked "oranges!" But neither man ever became aware of the rather obvious fact that you cannot make comparisons of price without a monetary standard by which to measure. In this they may be forgiven, for the nation as a whole never came to that simple realization, but continued to talk , as it still does, of rising prices, when, in fact, there is no standard by which prices today may be compared with prices of yesterday.

When Grandson was earning nearly $50,000 per year, he greatly impressed his grandfather by overextending himself to buy a Cadillac for $15.000. "Yes sir," he said, "this car cost me nearly one third of my salary, but it is worth it, don't you think?" Grandfather agreed. "It sure is a pretty car," he said. "I never paid more than $4,000 for a car in my life. You're a lucky boy." A lucky boy! Grandpa paid $4,000 in silver for his car, which, in terms of the currency used by his grandson, would buy two Cadillacs and a Honda! To put it another way, the Cadillac cost 1,500 of the units used by Grandpa to buy his car. Measured by the same criterion, therefore (and is there any other way to measure?) the older man's car was the more expensive by far. (It was also larger and heavier.) Yet Grandpa bought this car with twenty percent of his yearly earnings, while his grandson spent nearly 33 percent of his earning to buy a cheaper car. And both men think the younger man fortunate! Both would regard you with absolute incredulity were you to suggest to them that the younger man is working as hard or harder than his grandfather, to buy cheaper goods! Confusion!

It is agreed: money talks, but what modern money says it a lie. It says that large numbers on checks today constitute more money than the smaller numbers of a few decades ago, which has not been true since money ceased to be a thing.

## Chapter Four and a half - More Confusion, but Official

"Perhaps," you admit, "there is some reason for your confusion regarding dollars, and money, and comparisons of price. But the problem seems to exist mainly in your own mind, since nobody else seems to be confused."

Well, yes and no. Should you go into federal court to obtain an official determination of just what constitutes the "money of account" of the United States, likely you would encounter a judge, who in dismissing your petition as "frivolous," seemed quite assured that he knew what our money was, and what a dollar was; but there would be a good chance that that very judge was on record of knowing no such thing. You see, when a judge is acting in an official capacity as an agent of the United States, he has a vested interest in staying on the good side of the boss. But when he acts as a private citizen, on behalf of himself, that's another matter! And just such a situation arose in 1976.

On February 11 of that year, forty-four federal judges--who were eventually joined by ninety-six more--went into the United States Court of Claims seeking a raise in pay. The one hundred and forty federal judges (and that's a fair percentage of all federal judges) based their arguments on Article 3, Section 1 of the Constitution, which states that the compensation of federal judges should not be diminished during their continuance in office. Well, it was a matter of record that the pay of a federal circuit judge was $40,000 annually, and had been such for a number of years. How could the judges claim, therefore, that their salary had been diminished?

This is what they told the court of claims: "As a result of inflation, the compensation of federal judges has been substantially diminished each year since 1969, causing direct and continuing monetary harm to plaintiffs---. Thus, as measured by the consumer price index, the real value of the compensation for each United States district judge was diminished from $40,000 to approximately $26,000 between March 15, 1969, and October 1, 1975." What a remarkable admission! If an income of $40,000 in 1975 was less income than $40,000 in 1969, then surely the "dollar" must be a fiction! For if the judges knew what a dollar was--whatever it might be--then they would also know that 40,000 of them were 40,000 of them whether in 1975, 1969, or whenever. A rose is a rose is a rose, don't you know? But when the dollar is not a standardized amount of anything, nor even defined in the law, then income in dollars cannot be measured in any reasonable accurate way. That's what I tried to tell you in the last chapter. The judges have made it official. You cannot measure intangible income!

But you can measure what you can get for it--as long as people are willing to yield their production in exchange for a fiction. And that is what the judges did. Recall their words: "Thus, as measured by the consumer price index, the real value of the compensation for each United States district judge was diminished from $40,000 to approximately $26,000---." The judges were saying, in effect, "our income is intangible, but in terms of food, clothing, shelter, etc., we were only able in 1975 to get about 60% of what we got in 1969." The real (to use their own word) compensation of a federal judge is not to be discovered from looking at his paycheck, but from consulting the consumer price index. Your income is what you derive from your labors, and that can be measured in eggs, butter, shoes, electricity, fuel---you name it. The only thing in which income cannot be expressed accurately is "dollars," because the "dollar" is not a thing!

Were you to inherit 500,000 lire from a relative in Italy, would the check be worth taking to the bank? Would you be better off to have inherited 500,000 yen? Since neither the lira nor the yen is a specific quantity of anything, comparisons are meaningless unless converted into what you could get for the foreign funny money. Monetary names, such a lira, yen, or dollar, have no definition and can hardly be used as a standard of measurement. The federal judges seemed to see this quite clearly, for they said that the "real value" of their compensation was not to be ascertained from their "dollar" income, but from the commodities they could obtain with the checks.

But in lucidly setting forth this undeniable truth, the judges placed themselves on the horns of a dilemma. For although as individuals they acknowledged the uselessness of the word "dollar" in assessing real income, in their official capacity as judges they could do not such thing. It is probably that at some time each of the one hundred and forty judges had sat in judgment on some individual charged with the crime of misrepresenting his income. Without a doubt, they are still doing so. Do you suppose that in an income tax trial, with everything hanging upon the actual "dollar" income of the defendant, the judges disqualify themselves by admitting that they cannot give the real value of their own incomes in terms of "dollars?" In donning the judicial robes do they also put on the wisdom of Solomon? Is the whole thing a put-on? It gets worse! The judges themselves file income tax returns, do they not? At the bottom of the return, the taxpayer must sign a statement whereby he swears that the income figures provided are "true, correct, and complete." And those figures are all in dollars! The IRS doesn't care how much less food you could buy for your paycheck this year compared with last--it only wants to know how many of those elusive "dollars" you earned. And the measurement you give had better be true, correct, and complete! Not only that, but you had better believe it to be so. The Internal Revenue Code makes it a felony to put anything on a return which you do not believe to be true in every particular. Now what did the judges tell the court? They said that the real value of their compensation was not $40,000, but $26,000. Now if the real income is $26,000, isn't that what you had better put on your 1040 form? Remember, it is a serious crime to put on that form something which you don't believe true in every particular.

But if your bank deposits show that you earned $40,000, and you make a sworn statement that you earned $26,000, then expect the IRS to descend upon you like a pestilence. Because I have heard of no judges accused of filing "false" (meaning true!) income tax returns, I assume that the judges stated that their true, correct, and complete income was $40,000. But in that case, they lied in telling a United States Court of Claims that the real value of their compensation was not $40,000, but $26,000. No matter how you look at it, it seems that the truth took a beating at the hands of the one hundred and forty honorable judges.

I cite this case of the one hundred and forty federal judges not to emphasize the frailty of human nature, whether on the bench or not; but to remind you that my concern for the absurdity of making monetary measurements in terms of non-standardized units is shared by others who have given the situation thought. And that, I think, is that.

## Chapter Five - A Line of Credit

Our discusson of money, or what passes for "money" today, has concerned itself so far primarily with coins and currency, which most people regard as the "ultimate" money. Although credit cards are widely used to make payments, they are slightingly referred to as "plastic money." (It is amusing to hear this term of gentle derogation applied to credit cards by people who find no problem swallowing the term "paper money.") If money were once again to be some material thing, plastic would probably be a better choice than paper; it's more valuable and durable. But in fact, neither plastic nor paper is now, or ever has been, money.

Checks are used to settle the majority of debts in this country, but even checks are not regarded as money. This is probably because a check can be refused. It might, after all, be "bad"." The time has come, I think, to talk about checks, to see what they represent, and what can make one check "bad" and another check "good."

When you deposit your paycheck for, say, $1,000 at your bank, does your bank send an armored truck and a guard to your company's bank to obtain the $1,000? Were you to "cash" the check, would you receive one thousand standard units of money--whatever that might be? Of course not. What checks transfer is a record of the issuing bank's liability. In other words, your paycheck is a written notice that your company's bank owes you one thousand. When you deposit that check in your own account, it becomes your bank which then owes you the thousand. Should you cash the check, you will receive Federal Reserve "Notes," which are "obligations" of the United States. In that case, Uncle Sam would then owe you the thousand, but you can press your claim no further since Uncle's IOUs are "legal tender" and are thus capable of settling the debt which they themselves represent! Thus, there's not much point in bothering to cash your check, especially when checks are accepted by just about everybody.

Where do the numbers on these checks come from? They do not represent, as we know, any tangible material which had to be dug from the ground or extracted from the sea or air. You can transfer the numbers from one person to another by writing checks, but how do new numbers enter circulation? The answer is: as a loan. You may have naively assumed that when banks lend "money" they lend numbers already on "deposit" in their institutions. No. The literature of the Federal Reserve System--which is free for the asking, by the way--explains how it works.

"The actual process of money creation takes place in commercial banks," says the book Modern Money Mechanics, from the Chicago Federal Reserve Bank. To create, of course, is to make from nothing, and that is precisely the sense in which the word is to be understood. The booklet I Bet You Thought--from the New York Federal Reserve Bank--spells it out in detail.

"Commercial banks create checkbook money whenever they grant a loan, simply by adding new deposit dollars to accounts on their books in exchange for the borrowers IOU." So you see, if you go the bank to borrow $5,000 for a new automobile, the bank will not lend you $5,000 already there on deposit. No, it will take your IOU for $5,000 and simply add that number to your balance, which you can then spend. But the $5,000 must be repaid with interest. This is in striking contrast to gold and silver money, which had to be dug from the earth and refined before being coined and entering circulation interest free. A citizen bringing precious metals to the mint received coins of equivalent amount in return (less a small amount, called seignorage, for the service) which meant that new money (gold and silver coin) was then entering circulation, but not as a loan to be repaid with interest. In our present system, there is no provision for new money to come into being save as a loan. Thus, every "dollar" in your checking account--or anyone else's--was originally borrowed. And the source of such "dollars"---their creator--is the commercial banking system. Think for a minute of the consequences of such an arrangement.

Compare modern money with rain. The rain falls from its only source, the clouds. Once on earth, it ends up in many places: "on deposit" in lakes and oceans, "in circulation" in rivers and streams, and eventually it returns, via evaporation, to the sky. There is a balance between the amount leaving the earth via evaporation and the amount returning as rain. Were that not the case, we would end up either flooded or a desert. Suppose now that the only source of rain, the clouds, were to regard the rain which fell upon the earth as a loan, to be repaid with interest. In other words, more water would have to evaporate than was provided by rainfall. How could earth return to an only source more than it was given? That is the question to ask regarding our money. How can the borrowers of the country return to the banks more than was borrowed? Principle, after all, was borrowed. But principal plus interest must be returned. How can this be done? It can't.

Or can it? Maybe there's a way. I've got it! Let's borrow the money to pay the interest! And that, my friends, is what is done. The fact that interest must be borrowed is not apparent because it is not the borrower of the principle who borrows the interest. Consider the case of an automobile manufacturer who borrows millions to retool for new models. If he doesn't have the cash on hand to pay the retooling, where will he obtain it to pay the interest? The principle, which he would have to pay in any case, is simply "deferred income." But the extra cost--interest--he will simply add to his other costs and pass along to the consumer. The consumer, in turn, will borrow to buy the car, and he will borrow more than would otherwise be necessary because of the added cost of interest. Thus, the consumer borrows to pay the interest owed by the auto maker. The consumer, in turn, will pass along the cost of his borrowing in demands of higher wages because of the "increased cost of living." The higher wages will be paid by the employer raising his costs to his customers, who will, in many instances, meet those higher costs by--borrowing! But each new borrowing becomes principle--to be repaid with interest.

Now perhaps you understand why gold is referred to in banking circles as a "barbaric relic." Anyone could obtain it and place it into circulation as money without paying tribute to a bank! Modern money, on the other hand, represents a debt which cannot, as a whole, be paid--ever. The continuous "rolling over" of the debt by borrowing to refinance keeps the public in perpetual thralldom to the creators of money. The mounting debt (or money supply, depending upon how you view it) means mounting interest, however, and more and more of the country's productivity is being expended just to make interest payments. What will happen when the total productivity of America is not enough to meet interest due?

Here's another thought about money creation: were you to borrow ten thousand for a year, you might pay one thousand in interest. Were you to borrow one thousand, you might pay one hundred in interest. In either case, what you "borrow" is merely a number added to your account by the bank--a fact which the banks themselves freely admit. That number represents nothing whatever owed or risked by the bank. Do you think that for writing the extra "0" (10,000 instead of 1,000) the banker is entitled to nine hundred more in interest? How much does it cost to write "0?"

Before leaving the subject of checkbook money, or bank liabilities, we should examine the difference between a "good" and "bad" check. Once again it is largely a matter of geography. A "good" check transfer numbers written in a bank by a banker making a loan. A "bad" check transfers numbers written anywhere else by anyone else, creating interest-free money. In other words, should you take a deposit slip and write a number on it, that number is simply a doodle. But if the banker initials it and approves it, it is "money" which you have just borrowed! You can spend it. Were it not for the participation of the bank, there would be no distinguishing between "good" and "bad" checks.

Suppose, for example, that you had a checking account which "contained" ninety-nine "dollars." You wrote a check for one hundred. A merchant gave you one hundred "dollars" worth of merchandise for your check. And instead of taking that check to the bank, he endorsed it and spent it like cash at the store of a merchant who trusted him. This merchant, in turn, endorsed the check and used it as "money" also. You can see that this check is perfectly "good" until the last holder, with no more room on the check for further endorsements, takes it to the bank. At this time the check is discovered to be "bad"---although, of course, it is 99% good! Even a single number created by a non-banker renders "bad" an otherwise blameless check!

Isn't it ironic? A "bad" check transfers numbers not written by a banker--hence bankers will not honor it. A "good" check, on the other hand, transfers numbers drawn from thin air by a banker, who will therefore accept it and issue currency in return. The currency, of course, is an IOU of the federal government. The "goodness" or "badness" of that IOU--Federal Reserve Note--cannot be tested by presenting it for payment, because it is legal tender and will "pay" itself. Thus, in order to be "good," everyone else's IOUs must be payable in Uncle's IOUs which are not payable in anything. Sure gives Uncle--and the banks which get his IOUs for nothing--an advantage!

If the notes (or IOUs) of the Chrysler corporation, for example, were a legal tender, do you think Chrysler could have found itself on the brink of bankruptcy? Why should Chrysler have to redeem its notes with currency (IOUs) or "good" checks (liabilities of banks) when neither the banks nor Uncle Sam have to redeem their "obligations" at all? Where is equal justice under the law? Of course, one of the debts which drove Chrysler to the wall was the burden of interest on money created with the stroke of a pen by bankers. But the "money" crated and lent by the bankers was--debt! Don't your wish your debts were money?

## Chapter Six - What's the Difference?

The information I have given you is factual. Indeed, there is no justification needed for the statement that there is not one hundred times as much paper in a one hundred dollar bill as in a one. And if you challenge the statement that neither bill is a claim upon, or title to, anything, you can easily verify for yourself that it isn't. The Federal Reserve Notes are designated in Title 12 of the United States Code an "obligation of the United States." If you wish to learn of what that obligation consists, do as I did: send a Federal Reserve Note to the Secretary of the Treasury with a request that the obligation be honored. I did not make any specific request for gold, silver, United States notes, etc. I merely asked that the obligation be honored. The response of the Secretary was to return my bill with a terse note informing me that the government's only obligation was to return my property. The dollar bill was enclosed.

And you already know that you can get nothing for a check when you cash it except Federal Reserve notes. In ages past people realized that the pieces of paper which stood for the money were not the money, but only proxies, or claimchecks. It is, of course, still true today that the pieces of paper are not the money. Nothing is. But perhaps you still have the feeling that it doesn't make any difference. Can't we just do away with those clumsy heavy gold and silver coins?

My answer is an emphatic no! And the reason we can't do away with the metal is that unless money is some tangible, material thing, one who works to obtain it doesn't know what he has. He can be cheated and not know the difference. Suppose you work as a craftsman producing furniture. Would a customer be likely to give you an order for a chair without stipulating what sort of chair he wanted? With arms or without? Upholstered or not? French provincial or Danish modern? Dark wood or light? The customer would, I am sure, stipulate exactly what he wanted. And if he ordered a Morris chair and you delivered a plastic kitchen chair, do you think he would be satisfied with your explanation, "A chair is a chair. What difference does it make?"

Now look at it from the other side. Your customer wants a chair. But you want something for making it. You already have enough chairs for your own use; you make them to trade for other things. Shouldn't you know what you are working for? Don't tell me you are working for "dollars." There is no such thing as a dollar. Remember, the term "dollar" was a term of measurement of the gold and silver content of coins. And it was a very specific term. The silver coin weighing a dollar left the mint at 416 grains. When, through handling and wear, its weight fell below 409 grains, it was no longer a dollar, even though the word "dollar" was stamped upon it. It could no longer be used to pay a debt of one dollar, for the obvious reason that a person entitled to a full weight coin (a dollar's worth!) wasn't receiving what he bargained for when he accepted an underweight coin, whether it bore the word "dollar" or not.

Isn't that logical? When you purchase a gallon of gasoline, don't you have a right to a full gallon? The government even takes it upon itself to check the pumps at the station to make sure that you get the gallon you pay for, and that the seller does not give up more than the gallon he is getting paid for. What could be fairer than that? The same government agency checks the scales at the butcher shop so that when you buy a pound of hamburger you can be sure you are getting a pound.

So what does the seller get? He gets "dollars!" Can you seriously content that it doesn't make any difference what that dollar is? And lest you think that I exaggerate in saying that the term is without meaning in our present monetary system, let me refer you to a letter received by a citizen from the Internal Revenue Service. The citizen had requested the Service to supply the legal definition of the word "dollar," inasmuch as the service requires citizens to make sworn statements (1040 forms) about "dollar" income, which statements must be "true, correct, and complete" to the best of the taxpayer's knowledge and belief. The reply of the Service was that there was no definition of "dollar" in the Internal Revenue Code. Isn't that significant? Since returns are not even required of people earning fewer than 750 "dollars," the term would seem to be of paramount importance.

Perhaps you still feel that it makes no difference what a dollar is, as long as you can take the bill to the store and get a gallon of milk. (You would, of course, expect the gallon to be a full gallon, and the milk to be milk, not chalk water.) But what if you don't want to spend your "dollar?" What if you want to save it? Will you still get the gallon of milk for your "dollar" five years from now? If you reply by saying that you don't know what you would get for a silver coin five years from now, I would agree that neither of us can foretell the future. But if we ignore the crystal-clear lessons of the past we are fools. And the lesson of the past is that paper "money" has steadily lost its purchasing power, while silver and gold have steadily maintained it. Even today, a silver dime (translated into Federal Reserve Notes) will buy a gallon of gas. That's as much as it bought in 1939. When you trade your goods or services for a so-called obligation, and then learn that the issuer of the "obligation" can redeem his IOU to pay, say, twenty "dollars" by giving you two tens, why then, friend, you've been flim-flammed.

The point can easily be seen as regards life insurance. Suppose you took out a policy on your life in 1939, payable to your wife upon your death, for the sum of 10,000 dollars. That would mean that upon your death, she would receive 10,000 times 412.5 grains of silver coin. Had you died in 1939, she would have received that mountain of silver. Had she bought gasoline with her inheritance, she would have received about 100,000 gallons of the stuff. Should you die today, she would get about 10,000 gallons. If she wanted the silver coin, it is still available; but she wouldn't get 10,000 of them, but closer to 1,000. Yet, her check from the insurance company would still be marked 10,000 "dollars." Is your widow receiving what you had in mind when you took out the policy? Today, of course, you don't know what you have in mind as regards payment to your heirs when you take out an insurance policy, unless you know what a dollar is. Do you? Does it make a difference?

And what about contracts? Labor unions and management spend hours upon hours wrangling over the terms of contracts without once asking the really significant question, "What are we to receive (or pay) under this new contract?" The worker on the line knows exactly what his job is. If he doesn't, he will find out fast. Isn't he entitled to know just exactly what he will receive for his labors? How about the landlord who provides housing in return for "obligations?" For providing more than a promise of shelter perhaps he deserves more than a promise of payment--especially since the promise has no meaning and needn't be kept.

We said earlier that money, unlike other commodities, performed no function. The gold and silver coins just "sat there" in bank vault or purse. They could easily be represented by paper proxies,, and if those proxies themselves came to be mistaken for the money, so what? Well, we were wrong. The precious metal coins did indeed perform a function, similar to that performed by a weight in a balance being used by a druggist to measure out a precise dose of medicine. The weight just "sits there," but nonetheless provides an important service, and one that cannot be performed by a paper proxy. Gold and silver coin money, even though it just "sits there," performs a role essential in society: it acts as a measure of profit, loss, and productivity.

Ultimately, it's a question of justice and logic. There is no justice if a man does not receive that to which he is entitled; and there is no logic if he cannot find out just what it is that he's entitled to! And he cannot find out to what he is entitled if words have no meaning.

Does it matter what we use for money? Perhaps not, so long as we use something, and everybody knows what it is, and what amount of it is a "dollar." But if you don't know what money is, or what quantity of it constitutes a dollar, how do you know when you've received it, and whether it's the real thing, and whether you've gotten the right amount? And isn't that something you ought to know?

## Chapter Seven - Fiscal Fallacies

From the vantage point we have attained let's look at some commonly held conceptions about our monetary system, its problems, and their "solutions."

Fallacy #1

THE GOVERNMENT PRINTS TOO MUCH MONEY. Among people with just a touch of economic sophistication, this is an extremely popular idea. It is untrue, both in what it says and what it implies.

First, as regards what it says: the government does not print money because money is not and never has been printed. The role of the printing press has been to print receipts for money on deposit. The printed currency might be referred to as warehouse receipts, or claim checks for wealth available for redemption by the holder of the currency. Of course, there have been receipts printed which were not claim checks for money on deposit. These were referred to as counterfeit when that word still had significant meaning, but actual money was never printed, only coined. I'm sorry if this seems like pedantic quibbling, but if you do not understand this point, you fail to grasp the most important single fact of our monetary system. May I suggest you re-read Chapter One?

The implication of Fallacy #1 is that the government prints money for its own use, thus flooding the marketplace with increasingly useless currency. This is also untrue. Although the actual manufacture of Federal Reserve Notes takes place on government property, with government personnel operating government presses, the currency is printed at the request of the Federal Reserve System, a private banking cartel. It is printed in denominations requested by the Fed and turned over to the Fed for distribution. The Fed "pays" for the currency, incidentally, at cost, which is a few cents per bill, regardless (of course) of the denomination. The bill on top of the stack, in other words, will "buy" the rest. (It's as though you could pay for grapes with grapes. Select a nice bunch at the produce counter and give the check-out girl two or three of them to pay for the rest. Nice deal!) Proof that the government does not use the currency it prints for its own needs is the national debt. To whom could the government owe money if it were the source of money?

Fallacy #2

A BALANCED BUDGET WOULD SOLVE OUR ECONOMIC PROBLEMS. I believe that there are some people who believe this and who also believe Fallacy #1, yet if you believe that the government prints money, how can you believe that it can have an unbalanced budget?

The problem with this fallacy is also more in the implication of the words than their literal interpretation. A balanced budget, per se, is a fine thing; but those who propose it fail to suggest any way by which it can be accomplished, or what benefit would result if it could. The blind spot in their thinking if the factor of interest. Interest must be paid by the government on money previously borrowed (which was borrowed to pay the interest, which was borrowed to pay the interest, etc.). It is simply an incontrovertible fact that government borrows to pay the interest due! A balanced budget, under such circumstances, is unthinkable. Should the government decide to settle its account with the bankers once and for all by using its armed might to simply seize the people's money (taxation), where would the people obtain the money?

Why, by borrowing, of course. Even now, many people borrow to pay taxes. Those who don't are perhaps in that enviable position because they borrowed to meet other expenses. So if the government decided to balance its budget by taxation rather than borrowing, the people would have to do the borrowing instead. Thus, the national debt would remain, but now it would rest directly upon the people, instead of indirectly, through their government. The problem which must ultimately be faced is that of debt repayment when no money is provided. When debt is "paid" with IOUs and "obligations" it is not paid at all, but merely recycled. When the debt (money) accumulates to the extent that it can no longer be taken seriously, the system collapses. Balancing the federal budget is thus irrelevant.

Fallacy #3

WE CAN'T USE GOLD AS MONEY BECAUSE THERE ISN'T ENOUGH OF IT AND THE RUSSIANS CONTROL MUCH OF IT. Yes, the Russians, among others, control much of the world's gold. But they can't eat it! Don't they want our wheat? Don't they want our technology? Then let them spend the gold to get it. And once they do that, they don't have the gold any more. The world's gold, were it to be used as money, would soon become distributed among the people. A miser, it is true, would simply hoard his wealth; but miserliness is a mental aberration, not a national policy! Gold--or any other precious material used as money--gives its possessor power only when it is spent.

Isn't it remarkable that so many people believe that there isn't enough gold to use as money? Do these same people ever worry that there isn't enough steel for our refrigerators or automobiles? Do they wring their hands with worry that we might run out of wood for our homes and furniture? Do they fret lest we run out of salt for our soup? Not that I've heard. So why do they think that we might run out of gold? I think that their fear is based upon the fact that when gold was used as money, the people who issued currency redeemable in gold often--perhaps usually--issued more claim checks for the gold than they could honor. In other words, had everyone tried to redeem his currency simultaneously, there would not have been enough gold. And this occasionally happened, of course, in those situations termed a "run on the bank." But the very reason that runs on banks occurred is that people suspected that the bank was counterfeiting. The prevention of runs on the bank lies in the enforcement of laws against counterfeiting. In other words, a paper currency should be 100% redeemable. When the Federal Reserve System first began issuing its notes a 50% backing in gold was required, and this was later reduced to 25%. Such a system seems to work very nicely because there are never many people demanding redemption of their currency at any one time.

But as regards the currency as a whole, it means that 75% of it is counterfeit, i.e., not issued against the deposit of anything available for redemption. Of course, as we have seen, a run on the bank can mean disaster for such a system of partially-honest currency. But 100% redeemable currency leaves control of the economy in the people who produce the gold and silver used as a medium of exchange. Therefore, the possibility of a run on the bank was eliminated in another way: by making none of the currency redeemable. What's the point of taking your claim check to the bank to claim your money when the bank is going to tell you that the claim check is the money? More importantly, when the claim checks (now fraudulent, of course, because they can "claim" nothing) are accepted as "money," control of the economy--and of the people--passes to the printers of the paper.

Fallacy #4

OUR CURRENCY IS BACKED BY THE GROSS NATIONAL PRODUCT. What nonsense! Who produces the gross national product? We, the people, product it. Who produces modern "money?" The bankers, every time they make a loan. They get it from thin air. Now can you seriously accept the idea that the banker's liabilities (checkbook money) are backed by---our goods? That's like trying to pay your rent with an IOU. When asked what backs your IOU, you reply that the landlord's property backs it! Pretty good arrangement, isn't it? You can pay your bills by issuing notes based upon other people's wealth. But isn't that what you believe when you believe that the Fed's "notes" are backed by our own goods? And what about consumption? If the gasoline in my car's tank is backing for the currency in my wallet, what happens when I burn up the gas? Do my Federal Reserve "notes" somehow disappear?

A very great proportion of the gross national product is consumed. Is someone adjusting the amount of "money" in circulation to compensate for this fact? And are new Fed "notes" only issued except as more goods are produced? The answer to these questions is obviously "NO!" Our modern "money" comes into existence, as we have seen, when a loan is made, and that loan is not necessarily to increase production. Indeed, it is far more likely that the loan is made, in part at least, to pay the interest on loans previously made by others and passed along as an added cost of doing business. This is a vicious circle that can only lead to disaster. Our present system provides no means of escape.

Fallacy #5

AMERICA IS THE LAND OF THE FREE AND THE HOME OF THE BRAVE. Don't confuse reality with the lyrics of a song. When you and I are obligated via legal tender laws to accept scrip for our goods and services, then we are under the thumb of the printer of the scrip. The control that is exercised over our lives may be much subtler than that exercised over the lives of black slaves a century and a half ago; but it is there, nonetheless, and its subtlety makes it all the more pervasive. Consider just how free you are: can you send your children to the public school in your neighborhood?

Can you sell your home to whom you wish? Can you even be said to actually own your home, or is that "ownership" dependent upon perpetual payment of taxes? Can you put the type of gasoline into your car that makes it run best? If you sell natural gas or electricity, can you determine for yourself what your charges and fees will be? Can you fly where you want, and set your own charges, if you own an airline? Can you write a book advocating the treatment of cancer with apricot pits, and send it through the mail? Can you buy a tire without giving identification? Can you, as a farmer, raise as much as you please of what you please? Can you decline to provide financial support for total strangers?

This is a very abbreviated list. If you are in business, you could no doubt add dozens of things, proscribed in this "land of the free." Most of the things which we are forbidden to do are proscribed via the various regulatory agencies which issue "guidelines" having the force of law. These hundreds of agencies are made possible--like war--by the government's access to unlimited money in the form of its "obligations" which oblige the government not at all. Money, they say, talks. When it is real wealth, produced and owned by the people, it speaks loud and clear, telling the government that the people are paying the piper and calling the tune. When it is counterfeit issued by a group of citizens immune from prosecution for that crime, it also speaks loud and clear. Its message then is that we had better live our lives as the issuers of "money" think best. And the agency by which the counterfeiters' desires are translated into our actions is the government, which, as George Washington pointed out, is not reason, but force. For counterfeiters, money is no object. They can buy anything--including a government. And, sad to say, in the land of the brave, the power of money creation has replaced those who once said "Don't tread on me!" with a new generation which whines, "You can't fight city hall."

## Chapter Eight - The Dollar

We spoke in an earlier chapter of the dollar, which had always been defined in law as a quantity, by weight, or gold and silver in coin form. Let's look at the "dollar" a little more closely.

Truth in advertising is a wonderful thing, most of us would agree. Black's Law Dictionary says that to advertise is "to give public notice." Shouldn't that notice be true? When a soap manufacturer advertises that his jumbo size package contains twice as much soap, shouldn't that be true? When an automobile manufacturer claims that his latest model gives 10% better fuel mileage, shouldn't that be true?

Now take a good look at a Federal Reserve Note. Presumably its manufacturer intends to "give public notice" by the inscriptions which it bears. Well, what do those inscriptions say? First we see that the paper bears, once in very large type and once in small, the word "note." We turn again to the law dictionary for the definition of "note:" "A unilateral instrument containing an express and absolute promise of signer to pay to a specified person or order, or bearer, a definite sum of money at a specified time." Now does the Federal Reserve Note contain any stipulation of what is to be paid to whom? You will not find any promise to pay any amount of anything to anyone on the Federal Reserve Notes printed in recent years. In the unlikely event that you have a quite old note which in fact promises to pay a bearer a unit of gold upon demand, why then you actually possess a genuine note--except that you won't get the gold, which it promises to pay. In other words, as regards the inscriptions upon Federal Reserve currency, there are two possibilities. Most of the "notes" are fraudulently labeled, not being genuine notes at all; while those which are in the form of genuine notes are also a sham, inasmuch as the solemn promise made upon them by the government of the United States is not honored. Thus the government is totally contemptuous of those standard of truth in advertising which it upholds against individuals and corporations--except only the Federal Reserve System, which is privately owned.

Let's look now at the word "dollar," which, by my count, occurs once on each side of the bill. It is such an important word, used so often every day in so many important ways, that it should be clearly defined somewhere. You will recall the concerned citizen mentioned earlier who wrote to the Internal Revenue Service, a branch of the United States Treasury, to request the definition of the word "dollar." His thought was that since citizens are required to provide sworn statements (1040 form) to the government setting forth the "true, complete, and correct" amount of their income in dollars, and that such statements are to be according to the citizen's best "knowledge and belief," the definition of the word "dollar" should not be a matter of conjecture or guesswork, but rather of clearly stated law. He was rather surprised to learn from the IRS that there is no definition of the word "dollar" in the Internal Revenue Code. Another request, again asking the definition, from any source, in U.S. law, was ignored. Government agents, testifying under oath in court, have admitted that there is no definition of "dollar." Treasury Department executives have acknowledged in writing that Federal Reserve Notes are not dollars. The term is meaningless.

Does that surprise you? It really shouldn't. In everyday language, we speak of dollars as equivalent to amounts of money. Thus, a large number written on a price tag, preceded by a dollar sign, is interpreted as a "lot of money." The question, "How much money does that cost?" is always answered in terms of dollars. For this reason, there cannot be a definition of dollar today. For if there were, it would have to include two aspects. First, it would have to set forth just what the money is; and second, it would have to define the quantity of that money to be designated a "dollar." For example, as we have seen, when money was 90% silver coin, the dollar quantity was 412.5 grains.

When the weight of the coin was reduced through wear to 409 grains, the coin was no longer legal tender for a dollar, although it could still pay debts in proportion to its weight. But today there is no thing which is used as money. And if money is not a measurable thing, how can there be a specific quantity of it? The significance of this is mind-boggling. We have seen how the lack of a definition of the word "dollar" makes the terms of almost all contracts indefinite, when they certainly ought to be specific. What I should like to point out to you now is that it is all totally unnecessary for this confusion to exist. Indeed, the fact that this confusion does plague us would almost seem to be deliberate. And here is why I say that: let us return to the days when our money was gold and the paper currency redeemable in gold. The money (i.e., the gold) is expressed in units called dollars which, for the sake of simplicity, we shall define as 10 grains of pure gold. If, now, the government issued more currency than it could redeem (in other words, counterfeited) no one might be the wiser, but if the practice were continued to the point of arousing the suspicions of the people, the government would face the embarrassment of being caught in the act by a "run on the bank." This embarrassment could easily be avoided by merely redefining the word "dollar" as, let's say, 5 grains of gold. With the passage of this law, the government would have doubled its supply of "dollars."

Then, when you took your paycheck to the bank, you would get exactly the number of dollars that you did before. (If you did not redeem the currency, you would notice no difference whatsoever; you would get the same lovely banknotes promising to pay dollars of gold.) Only if you redeemed the currency would you discover that you were getting exactly half the money (gold) that you had gotten the week before. Thus, you would suffer a loss of fifty percent of your income, and you would have no recourse whatever, because you were getting the same number of dollars called for in your contract. The question you might ask yourself is, "Is this all just some unfortunate quirk of fate, or am I being robbed?" It all hinges on that word "dollar." Do you know of anything other than money which is measured in dollars? Hamburger? Lumber? No, not even gold and silver are measured in dollars, except when used as money. When a jeweler orders gold, he orders it by the grain or ounce. And of course, innumerable other substances are measured in those units. Only the banker, with the connivance of the government, provided precious metals in "dollars." Thus, when necessary, the term "dollar" can be re-defined with little or no notice being taken of the fact, even though that definition is so momentous because it means that you are being cheated of what you expected to receive for your labor.

Now let's suppose that the government, which is concerned with truth in advertising, labeled its currency and money as accurately as it insists that cornflakes be labeled. Gold coins would be labeled "gold .999 pure, 20 grains." Or "silver .90 pure, 412.5 grains." Your contract would stipulate that you were to receive so many grains or ounces of gold or silver per week. Your rent--indeed, all prices and fees and charges--would be set forth in grains or ounces. Contracts also would stipulate exactly what was to be paid. No politicians could reduce what you were to receive in payment by the stroke of a pen. The word "dollar" would have no relevance in such an economy. The government could attempt, I suppose, to stretch its supply of gold be re-defining the word "grain" or "ounce," but that would cause such pandemonium as to be unthinkable. In fact, it would instantly alert people as to what the government was about. It might even make them laugh at the government; and a government which is not taken seriously by its people is in trouble indeed.

Conversely, a government which can pay its debts with anything it chooses to label "dollar" without ever being required to define the term, is a government which can do exactly what it wishes without any accountability to the people whose wealth it does not need for its operations. The only thing such a government need fear is even a small percentage of the people awakening to what is happening.

Remember, the founding fathers took so seriously this matter of having a clearly understood definition of the money that in the Coinage Act of 1792 they established the death penalty for anyone found guilty of debasing the money. Obviously, you cannot debase the money unless there is some standard by which to measure it. Our present monetary system is clearly not that envisioned or intended by the Constitution.

## Chapter Nine - The Price of Money

While the idea of precious metal as money, and the dollar as a stipulated amount of it, is still fresh in our minds, it might be a good idea to briefly consider the "cost of money."

You will eventually encounter this argument: "The dollar had to be devalued because the price of gold had simply gotten too high." Thus might be justified President Roosevelt's re-defining the dollar, from 25.8 grains of gold, to 15.24 grains of gold. This action was necessary, you see, not because the government wanted to renege on its debts, but because the price of gold had increased to the point that the government could no longer give 25.8 grains of it for a dollar. Now isn't that reasonable? Doesn't that make sense? If you think so, you're not thinking straight. Let's look at it very simply.

In the first place, let's consider the phrase "the price of money." The word "price" designates what is to be paid for a certain item or service. And how are such items or services paid for? With money, of course. How, therefore, is the price of money to be paid? The same way all prices are to be paid--with money. How absurd! Why would one give money to buy--money?

Specifically, when money was gold, how was one to measure the price of gold? Why, in terms of money, of course. But because gold was money, the price of gold was measured in gold. Nonsense! What would one pay for a dollar of gold? Would anyone pay more than a dollar (of gold, of course, because gold was the money) for a dollar (of gold)? Would anyone sell a dollar of gold for less than a dollar of gold?

Even now, when our money is imaginary, it is foolish to talk of its cost. Would you sell a FIVE "dollar" bill for less than five "dollars?" Would you pay more than five for it?

Now let's look again at the statement that the price of gold had risen too high for the government to give 25.8 grains of gold for a dollar. At the time that statement was made, 25.8 grains of gold was a dollar. Hence, the government was saying that the "price " of gold had risen so high that the government could no longer give 25.8 grains of it for---25.8 grains of it! And the people believed it! Oh, the mischief that has been wrought by that confounded word "dollar!" What the government was actually saying, of course, was that it had been counterfeiting, and had printed (or allowed to be printed) so many claim checks for 25.8 grains of gold that it couldn't begin to honor them.

The people, very conveniently, had come to regard the claim checks themselves as "dollars," and they used these "dollars" to make purchases of things--including gold. Of course, the government and the banks encouraged people to think of the pieces of paper as dollars. Wouldn't you go into the poultry business if you could make people believe that a piece of paper bearing the word "chicken" would taste good with dumplings? Naturally, you couldn't get away with that because people know what a chicken is. But do they know what a "dollar" is? Apparently not, for if they did they would have known that the price of gold could not have risen--because there was no such thing as a price of gold. To repeat, who would offer more, or accept less, than 25.8 grains of gold, for 25.8 grains of gold? Indeed, if you had 25.8 grains of gold why would you wish to use it to buy 25.8 grains of gold? What would be the point? There is one thing which has no price (in any meaningful sense), and that is money. To ask the price of money is to ask the number of ounces in an ounce, or the number of pounds in a pound.

In the preceding chapter we saw the desirability, from the citizen's point of view, of having the coinage clearly labeled for what it actually is, rather than in terms of some nebulous "dollar," or fraction thereof. The same is true of the currency. "Truth in advertising" would never permit a bank note to be labeled "dollar" when in fact there were four such notes printed for each unit (i.e., "dollar") of gold on reserve for redemption by the notes. Today's paper currency would almost defy accurate labeling. Each bill is about 2.5 by 6 inches, and weighs about a gram, but if it were accurately labeled as such, what would the numbers--ONE, FIVE, TEN, TWENTY, FIFTY,, etc., mean? After all, the bill labeled FIFTY is not fifty of anything, nor does it confer upon its holder title to or ownership of fifty of anything. Many people, I know, would say that the numbers represent "dollars," but we know that the dollar is a unit of measurement. Would a piece of paper marked FIFTY OUNCES be more valuable than a similar piece of paper marked TEN OUNCES? Not if the ten ounces were of gold, and the fifth of copper. And if neither bill were redeemable from its issuer for ten or fifty ounces of anything, what meaning could you attach to such numbers? Certainly, to make such numbers the basis of all economic calculations, and the foundation of the economy, is inexcusably stupid.

The expression "cost of money" is also used to mean interest paid for the temporary use of the banker's numbers. As so often happens when monetary matters are involved, language here is somewhat special. The fee paid for the use of tangible property is termed "rent," but the fee paid for the use of money is "interest." How interesting! Money has its own language, and it purpose seems to be not enlightenment, but quite the opposite. Only money, for example, is measured in "dollars," which "dollars" eventually come to be regarded as the money itself, allowing the issuer of "dollars" to use that word on any bit of paper or slug of metal and have it accepted by the public as an amount of "money." Although used in contracts many, many times every day, it is a word without legal definition. Yet those who demand to know what it is that they are expending their lives to acquire are regarded as kooks by the general public, and as enemies by the government/banking axis.

And, when one borrows these mysterious "dollars" he doesn't receive delivery of anything which he can hold in his hand and weigh or measure; nor does he pay rent for the use of the stuff; but rather, he pays a percentage as interest. This interest is often spoken of as the profit of the banker, but this again is somewhat misleading. If the banker lent ten ounces of gold and received half an ounce of gold as his fee for this service, he would certainly be receiving five percent. But when what he "lends" is a number, which represents no claim upon any of his assets, nor any tangible property which he owns, how can his profit be computed? I recall learning in grammar school that zero divided by anything is infinity.

In truth, the so-called interest rate might be more accurately labeled the money-creation rate. We understand that interest can only be paid by the creation of more money for that purpose, and the higher the rate of interest, the more money must be created to pay for it.

No matter how it is used, therefore, the expression "price (or cost) of money" should put you on the alert. When you hear it the chances are good the speaker doesn't know hat he's talking about, or seeks to mislead you.

## Chapter Ten - Barter

Poor barter gets a pretty bad press nowadays. It is almost always referred to in denigrating terms, as a system used by primitive peoples and not at all suitable to modern life. It simply won't work in our complex society.

But is that true? Do you provide goods or services in return for nothing? Not knowingly. But if you provide goods or services in return for another's goods or services, haven't you bartered? Those who oppose barter, or do not understand it, cannot seem to think of bartering except in the most simple, direct fashion. I have an orange but want an apple. You have an apple but want an orange. We swap: barter! But how often do I have precisely what you need, while you simultaneously have just what I want? Therefore, barter, we are told, is obviously an unsatisfactory way for modern people to make exchanges of their goods and services. But why does barter have to be so direct? Is there some immutable law of nature that requires that I immediately use or consume that for which I have bartered? Can't I trade the chair which I have made for a side of beef which I will freeze for future consumption? Perhaps I will encounter someone who has a bicycle to trade, but doesn't want a chair. If he will trade for a side of beef, we've got a deal. In that case I used the beef not for food, but as an intermediary between the chair which I produced and the bike which I desired, or, in other words, I used the beef as MEDIUM OF EXCHANGE. In fact, I may have accepted it with the idea of future trades, rather than consumption, in mind.

Men have been doing this since the development of civilization, with its subsequent division of labor and specialization. And in that time, some things were found to be more suitable as media of exchange than others. Food eventually spoils. Liquids are hard to store and may evaporate or burn. Precious metals quite naturally and spontaneously came to be accepted as nearly perfect media of exchange. And when men accepted precious metals for their labors, they were bartering, albeit indirectly. The gold and silver could always be used for and in themselves, in art, industry, medicine. But they were excellent for making trades (bartering) as well. They did not lose their value when divided, as would diamonds, for example. They were impervious to decay and rust. A small amount had great exchange value, thus simplifying storage; and virtually no one was reluctant to take them in exchange.

Eventually the actual metal was replaced with a paper claim check, and that opened the door to all our problems, as we have seen. So many claim checks for gold were counterfeited by the government that in this country, in 1934, the government almost simultaneously redefined the dollar, and made the ownership of gold a crime. This meant that the government simply repudiated its obligations to its own citizens, while paying off foreign holders of its obligations at a nearly fifty percent discount. Silver remained in circulation until 1964, but was subsequently withdrawn and the silver certificated declared non-redeemable in 1968. But up until that time, we bartered with one another. Hardly a primitive system.

Even today we barter, in this sense: I have to do a certain amount of work to obtain the piece of paper marked FIFTY. When I give it to you in return for your work or goods, I am in effect trading the time I worked for the time you worked, since no material changes hands when modern money is used. But the defect of this modern barter is that neither party can determine exactly what is being traded--merely numbers which do not signify any thing. If it is barbaric to trade material goods among ourselves, it is insane to trade nothing! And we manufactured the material goods, but the numbers were borrowed from a third party who obtained them by simply writing them on a piece of paper, a "job" which we were not allowed to perform for ourselves.

But if this modern type of money is so inferior to barter in the sense of exchange of tangible goods, why do we have it? For the same reason, I believe, that we have muggings and burglaries; namely, the profits of the perpetrators.

Gold and silver were part of the people's production. Banks and governments no more produced gold and silver than they did refrigerators or window glass. Producing gold and silver is hard work. It would be much easier to pay one's bills with promises of gold and silver. You and I, of course, could not make people accept our promises of payment in lieu of the actual metal. But government could, via legal tender laws.

And if people came to suspect that too many promises were being printed and sought to use them to claim the actual money, the government could declare that redemption of its promises was "against public policy." These are the actual words of President Franklin Roosevelt, spoken on January 15, 1934: "Certain lessons seem clear. For example, the free circulation of gold coins is unnecessary, leads to hoarding, and tends to a possible weakening of national financial structures in times of emergency. The practice of transferring gold from one individual to another or from the government to an individual within the nation is not only unnecessary, but is in every way undesirable. Therefore, it is a prudent step to vest in the government of a nation the title to and possession of all monetary gold within its boundaries---."

What the President meant by a "possible weakening of national financial structures" is that the people might well lose faith in the government and the banks when they discovered the extent to which these institutions had been counterfeiting. What the President termed "hoarding" is nothing more than the people's desire to keep their wealth in their own control, rather than placing it with the government in return for its IOUs. (Presumably, once the government had seized the gold and placed it in its vaults, that would not be "hoarding.") Naturally, the President regarded the actual exchange of a gold between individuals as "in every way undesirable" because when the people used their own gold as a medium of exchange, they didn't need the government's IOUs; moreover, the stable purchasing power of the gold would provide a standard against which the paper currency would look rather shabby. That is precisely what happened to the government IOUs issued to finance the Revolutionary War. The people preferred the dollars of silver to the government's promises.

When the continental "dollar" fell to about one-thousandth of the value of the dollar of silver the people stopped using it. It became "not worth a continental." Continental currency is still in existence. So, for that matter, is Confederate currency. And it would probably not be too difficult to locate some of the German currency of 1923--such as a hundred-million-mark note. None of it will buy you anything today. Bushel baskets full of it will buy you nothing. But a coin of gold or silver will still get you a suit of clothes or a meal. No wonder governments hate it. What Mister Roosevelt was saying in his speech was that people must not be allowed to barter with their won production.

Banks, of course, despise barter too. When people used their own gold as money, the banks could only lend at interest gold in their possession, lest they be caught in the embarrassing position of having loaned something which they did not possess. Therefore, it became necessary that money not be some thing. As we saw earlier, when money was gold, new money came into circulation interest free. It was from the mine, not the bank. The earth didn't demand its return, with interest. But with the use of tangible money prohibited, where would "money" come from? Why, from the banks, not the mines. But it would come into existence--as a number entered into the books--only as a loan. Profitable? Consider this: total debt,--private, corporate, government--in the United States in 1960 was $779 billion. The figure for 1980 was $4,652 billion! Where did the $3873 billion come from? From the banks--where else? Where did the banks get it? Out of thin air, of course. Money, after all, is not a thing. How much of the $4652 was created (i.e., loaned) in order to pay, indirectly, the interest on money borrowed previously? I don't believe there is any way of knowing, and the banks certainly would not wish that aspect of the situation discussed. How is the $4652 billion being repaid?

By borrowing, how else? Interest, you must now realize, is the perpetuating factor in money creation. Until the system collapses, people will return to the banks to borrow because there is no other way to meet the higher prices required to service the debt. We saw how this works in Chapter Five. Peter borrows to pay Paul, who borrowed to pay Tom, who borrowed to pay Harry, who borrowed to pay Sam, etc., etc. Previously we referred to the argument advanced by some that our money is "backed" by the gross national product. But there can be no doubt that a very substantial part of the 4652 billion debt represents borrowing to pay the interest on previous borrowing, and does not represent "dollars" created to pay for new goods or services provided by the marketplace.

Perhaps this is a good spot to give some thought to the idea of "backing." Our friends with just a little bit of economic sophistication are apt to say that the problem with our money is that it is not "backed" with gold. Just a minute! Our money was never backed with gold. Our money was gold. Gold does not need any "backing!" What was "backed" was the paper currency, which was a promise to pay money, not the money itself. Personally, I don't care about gold "backing" for a currency. When Mr. Roosevelt took the people's gold--and it was theirs, beyond any doubt, not his--it became a crime to own gold, and naturally, those people who held currency bearing the government's solemn promise to pay a dollar of gold were left holding just a piece of paper. But they were told that that piece of paper was "backed" by the gold which they could no longer possess. Presumably, the government would not create any more pieces of paper than it had "backing" for. But how would one know that?

Do you remember the saving stamps craze of a few years ago? There were pink stamps, green stamps--a whole galaxy of stamps--which merchants would give their customers as an inducement to buy. Once a suitable number of stamps had been saved, they could be taken to a redemption store and traded for goods. In a very real sense, the merchandise in those stores was the "backing" for the stamps. Now suppose you took your book of trading stamps to the redemption store and found it padlocked and guarded. The stamp company had seized possession of the goods in the redemption store and would no longer issue them in redemption of its stamps; however, the goods would remain there as "backing" for the stamps.

Now just how many people would continue to save those stamps? What is needed, in other words, is not "backing" for a currency, but redeemability. No one would save trading stamps for which no merchandise was obtainable--unless, of course, the trading stamp company could compel other people to provide their goods for the stamps. But trading companies do not have the power to do this. Governments, however, do have this power. They exercise it via "legal tender" laws. Got the picture? You cannot use your own wealth as a medium of exchange, but only the government's "trading stamps." Barter be damned. After all, what is the advantage of counterfeiting if people won't use the counterfeit? And what better way to insure that they'll use it than to pass a law: a legal tender law.

An historical note: The continental currency referred to above was a "legal tender" by act, not of the federal government, but the states. That did not prevent the people from refusing it when its deficiencies became obvious. The is no power on earth that can compel people to exchange their lives, 40 hours per week, for a piece of paper once the true nature of the exchange is apprehended.

## Chapter Eleven - Deflationary Exchange

We have referred several times to the collapse of the economic system. I can see no alternative to that collapse unless there is a fairly prompt return to a tangible monetary system in this country, and there seems little likelihood of that. The system will collapse because the growing burden of debt means ever-increasing borrowing, which means, in turn, still more borrowing, until the productivity of every working man and woman in this nation is being utilized merely for the payment of interest. Then, with no more work available to pay for still more interest, additional borrowing must cease. When that happens, the whole system falls apart.

I suggest you re-read the above paragraph until you fully understand it. It is a condensed history of the economic collapse of every government since ancient Rome which attempted to force its citizens to use dishonest money. Our government is vastly more sophisticated than that of ancient Rome, which means that it can prolong the use of its fiat much longer than could Rome. Doesn't that suggest that the collapse, when it comes, will be much worse? Rome, we recall, was overrun by barbarians. Are our barbarians waiting in the wings? Perhaps it is more diplomatic--and certainly more fashionable--to refer to them as third-and-fourth-world nations.

I want to remind you again that you do not need to have a loan outstanding at any bank in order to be paying interest. Interest, or "debt-service," is a part of the cost of doing business, and is passed along to you by the producers of raw materials, the manufacturers who use those raw materials to make the things you buy, the retailers who sell them, the delivery man who delivers them, etc. Faced with these ever-rising prices, we eventually reach the point where we must either borrow, or do without. If enough people decide to do without, business will suffer. As sales slump, interest payments are harder to make, loans are called in, hastening the contraction of business. On the other hand, should most people decide to maintain their standard of living by borrowing, more money must be created, and more interest costs added.

This can lead to such rapid growth of the "money supply" that it far outstrips the production of real goods, leading to such high prices so quickly as to bring to mind the expression "runaway inflation." When it takes a basketful of currency to buy a loaf of bread, people begin to lose confidence in the money, and when that happens the money quickly assumes its intrinsic value, namely, that of a piece of paper. Moreover, once people begin to question the soundness of their money, the temptation is strong to withdraw that money from savings accounts and spent it while it will still buy something. And that is the coup de grace, with explosive price increases. The total amount of money spent in the United States each day is roughly thirty billion--just a small fraction of the money presently in savings, retirement, annuity, etc., accounts. With that money withdrawn from savings and thrust into the marketplace, shelves would be emptied in hours.

It is for this reason, of course, that the government sets "penalties for early withdrawal" of the numbers which you have left in some non-checking bank deposit. As an inducement for you to keep your numbers from the marketplace, the government will give you a tax break. The banks gladly cooperate by tossing in a free toaster, or even a color TV, if you leave a large enough number with them long enough. The government and the banks (and it is hard to separate the two sometimes) work hand-in-glove to keep excessive numbers from hitting the marketplace. If the relatively mild measures referred to above seem to be failing, they can drastically reduce the buying power of individuals by a deflationary exchange.

This would almost certainly take place on a weekend, when the banks are closed. Perhaps the government would make some announcement to the effect that to combat inflation, protect the American public's buying power, and to strengthen the "dollar" in world trade, a new "dollar" would be issued starting the next

Monday morning. This new dollar would be issued for ten old dollars. Checking and savings accounts would likewise be reduced to 10% of their former "value," so that if you entered the weekend with $10,000 in the bank, you would start the next week with $1,000. The effect, obviously, is to prevent the possible flooding of the marketplace with money by simply annihilating the money. After all, if our modern money can be (and is) created with the stroke of a pen, it can be destroyed the same way.

Won't this cause a public uproar? Probably not. Remember that in 1934 Mr. Roosevelt simply confiscated the people's property (gold) by mere presidential decree, and the public snoozed right through it. Moreover, the government can sweeten the deal by reducing debts by the same amount. Thus, if you had a $50,000 mortgage, it would become $5,000 after the deflationary exchange. So even if you "lost" $9,000 when your savings were reduced from $10,000 to $1,000, you would "gain" $45,000 by the reduction of your mortgage. For many Americans, a deflationary exchange would be hailed as a good thing. Retired people, on the other hand, whose lives' work was represented by the numbers in their bank accounts, would find, in effect, that they had worked nine out of ten years for nothing, after a 90% deflation, but then that is just the price they would pay so that confidence could be maintained in the system.

Deflationary exchanges of the type we've been discussing are not figments of a lively imagination. Do you recall when the new franc replaced the old in France? Or when the Deutschmark replaced the Reichsmark? There have been similar exchanges in recent years in Israel and Iceland and Argentina. They have taken place dozens of times. Wwhether such a deflationary exchange will take place in the foreseeable future in American only the insiders know, but it would be foolish not to consider the possibility of it. After all, to be effective, it must come as a surprise. A person forewarned that his money was about to be reduced by 90% would quickly get rid of the stuff.

Prices are not involved in deflationary exchanges.

An automobile, for example, with a price tag of $10,000 before the exchange would still have the same price after the exchange. The same would be true for gold and silver. So let's consider the fate of two individuals, each with $10,000 before the exchange. Peter put his $10,000 in the bank and ends up with $1,000. Paul uses his $10,000 to buy 10,000 pieces of silver, and after the exchange he still has them. Peter realizes that he should have purchased silver also, but it is too late. Now he can only buy 1,000 pieces of silver. What a difference a day makes!

Even our token coinage would probably be a good hedge against a deflation because it is an insignificant proportion of the total money supply, and changing the coinage would wreak havoc in the vending machine industry. Thus, while a $100 bill would be come $10, four hundred quarters would still be four hundred quarters.

It is hard to feel any sympathy for the money-creators, but they are walking a fine line indeed. Discourage spending, and falling sales will make debt service impossible for many firms, resulting in business failures, bankruptcies, and massive unemployment. Stimulate spending, and risk a runaway inflation, with people frantic to dump their "dollars" into the marketplace before they become as useful as confederate currency. A deflationary exchange may postpone this dismal dilemma, and it would be imprudent to disregard the likelihood of its occurrence.

## Chapter Twelve - Inflation

Because we attach great significance to the accurate use of words, it is about time, I think, that we consider a word that we have been using frequently, and which is, certainly, one of the most widely used words in our language at this time. The word is inflation.

Many people-including some who should know better--use the word "inflation" simply to mean rising prices.

After all, aren't prices constantly being "blown up," or "inflated?" But there are a couple of reasons why we might question the validity of such a definition.

In the first place, it is not at all clear that prices are rising, although the numbers on price tags may be growing larger and larger. The problem with numbers on price tags is that they don't designate any definite amount of anything. I don't wish to belabor the point previously made, but without a standard monetary unit, there is no accurate way to measure prices today relative to those charged a year or a decade ago. We referred briefly above to the fact that a silver dime would buy about a gallon of gas in 1939, and today, that dime, "sold" for a "dollar," will still buy a gallon of gas. So has the price of gas gone up? Once again: when the numbers on price tags do not designate standardized amounts of anything, price comparisons are impossible.

Secondly, if we have recourse to the dictionary--never a bad idea when seeking definitions!--we find inflation to be a "sharp and sudden increase in the money supply." But that increase, of course, takes the form of "money" itself. In truth, then ,it is our modern "money" which might be termed inflation. And that makes sense, because there is certainly nothing that can be done about inflation without making substantial changes in the "money" itself.

It will be easier to see that inflation is the money itself if we suppose, as we have so often before in these pages, a situation in which gold were to be used as money. (It's so hard to get away from gold) The money supply would be the amount of gold in use as a medium of exchange. Simply enough. Now suppose further that you wish to purchase some land, but do not have enough gold. You could borrow some from your father, in which case the money supply would not have changed. Or you might decide to borrow from a banker. The banker did not have the gold to lend, but that didn't stop him. He added the appropriate number to your bank balance with the stroke of his banker's pen, declaring that he had just "lent" you the necessary funds for you to make your purchase.

When that marvelous pen of his touched paper, the money supply took a sharp and sudden increase. What he "loaned" you was--modern money, or inflation. Inflation is our modern imaginary money, or counterfeit. When paper currency was redeemable in actual money (gold, silver), the counterfeiter's press provided a sharp and sudden increase in the supply of "money." In other words, the counterfeiter supplied inflation. During the period preceding the withdrawal of gold and silver from the citizens who owned and produced it, our "money supply" was a mixture of actual money and inflation. When the government, for example, decided that the banks could issue four gold notes for every unit of gold held, it was providing a monetary system of one-fourth wealth, or tangible money, and three-fourths "pretend," or inflation.

When you accept a coin containing three cents worth of nickel-coated copper in return for a dollar's worth of work, you are accepting three percent payment, and ninety-seven percent inflation, or modern money. In fact, that is about as good as you can do with modern money. The late copper cents provided about forty to fifty cents worth of copper in one hundred coins, and with the price of copper rising, there was a possibility, albeit remote, that the holder of 100 copper cents would actually possess 100 cents worth of tangible material. The copper cent was withdrawn from circulation and replaced with a copper-coated zinc one. Coins, even token ones which merely represent the imaginary money, are made of metal, after all. Thus there remains the embarrassing possibility that a slug purporting to be one-hundredth of a dollar might end up containing a dollar's worth of metal, as the purchasing power of the currency plummets. During the runaway inflation of Germany in 1923 the value of the currency as paper exceeded its value as money--it made more sense to burn the paper for warmth than to use it to purchase firewood.

I believe that the banks would much prefer that we give up the anachronistic practice of using even slugs and scrip in buying and selling. Certainly the government would prefer it, because the users of coins and currency are able to achieve a certain degree of privacy which the government seems to abhor. Thus: electronic banking. It will no longer be necessary for you to handle the dirty, unsanitary bills of bygone days, but only a rectangle of durable washable plastic encoded with electronic gimcracks that would give you access to the computer. Inserted into the proper receptacle at the merchant's place of business, the card would allow you to transfer money from your account to his with the speed of light--and no time-consuming check writing, or messy currency. And, of course, a record would be automatically made of every transaction!

But what if--just daydreaming--the computer should refuse to recognize your card? What happens when you can make no "deposits" or "withdrawals?" You could become a nonperson, starving in the midst of plenty. I'm just speculating, you understand--such a thing couldn't happen in the land of the free! But I can't help thinking about the control which the creators of money are able to exert over the rest of us. Those who can create money out of thin air, and loan it to the rest of us, at interest, have clout. And there could be no greater clout than ownership and control of the computer, the access to which would be essential to our survival.

Should the banking system--or the government--perceive you as an enemy, or even a pest, the computer might say tilt when you inserted your card. When your boss tried to pay you, the computer somehow wouldn't add the numbers to your account. When you got to the checkout counter at the supermarket, you wouldn't be able to transfer numbers from your account to the grocer's. Just a minor technical problem? No doubt, but the significance is clear. Money is the lifeblood of society. Who controls it controls society. When the money is debased, the body politic sickens. Survival then requires cooperation with the money-creators, but a tiny bit of independence is possible with the use of scrip and slugs. When even they are eliminated, and one's life's work translates not into gold or silver, nor even fiat currency in your physical possession, but rather into electronic impulses in a computer at the bank, freedom is indeed gone with the pull of a plug. And freedom is what this book is all about, because freedom is what men and women enjoy when they produce and own and exchange among themselves the medium of exchange.

How banking has changed! The banker was originally a warehouseman who stored people's money safely, for a modest fee. The receipt he issued in return for the deposit could be exchanged as though it were the money itself; indeed, over many years, people came to think of the paper receipts as the money itself. Thus, it wasn't thought strange that the bankers, in making a loan, did not lend metallic money, but merely receipts, or a promise (check) for such receipts. It was inevitable that the banker try lending paper for which he had no money at all, and that he get away with it. Most people are trusting, and expect their fellow men to be honest. In time, the lending of receipts for non-existent money became an accepted practice. The banker had evolved from a keeper of money owned and produced by the people, to a creator of money who alone enjoyed that privilege, and who placed his creation into circulation only as a loan, so that more had to repaid than was loaned.

His only fear was a run on the bank, which would unmask his dishonesty in lending that which he did not have, and which, indeed, did not exist. This fear was eliminated with the passage of "legal tender" laws and the withdrawal, gradually, of tangible money from circulation. Thus we passed from the use of money to the use of some money and some inflation (i.e., credit, counterfeit, debt) to the use of virtually 100% inflation. The banker, by declining to create additional money, can bring business to the point of collapse. (Which, incidentally, is a good time to buy common stocks). By opening the flood gates on money creation he can unleash a torrent of business activity and bring the economy to the brink of runaway inflation. (A good time to sell them). From warehouseman to controller of our destinies. How could this happen to us?

It happened to us because of all the important things about money which we never wanted to know, but should have.

## Chapter Thirteen - Confidence!

We got into this phony money mess because we possess some very charming qualities, such as trust, innocence, and unsophistication. And, to tarnish our halos just a little, let's add apathy and indifference. And let's not forget confidence! We're got perhaps just a bit too much of that. It is confidence, the Federal Reserve tells us in an informative booklet, that accounts for the acceptance of money which has no intrinsic value. What the holder of such money is confidence about is that he will be able to pass it. And pass it he can. This is no doubt the basis of the indifference and apathy referred to above. I have spoken often to various groups and individuals about the defects of our money system, and a frequently-heard response is, "Well, it may be all you say, but I wish I had a lot more of it! As long as the grocer will take it, keep it coming!" And basically, I would agree, with reservations. What happens, for instance, when the grocer won't take it? Do you think it impossible that that would ever come to pass? It's happened before, in this country. More importantly, what if you have no desire to pass it at this time? Will the grocer give you as much food today for a dollar earned five years ago as he would have given you then? The answer, everyone knows, it "no."

Yes, unspent dollars can be invested to earn interest, but the interest will barely maintain the buying power. Furthermore, if you are a person required to file federal income tax reports, and you will have to acknowledge the interest as "profit"----although there is no profit in merely holding your own--and may have to pay a tax on it, which will mean that money saved results in little, if any, gain, and possibly a loss. And what of long term saving, as that of parents for the college education of their newborn child? Will the numbers deposited, even with interest added, maintain their buying power over nearly twenty years? Will tuition remain constant? I admit that these questions could as easily have been asked when our money was precious metal, but the historical record clearly shows that in those times prices did tend to remain stable. Actually, in an economy with entirely honest money and no inflation at all, I believe prices would drop.

As for the grocer declining to accept the money, that is, I admit, unlikely in the immediate future. But it would be utter folly to discount the possibility. It will be an event of monumental importance when a few businessmen find that they can make a larger profit selling an item priced at $1.00 for 25 cents in silver coin. Not only would the profit be greater, but there would be far less tax to pay on the receipt of 25 cents than $1.00. In fact, if the item which sold for 25 cents in silver coin cost the seller 50 cents in fiat, couldn't the merchant report a loss of 25 cents on the deal? The taxing authorities might look sharply at such a transaction, but they could avoid the problem simply by defining what they mean by the word "dollar." And they seem reluctant to do that, perhaps because up until now the confusion has benefited them. For example, if you bought a house for $35,000, and sold it years later for $90,000, you are expected to declare a gain of $55,000 and pay a tax on that gain. But if, with the $90,000 received for your house you are able to buy another house virtually identical to the one which you originally bought for $35,000, have you made a financial gain or merely a change of address?

And if the $35,000 paid originally was in dollars of silver, and the 90,000 received translated into abut $10,000 of those same silver units, haven't you taken a severe loss? Is it unreasonable to measure both buying and selling price in the same units when figuring profit or loss? The government would rather not have you ask such questions. But should people decide to place their confidence in the readily-available pre-1964 silver coin of the United States, rather than in the notes of the Federal Reserve System, the government would be concerned indeed. After all, if you lose confidence in the paper, you deprive its issuers of its benefits. What profit is there in printing money which people won't accept? The confidence man who made a tidy living selling gold bricks to rubes (those who had confidence in those bricks!) fell upon hard times when the rustics wised up. People stopped exchanging their life savings for deeds to the Brooklyn Bridge when they learned that the deeds were phony. True, there might have been some who said, "What if the deeds are false? I can always find someone more gullible than I to give me something for them." But it became harder and harder to find those gullible souls as the population grew smarter.

Confidence in a counterfeit currency is so important to the counterfeiter that he will, if he is government, legislate it if necessary. For example, in 18th century France, during the turbulent times when the government sought to finance itself by the frenzied printing and issuance of a paper currency known as "assignats," the people also had available gold coins. Not surprisingly, the people placed their confidence in the gold, as they saw its purchasing power remain stable, while that of the paper plummeted. In an attempt to discourage the use of gold, the government decreed it to be a capital offense for a merchant to inquire how he was to be paid. In other words, for asking whether his customer was going to offer gold or paper, a man could lose his life. (Of course, for not asking, he would lose his goods!) And so that you understand that it could happen again, a Swiss banker, writing in a banking journal in our present day, has suggested that it may be necessary to re-institute the death penalty for those who decline to accept the government's fiat.

What irony! The founding fathers were so concerned with the necessity of honest money, conforming to a clearly stated standard, that they legislated, in the Coinage Act of 1792, the death penalty for any government official found guilty of debasing the currency. Today it is hinted that the debasers put to death those who challenge the debasement. Such is the importance of confidence!

If confidence in a paper currency is of supreme importance, why not put that confidence in a currency more deserving of it? Consider a pair of apparently identical Federal Reserve notes. One was printed in Washington at the Bureau of Printing and Engraving, on orders from the privately-owned Federal Reserve System. The other was printed in your neighbor's garage, by your neighbor, (on orders from his wife.) The so-called genuine bill enters circulation as a loan, at interest. (Granted, the banks do not lend currency, per se, but currency enters circulation only when bought with bank credit, or checkbook money, which the banks do loan.) Your neighbor's bill, on the other hand, enters circulation with no burden of interest whatsoever. No one owes anything on it. Moreover, if you neighbor prints more than he can handle himself, he may sell some to you for, say, ten cents on the "dollar." Which is the more desirable currency, that which enters circulation interest free, or can be purchased at a discount, or that which enters circulation as a debt which cannot ever be paid? Why not put your confidence in the unofficial counterfeit?

The advocates of inflation will quickly tell you why: because if everyone could print his own money, the stuff would soon become worthless as it flooded the marketplace. Merchants would refuse to accept it. Exactly! This process would happen within weeks of everyone's starting to print his own currency. With the printing of counterfeit permitted to only a select few, the process will take much longer. But is there any reason to think that it won't take place at all, especially in view of the perpetuating factor of interest? Human greed would, admittedly, devastate the economy if we could all print our own money. But are those privileged among us, who can create money, immune to the greed virus? The devastation will be just as complete, only longer in coming. But can't you catch a glimpse of it on the horizon, even now?

## Chapter Fourteen - Debt

A debt is what we owe another person or organization in order to complete a transaction. In other words, if we arrange with our neighbor to assist him in harvesting his crop in return for his help with the raising of a new barn, why then we owe him that assistance, and the debt is not paid until we provide it. If we agree to swap the tailor an ounce of gold in return for a new suit of clothes, we owe that gold upon the delivery of the suit. If we do not have it, the tailor may still let us have the suit if we agree in writing to provide the gold at a specific later date. In such a case, the tailor has extended "credit," which is the debt looked at from his point of view. We satisfy the demands of our creditors when we pay the debt. In the case of the tailor, the tender of an ounce of gold will eliminate the debt. The debt remains until paid.

Isn't that obvious? Yes, of course. Everyone would have to agree that until a debt is paid it remains.

Now let's look at modern-day money. Most debts, after all, are debts of money. They are denominated in monetary units, or "dollars."

We have seen that the term "dollar" is without specific meaning. Today, for example, there are nickel-coated copper slugs, Federal Reserve Notes, and gold and silver coins all designated "legal tender" dollars. Each is different in substance and amount and exchange value from the other. No one would give a dollar of silver for a dollar of gold, or either one of those for a Federal Reserve Note or Susan B. Anthony token. Besides, although the government operates mints, it no longer produces the gold and silver coins; and the banks do not make them available. What, then, do we tender to eliminate a debt of money? Haven't we just agreed that a debt remains until paid? How does one pay a debt of money?

One doesn't Paper, in one form or another, is given for payment of debt, but paper, we know, isn't money and never has been. The value of paper is such that tons of it would be required to equal, in value, an automobile; yet the auto is purchased with a single slip of paper with numbers written on it. Do the numbers represent amounts of something which the bank or the government will relinquish to the auto dealer upon presentation of the check or note? No, obviously not. This is why the Federal Reserve System asserts that our money is debt. Why would a person exchange a valuable automobile for some numbers on a piece of paper if he didn't believe the paper was an IOU of some sort, and that the numbers designate something to which he is entitled? The concept of debt is so important.

The tailor was willing to give me the suit in return for a piece of paper, but the piece of paper had to state, "I.O.U. one ounce of gold," and bear my signature, and the date on which I would pay. The tailor would not accept a piece of paper marked "one ounce of gold," even with my signature, because such a piece of paper would be meaningless. Everyone knows that a piece of paper is not an ounce of gold. Should a prankster steal from the zoo the sign "elephant" he could hardly declare that the sign was a claim check for an elephant; nor could he believe that the sign itself was an elephant. No, in order for a debt to exist, it must be clearly acknowledged. This is why the pieces of paper are labeled "note" and the numbers in checkbooks designated "liabilities" of the bank. It is so important that you believe it!

But it isn't true. The Federal Reserve publishes a number of interesting booklets which it will provide free to anyone requesting them; and these booklets generally reveal the truth about the functioning of our monetary system. But they use the big-lie technique (say it loud enough long enough and people wiIl believe it) about debt, inasmuch as they constantly refer to the pieces of paper as representing debt. But it cannot be. The concept of debt is meaningless unless there is some means of payment. When the "payment" is itself debt the mind boggles. It is a situation worthy of Alice in Wonderland.

You can be in debt and so can I. You can issue an IOU to your creditors and so can I. The IOU, if acceptable, is acceptable only because it is a promise to pay. To pay what? Another IOU? Not another IOU from you or me! How can a debt be paid with a debt? An IOU from Uncle Sam or our bank? Yes, such an IOU will settle the debt, and get our creditors off our backs, but it cannot pay the debt. How can anyone's promise to pay be the payment it promises? The pieces of paper are declared by law to be legal tender for payment. Black's law dictionary defines "for," thusly: "In lieu of, in place of, instead of." The pieces of paper are a substitute for payment, and because they are "legal tender" they must be accepted.

But our creditors accept the Federal Reserve "notes" not so much because of their legal tender status, I think, as in the belief that the government's promise to pay has got to be good. It is true that people accept the "notes" because they know they can pass them, but the only reason they can pass them is because people accept them, and the reason they accept them is because they think they are a genuine promise to pay. And as long as people think the "notes" are good, they are! And how the government wants you to believe it. It acts in its official capacity to print the "notes" bearing the signatures of government officials. It makes the "notes" as impressive as it can, and uses its courts to crush those who might dare to "counterfeit" them. But the plain and simple fact is that the government will give you nothing for its "notes." And the bank will give you nothing for its "liabilities" (i.e., checkbook money, or deposits) except Uncle Sam's "notes." And people will struggle and work and even kill to get those promises of payment. They have the greatest confidence in those "notes."

But what choice does the government have? How else could it label the pieces of paper? Paper is not very valuable in itself. What makes an original manuscript by Shakespeare valuable is not the paper on which it is written. Were the Federal Reserve bills not presented as a debt, people might eventually come to question just what there was about those pieces of paper that made them equal to what they had to give up to obtain them. I admit that people today have become so accustomed to using the paper that they might accept it regardless of what was written upon it, but this ready acceptance is but an outgrowth of the fact that the paper was originally issued as a claim check for money, and no one in those early days confused the claim check with the money itself. Is a hat check a hat? Even today, there would be some who might question the paper were it not masquerading as a debt. Indeed, many of us question it already.

After all, the facts are perfectly obvious. Possession of a Federal Reserve Notes entitles you to nothing from either the Federal Reserve or Uncle Sam. You can easily verify this for yourself. Sooner or later, a sufficiently large number of people are going to shake off the debt delusion which up until then had made the paper acceptable. They are going to lose confidence in the paper. If no credible medium of exchange is available when that happens, chaos will result. Do you wish to see the utility of your savings hinge upon the maintenance of a mass delusion?

## Chapter Fifteen - Power

We have talked so far about aspects of banking which are hardly controversial. Nothing you have read in these pages is hard to prove, or even needs proving. The banks admit with disarming candor that they create money from thin air when they lend it. They acknowledge readily that the money thus created is able to do its job because people have confidence in it. They tend to be somewhat close-mouthed on the subject of interest, but the reality of interest is undeniable. The conclusions we have drawn from these facts, such as the ultimate impossibility of debt payment with such a "money," are warranted and involve no complex technicalities. Moreover, history repeatedly has taught the sad lesson of the evils of an imaginary money--a lesson which mankind seems stubbornly determined not to learn.

But it is still possible--perhaps even likely--that you might agree with everything you have read here, and yet feel that our present-day monetary system, though far from ideal, presents no more threat to you than, say, the Mafia. I believe that you make a grave mistake if you hold that belief. If you were my neighbor, and manufactured widgets, and I were in a position of enormous influence and power by virtue of my ability to create money, I could influence public opinion against widgets and thus cause you great hardship without your ever becoming aware of my role in your life.

Do such things happen? I am convinced that they do. The founder of modern international banking is quoted as remarking that he didn't care who made the laws, so long as he controlled the money. Other bankers have said that they hold the fate of men in the palms of their hands, and own the earth. Well, why not? What can't you own when you can create money?

Doctors form medical societies. Dentists form dental societies. Dairymen and farmers and truckers all band together to form alliances for their mutual benefit. Even neighbors band together to form neighborhood associations. People with common interests naturally tend to get together to work for common objectives. There is no reason to think that money creators are difference, except in this important respect: they can create the money the rest of us must spend our lives to obtain. This gives their goals and objectives a remarkable attainability.

Let's put it in perspective. When your local banker meets with his colleagues for lunch, they certainly do not huddle over their coffee conspiring to deprive you of your property. I doubt if they have even thought about money and banking in the way we have been doing in these pages. It's just their job and they do it the best they can. Does an electrician ponder the nature of electricity and its effects upon mankind? Does the clerk in a lumberyard study the nature of wood and its role in society? Almost certainly not. Possibly the owner of the yard may at times give fleeting thought to such abstractions. But if there is an association of lumbermen, it is almost certain that there are men in its top positions who do concern themselves with the nature of wood, and what may be produced from it, and the potential impact of this upon mankind. And I think it is the same with bankers. At the very top of the banking hierarchy there must be men who fully realize what money is and what banking is, and who plan to utilize that knowledge to implement their designs for the rest of us.

Perhaps in the beginning it was a question of profit. Nothing quite rivals the "loaning" of something which doesn't exist, and collecting interest on the "loan," as a profit-making business. But it has become something more than that. The men who met secretly on Jekyll Island, Georgia, prior to Christmas, 1913, to establish the Federal Reserve System, were wealthy already. What is even more intoxicating than wealth is power, and control over the lives of others. And there is no better way to achieve and exercise that control than by control of the nation's money. Let me quote John D. Rockefeller in "Occasional Letter No. 1 of the General Education Board," a philanthropy he established early in this century. "In our dreams we have limitless resources and the people yield themselves with perfect docility to our molding hands. The present educational conventions fade from our minds, and unhampered by tradition, we work our own good work upon a grateful and responsive rural folk,---to train these people as we find them to a perfectly ideal life just where they are--." Mr. Rockefeller's influence upon American education has been enormous, and of that there can be no denial. Do you suppose that the teachers who were trained through his largesse were taught the operation of our monetary system, or encouraged to teach it to their students?

What are today's insiders in the banking industry seeking to accomplish? Not being one of them, I can hardly do more than guess. But I think it likely that their objective is the establishment of some sort of unified world government, or union of governments. Why? Because it would then allow for the introduction of a one-world currency, eliminating the aggravations and embarrassment of "hard" vs. "soft" currencies. Our own Federal Reserve System was established for much the same reasons. Prior to 1913, our currency was issued by various banking sources, hundreds of bank notes circulated, and the people discovered that some were more deserving of confidence than others. Those banks which made a policy of issuing far more notes than they could redeem were subjected periodically to "runs on the bank" which were harmful to all concerned, depositors and bankers alike. (The hurt to the depositors was obvious--they had put wealth on deposit in the bank, but claims on that wealth had been issued to others.

The harm to the banker was that people no longer would take his promises seriously, and there's no point issuing notes if the people won't accept them.) Thus, some bank notes were regarded as good, some as so-so, and some were shunned. It was a confusing situation. How much better to have a uniform currency, redeemable not in people's wealth, but in the "credit" of Uncle Sam, and a "legal tender" to boot. Thus, the notes of one bank would be just as "good" as the notes of any other. Once redeemability was eliminated by presidential fiat, the bankers could inflate without fear of a run on any bank, since the currency of all banks was equally bad. The thing to remember is that the terms "good" and "bad" as applied to bank notes, or bank credit, become meaningless when there is no basis for comparison.

Today we have a uniform currency in the United States. So do the British and French and Germans and Italians, etc. People have more confidence in some of these currencies than others. Very few people at this time have much confidence in the Mexican peso. On the other hand, confidence is much greater in the Swiss franc. It's the same picture all over again, only now on an international scale. But the growth of international trade has made the nuisance of multiple currencies and varying exchange rates intolerable. Now there is one way to eliminate the nuisance and confusion of fluctuating rates of exchange between lire, francs, marks, pounds, and dollars, and that is to do away with the lira, franc, mark, pound, and dollar. Of course, were the world to use gold as money, in simple universal units as the gram or grain, exchange rates and the resultant confusion would disappear overnight. A gram of gold is a gram of gold anywhere, any time. But it unthinkable that the banking system accept such a solution. Bankers cannot create gold. They did away with the run on the bank nationally not by putting an end to counterfeiting, but by putting an end to the use of the gold to which the people ran. I think that they would like to put an end to the flight from the peso by doing away with the peso. From a uniform one-world currency there would be no place to run.

Let's close this chapter with a mixture of fact and speculation. It is a fact that when the Federal Reserve System began its operations in 1914, a young German banker with central banking experience was brought in to be its chief executive officer. His name was Paul Warburg. His brother Max had remained in Germany at the head of that country's central bank. Almost simultaneously with the establishment of the Federal Reserve System came the outbreak of World War 1, and Germany and American were at each other's throats. Who supplied the credit which made the war possible? Why, Paul, in this country, and his brother Max in Germany. Now do you think it possible--even remotely possible--that those brothers might have had any influence upon the policies of their respective governments?

Do you think war could be financed except with the creation of "bank credit?" Indeed, could modern government exist without it? If the monster of modern government depended for its operations upon the real wealth of the people, seized via taxation, the people would have rebelled long ago! The people are taxed, to be sure, and encouraged to believe that it is their tax dollars which support government, but those dollars have fallen far short of the amount needed for more than a generation, yet the government does not wither and die, but grows even larger and more powerful. Would this be possible without money creation? And who creates the money?

Who pays the piper calls the tune. Can we have government of the people, by the people, and for the people, when it is not the people's wealth which supports government, but the "credit" of an elite group of citizens who can make their liabilities circulate as "money?"

## Chapter Sixteen - Bank Failures

Banks fail. One hears increasingly of bank failures today. But if what we have said is true, how can banks fail? How can an organization which can create money, suffer financial reverses? It merits some investigation.

Any individual or organization which owes more than it can pay is failing, financially. That's easy enough to see. If your debts exceed your assets, you're in trouble. What are the debts of a bank? Your deposits. It may seem strange that the bank incurs a debt, or liability, when you deposit your paycheck, but the bank looks at it this way: it (the bank) is liable to provide the numbers you deposit, on your demand. That is why banks refer to their customers' deposits as liabilities.

And the bank's assets? Their customer's IOUs. If you borrow from the bank, its outflow of funds (to you) is matched on its books by your promise of repayment. Thus, the books balance, assets and liabilities match. But if your IOU is no good? Then there's a problem, and if the IOU is a large one--such as that of a government (Mexico? Poland?)--then there's big trouble.

Let's see how it works in simple terms. Suppose I deposit $1,000 in my account. The bank has a bank account just as I do, but the bank has its account with the Federal Reserve. My bank therefore adds $1,000 to its balance with the Federal Reserve. Now banks operate under certain rules. One of these is called the "fractional reserve requirement." When that requirement is ten percent, for example, it means that a bank's deposits (checkbook money) may be ten times its "reserves" in its account with the Federal Reserve. Thus, my deposit of $1,000 requires my bank to maintain only $100 in its reserve account at the Fed. What can it do with the "extra" $900? Why, it can loan it. But it does not loan it by taking it from its account. If it did that, there would be no money creation involved, and banks readily admit that they create money when they loan it.

The process is this: The bank will loan you $900 (its "excess reserves") not by withdrawing that number from its account with the fed, but simply by adding it to your checking balance, in return for your IOU for that amount. Now the bank has an "additional" $900 on deposit, balanced on its books by your IOU. But of that $900 on deposit, only $90 need be kept in reserve. Guess what the bank will do with the "excess" $810? That's right: another loan. And when the newly created $810 has been deposited, only $81 need be kept in reserve, and $729 can be loaned. If this process is carried to its ultimate, my original $1,000 deposit will have turned into loans (deposits) of $10,000. (I have assumed, for the sake of clarity, that all the money creation took place in one bank, in which all the newly created money was deposited, and this is unlikely to be the case, except, perhaps, in a small town. But the principle remains the same.) Now let us suppose that my bank discovered that my original deposit of $1,000 was "no good." The check was a forgery, or the bills were "counterfeit." The expansion of deposits based upon my initial deposit must now contract! The original reserve was "no good." The foundation has collapsed! The bank no longer has assets adequate for its liabilities Disaster!

Actually, it's not that bad. In the first place, the bank would be unlikely to translate every cent of its "reserves" into loans. It would likely maintain a cushion against the transfer of funds to other banks, for example. And my original deposit was too small to cause much trouble if it turned out to be "bad."

But now suppose an initial deposit not of $1,000, but of one billion, deposited by the government of Poland. The Polish government got the billion from Chase Manhattan in return for its IOU. Should the government of Poland be unable to service its IOU, the Chase may well have to notify my bank: "Due to Poland's insolvency, we will be unable to honor that government's check, drawn on us, for one billion. We regret the inconvenience." Now we have, not a minor embarrassment, but a full-fledged catastrophe. In fact, it is such a catastrophe that it cannot be allowed to happen. For this reason, the banks will provide further funds to Poland to maintain its ability to service its debt.

Do you remember reading earlier of the crisis that will arise when a nation's total productivity is insufficient to pay the interest on its debt? After all, our modern money provides no means for the ultimate payment of debt, but only its continual rolling over by re-borrowing. Well, that is happening now in Poland and Mexico. It places the largest banks--those that loan to governments--in jeopardy. But organizations smaller than governments also get loans from smaller banks, and these organizations and banks are also in trouble. Perhaps these banks are not big enough to be rescued by the international monetary fund. They may be allowed to fail. Eventually, larger and larger banks will fold as the companies whose IOUs they hold collapse under the crushing burden of debt.

It is not a matter of conjecture that the banks of the world are cooperating to provide further funds to Poland, for the reason that its default would be unthinkable. But it is equally unthinkable that Poland's inability to pay its debts can be remedied by placing it still further in debt. But when money is perceived of as debt, what is the alternative?

You will occasionally hear people express concern that the United States government may go bankrupt if it does not curtail spending. That is nonsense. The banks will not allow that for the same reason that they will not allow Poland to go belly-up. A bankruptcy of that magnitude would pull the entirely monetary system down. The fractional reserve requirement is a very sharp two-edged sword. It permits my deposit of $1,000 to be parlayed into $10,000. But it also permits an equally drastic contraction of loans (deposits) if the reserve should cease to exist, as in a bankruptcy. So why should the government go bankrupt, and bring the entire economy down? It isn't as though the government owes something like silver or gold. All it "owes" are its "obligations," which are not obligations at all. Bankruptcy is out of the question.

So much for the "good" news. The "bad" news is that the means by which the government avoids bankruptcy leads to what is at least as catastrophic: namely, runaway inflation. The government can always pay off its debts by borrowing ("rolling over" the debt) from the banks, which can hardly refuse the loan request, for to do so would trigger catastrophe. But the rapidly mounting flood of "money" tends to quickly become worthless. So the choice is between disaster on one hand, and catastrophe on the other. But you are forewarned. The people who will be hurt the most are the holders of---"money!" Do you have an IRA, or time-deposit?

## Chapter Seventeen - A Solution

I assume you share my dislike for writers and speakers who present a problem, convince you of its seriousness, and then win up their remarks with an exhortation to "get out there and do something about it before it's too late." Do what? We never find out.

Therefore, I feel duty bound to suggest some actions you might take which may lead to a solution. The problem, after all, is simple: society is being devastated through the use of dishonest "money,' legal tender though it may be. The solution is equally simple: Do away with the dishonest money. But as regards simple solutions to clear-cut problems, let me remind you of the airline passenger who observes that the plane's wing has just fallen off. The problem is obvious: the plane cannot fly with only one wing. The solution to the problem is straightforward: replace the wing. However, this solution is difficult to implement while the plane remains in the air, and once it has made contact with the ground, the problem--as well as the passenger--no longer exists.

And so with the elimination of counterfeit. The obstacles are formidable. The vast majority of the population is unaware of the nature of the problem, and this includes legislators, lawyers, and judges. As far as they are concerned, the monetary system is working just fine. Your concern will puzzle and annoy them. Should you seek the help of the courts--especially the federal courts--you will be unlikely to succeed. It is true that federal courts have jurisdiction to hear cases involving the rights of citizens, and to set forth those rights, but not in cases involving federal taxes. So if you petition the federal court to define for you precisely what the dollar is (with which you must give a "true, correct, and complete" accounting of your income) you will not get to first base. Indeed, you may not even get to bat.

In St. Louis a few years ago, a young man, fearing possible prosecution by the IRS, went into federal court with the request that the court order the IRS to provide a definition of such terms as "dollar" and "money." His motion was vigorously opposed by the IRS with pages and pages of rather remarkably far-fetched and illogical arguments. Isn't it incredible that a branch of the United States Treasury should so strenuously object to telling a citizen of the country just what a "dollar" is? The judge agreed with the IRS. (Judges are audited, too!)

In another case, a man indicted on charges of willful failure to file sought to defend himself by means of the "money" issue. How could he compute his income in "dollars" when it is obvious that checks are not dollars in themselves, and the IRS had already admitted in writing that Federal Reserve Notes were not dollars? To assist in his defense, the defendant had obtained, as expert witness, a renowned monetary expert, presently professor of law at a local university, and prior to that, for twenty-three years, chief counsel and vice-president of the Federal Reserve Bank of St. Louis. When the judge saw the professor in his courtroom, he asked whether the professor was there to testify in the case. On learning that he was, the judge had the jury removed, and heard the professor's testimony as to the indefinite and nebulous character of the "dollar." Though acknowledging the professor's expertise, the judge refused to allow the jury to hear his testimony, because he could allow no testimony which would reflect adversely upon the United States dollar! Better that an upright man go to prison than that twelve jurors have their confidence shaken.

State courts are another matter. The Constitution quite clearly spells out that no state may make anything but gold and silver coin a legal tender. To be sure, the founding fathers never for a moment intended that the federal government do such a thing either, but they did not reckon with the vested interests of a huge federal bureaucracy which maintains its hold over the people by issuing its "obligations" as legal tender. For the states, this is specifically forbidden. It is in the state courts, therefore, that the solution is to be sought. There are a variety of approaches.

Anyone receiving a check drawn on state funds in a state bank can bring suit because he is entitled to gold and silver coin, according to the Constitution. A Missouri dentist has done so regarding a number of Medicaid checks. To our delight, the Missouri judge hearing the case did not dismiss it, as desired by the Treasurer (presently governor!) of the state of Missouri, but rather ordered that official to formally respond to the charges of the plaintiff. In so doing, the treasurer tended to make a fool of himself. The issue, after all, is so clear-cut, and the fact so simple.

Another Missourian has taken a slightly different tack. Can the state of Missouri compel the payment of something other than gold and silver coin in the payment of an income tax, when no such coin is available to Missourians? In other words, can the state compel payment of a tax in something other than constitutionally-defined legal tender? The case is a stalemate, but no tax demands have been forthcoming. Regardless of how these cases are eventually settled, you can be sure that judges and other state officials are getting a much-needed education.

A farmer in Alabama made a somewhat different case in state court. Facing bankruptcy, this gentleman went into court and sought relief by pointing out that, in lending him 500,000 "dollars" the bank only needed to have actual "cash" reserves of 100,000. Wasn't it usurious and dishonest, the farmer asked, to collect interest on the $400,000 which apparently didn't even exist? With only $100,000 of its funds at risk, could the bank collect interest on half-a-million? The bank decided to settle--on terms quite acceptable to the farmer.

Throughout the United States concerned citizens are making state courts face the issue of constitutional vs. counterfeit money, largely as a result of the influence of F. Tupper Saussy's delightful but important book Miracle On Main Street, which first set forth the importance of raising the money issue on the state, rather than the federal, level. The progress of the movement is chronicled in Saussy's Main Street Journal (P.O. Box 143, Sewanee, Tennessee 37375), and there are encouraging reports of victories. At least a couple of municipal judges have posted signs in their courtrooms acknowledging that they cannot demand payment of fines in anything other than gold and silver coin--althrough they will accept Fed "notes" if offered. From coast to coast people are demanding that state officials comply with the clear and unmistakable mandate of the Constitution which those same officials have sworn to uphold. It is important that such demands be made, and that the present system be protested.

Consider the issue of prohibition. For thousands of years men have drunk alcoholic beverages. They were not about to stop the practice when a group of legislators declared it to be illegal--indeed, unconstitutional! The production and consumption of liquor continued, despite heroic efforts by the government to stop it. Bear in mind that those in opposition to prohibition were, by producing and consuming alcohol, most certainly violating a valid (if foolish) law. Yet they were so persistent and so numerous that they prevailed, and prohibition was repealed. The government was forced to acknowledge that the people make the law with their actions, just as refugees "vote with their feet." By contrast, those who protest the enforced use by the states of a non-redeemable legal tender commit no crime when they demand of their elected officials that they live up to their oath of office, or provide definitions of terms--such as "dollar"--that they use in their statutes. And the legal-tender laws that they protest are, unlike prohibition, quite clearly illegal: "No state shall make anything but gold and silver coin a tender---."

The time to protest is upon us. The hour is late, and the body politic critically ill from the toxins of inflation, though hope remains. In Congress, Rep. Ron Paul (R-Texas) has introduced a bill which would repeal "legal tender" laws and the privilege now enjoyed by banks of creating money. The Congressman has also called for the minting of gold coins stamped with the weight of purity of the metal, with no reference to "dollars." Write Congressman Paul to indicate your support, and send copies of your letters to your own Congressmen. No, they will not immediately run into Congress to urge the return to sound money, but they will be reminded that there are people desirous of such a return. Numbers are all-important. Prohibition was not overturned because a dozen people wanted a drink. It was overturned because millions wanted a drink, and wanted it badly enough to break the law. We must want a return to honest money badly enough to compel our state officials to comply with the law.

Avoid using banks as much as possible. There is no benefit to be derived from the privilege of creating money if people don't use that money. If you must borrow, don't borrow from a bank which will merely create the amount of the loan from thin air (inflation). Use your checking account as sparingly as possible--if you use it at all. When you transfer a number from your checking account, the bank's reserves are reduced only by the fractional reserve percentage. If the bank's deposits are supported by a ten percent reserve, you reduce those reserves by ten dollars every time you write a check for one hundred. But if you take the one hundred in currency, the reserves are reduced the full one hundred. With reduced reserves there is reduced capability to create additional "money," plus you obtain privacy by dealing in cash. And don't think the implication will be lost on the money-creators.

They are already concerned at the large number of one hundred dollar bills in circulation, and it has been suggested that the printing of the one hundreds cease, or that they be stripped of legal tender status. Their horror at the thought of people privately, and off-the-record, exchanging their imaginary dollars for precious metals has led to the introduction in Congress of a bill which would mandate the use of checks in purchasing gold. In other words, for the purchase of gold, the use of legal tender would be illegal! Whoopee! Can you have any doubts that our monetary system is debased when such flawed logic and corrupt legislation are required to support it? Other proposed legislation would require the seller of gold to give his social security number and thumbprint in recording the transaction. We must have struck a nerve.

Finally, businessmen can post prices in terms of silver coin, and request payment in such coin. It is not necessary to insist upon tender of the silver, of course, merely to request it. Customers could hardly help but be impressed by the fact that they could buy for one silver dime what now costs a "dollar." There is no inflation when wealth is traded for wealth. This will not, of itself, bring about monetary reform, but it will signify rational and cogent dissent from the present system, while publicizing the defects of that system.

And, of course, use of "non-money" barter eliminates the banking system altogether, and there have sprung up a number of organizations dedicated to the facilitation of barter among the membership. And there are several financial institutions which will maintain customers' accounts in silver coin, thus fulfilling the role played by banks before they became creators, instead of warehouses, of money. The very existence of such institutions is enormously significant, because it indicates a demand by the people for an honest (i.e., measurable, weighable, analyzable) medium of exchange.

The solution to our monetary crisis, therefore, is legitimate protest, both in and out of court. Unlike the protesters of prohibition, we commit no crime with our protest. Is there any wrong done in demanding that government officials live up to their oath of office? Is there any harm in demanding from those officials a legal determination of just what constitutes a "dollar?" Is there any subversion in pointing out the absurdities of our present system?

By sheer weight of numbers and persistence, the "criminal" opponents of prohibition triumphed. Can we, with the very Constitution itself on our side, fail to do likewise? I'll drink to that!

Of course, we can just do nothing, thereby signaling the monetary powers that the exchange of our lives for their never-to-be-paid IOUs is just fine with us. Jack is truly a dull boy to trade all work for no pay!

## Chapter Eighteen - From the Horse's Mouth

Who am I? Nobody. Do you know me? No. Is there any reason for you to trust me? Well, I am t elling you the truth. Can others vouch for the truth of what I say? Oh, yes, many folks with credentials you will respect and names you will recognize. I have arranged some pertinent quotations below. They are numbered because we will have reference to them in the next chapter.

ONE: "No state shall emit bills of credit, make any thing but gold and silver coin a tender in payment of debts, coin money---." Article One, Section Ten, United States Constitution.

TWO: "Congress shall have power to pay the debts of the United States, coin money, regulate the value thereof, and fix the standard of weights and measures." Article One, Section Eight, U.S. Constitution.

THREE: "Madison, agreeing with the journal of the convention, records that the grant of power to emit bills of credit was refused by a majority of more than four to one. The evidence is perfect; no power to emit paper money was granted to the legislature of the United States." George Bancroft, A Plea for the Constitution (1886)

FOUR: "Paper money may be deemed an aggression on the rights of the other states." James Madison

FIVE: "To emit an unfunded paper as the sign of value ought not to continue a formal part of the Constitution, nor even hereafter to be employed; being, in its nature, pregnant with abuses, and liable to be made the engine of imposition and fraud; holding out temptations equally pernicious to the integrity of government and to the morals of the people." Alexander Hamilton, June 1783.

SIX: "Paper money has had the effect in your state that it will ever have, to ruin commerce, oppress the honest, and open the door to every species of fraud and injustice." George Washington, in letter to J. Bowen, Rhode Island, Jan. 9, 1787

SEVEN: "I believe there are more instances of the abridgment of freedom of the people by gradual and silent encroachment of those in power than by violent and sudden usurpations." James Madison

EIGHT: "Of all the contrivances devised for cheating the laboring classes of mankind, none has been more effective than that which deludes him with paper money." Daniel Webster

NINE: "Money power denounces, as public enemies, all who question its methods or throw light upon its crimes." Wm. Jennings Bryan

TEN: "All the perplexities, confusion and distresses in America arise not from defects in the constitution or confederation, nor from want of honor or virtue, as much from downright ignorance of the nature of coin, credit, and circulation." John Adams, letter to Thomas Jefferson

ELEVEN: "--and be it further enacted that if any of the gold or silver coins which shall be struck or coined at the said mint shall be debased---every such officer or person who shall commit any or either of the said offenses shall be deemed guilty of felony, and shall suffer death." Coinage Act, 1792, Sec. 19 (in present U.S. code at title 31)

TWELVE: "The world is governed by very different personages from what is imagined by those who are not behind the scenes." Benjamin Disraeli

THIRTEEN: "Those who create and issue money and credit direct the policies of government and hold in the hollow of their hands the destiny of the people." Rt. Hon. Reginald McKenna, former Chancellor of Exchequer, England

FOURTEEN: "Bankers own the earth. Take it away from them, but leave them the power to create money and control credit, and with a flick of a pen they will create enough to buy it back," Sir Josiah Stamp, former president, Bank of England

FIFTEEN: "Money is the most important subject intellectual persons can investigate and reflect upon. It is so important that our present civilization may collapse unless it is widely understood and its defects remedied very soon." Robert H. Hemphill, former credit manager, Federal Reserve Bank of Atlanta

SIXTEEN: "It sounds harsh, but it is a fact, that in the last analysis the only way to impose state control of prices--is to reintroduce the death penalty." Dr. Heinz Wuffli, The Monetary Crisis in the Light of Contemporary History, p. 13

SEVENTEEN: "Banks lend by creating credit. They create the means of paym ent out of nothing." Ralph M. Hawtrey, former Secretary of Treasury, England

EIGHTEEN: "Lenin is said to have declared that the best way to destroy the capitalistic system was to debauch the currency. Lenin was certainly right. There is no subtler, no surer means of overturning the existing basis of society. the process engages all the hidden forces of economic law on the side of destruction, and does it in a manner which not one man in a million can diagnose." John Maynard Keyuner, The Economic Consequences of the Peace, 1920.

NINETEEN: "If, however, a government refrains from regulations and allows matters to take their own course, the worthlessness of the money becomes apparent and the fraud upon the public can be concealed no longer." Keynes, ibid.

TWENTY: "Thus, our national circulating medium is now at the mercy of loan transactions of banks, which lend, not money, but promises to supply money they do not possess." Irving Fisher, 100% Money.

TWENTY-ONE: "When plunder becomes a way of life for a group of men living together in society, they create for themselves in the course of time a legal system that authorizes it and a moral code that glorifies it." Frederic Bastiat, The Law.

TWENTY-TWO: "Give me the power to issue a nation's money; then I do not care who makes the law." Anselm Rothschild.

TWENTY-THREE: "Whoever controls the volume of money in any country is absolute master of all industry and commerce." James A. Garfield.

TWENTY-FOUR: "Emitting bills of credit, or the creation of money by private corporations, is what is expressly forbidden by Article 1, Section 10 of the U.S. Constitution." U.S. Supreme Court, Craig v. Missouri, 4 Peters 410.

TWENTY-FIVE: "The actual process of money creation takes place in commercial banks. As noted earlier, demand liabilities of commercial banks are money." Federal Reserve Bank of Chicago, Modern Money Mechanics, p.3.

TWENTY-SIX: "Confidence in these forms of money also seems to be tied in some way to the fact that assets exist on the books of the government and the banks equal to the amount of money outstanding, even though most of the assets themselves are no more than pieces of paper--." ibid., p.3.

TWENTY-SEVEN: "The Bureau of Engraving and Printing in Washington, D.C., a unit of the treasury, is responsible for printing the nation's currency. But its orders to print come from the 12 Federal Reserve Banks, not the President or Congress. The reserve banks, not the treasury, determine how much currency is printed. Under this arrangement, the government can't print more Federal Reserve Notes to pay its bills or debts." Federal reserve Bank of New York, I Bet You Thought, p.13.

TWENTY-EIGHT: "Commercial banks create checkbook money whenever they grant a loan, simply by adding new deposit dollars in accounts on their books in exchange for a borrower's IOU." ibid., p. 19.

TWENTY-NINE: "The 12 regional reserve banks aren't government institutions, but corporations nominally 'owned' by member commercial banks." Ibid., p. 27.

THIRTY: "Without the confidence factor, many believe a paper money system is liable to collapse eventually." Federal Reserve Bank of Philadelphia, Gold, p. 10.

THIRTY-ONE: "Government is the only agency which can take a useful commodity like paper, slap some ink on it and make it totally worthless." Ludwig von Mises.

THIRTY-TWO: "Inflation, even if correctly anticipated, reduces the wealth of money holders in proportion to their holdings of money." St. Louis Federal Reserve Review, Feb. 1975, p.19.

THIRTY-THREE: "In 1945, nonfarm families owed $5.7 billion, consisting primarily of installment debt. By 1974 the debts had risen to $190.1 billion--a leap of 32235 percent." Wm. E. Simon, A Time for Truth.

THIRTY-FOUR: "Because of 'fractional' reserve system, banks, as a whole, can expand our money supply several times, by making loans and investments." Federal Reserve Bank, New York The Story of Banks, p.5.

THIRTY-FIVE: "Vault cash held by banks is not considered a part of the stock of money available for spending by the nonbank public." Modern Money Mechanics, p.2.

THIRTY-SIX: "The decrease in purchasing power incurred by holders of money due to inflation imparts gains to the issuers of money--." St. Louis Federal Reserve Bank, Review, Nov. 1975, p.22.

Other quotations could be provided, but I hope by now that you have the idea. Henry Ford was supposed to have said that if the people of this country had any idea how the money system operated, there would be a revolution tomorrow. Is it any wonder?

## Chapter Nineteen - Questions and Answers

Q: You have said that the effect of interest is to cause a constant demand for more money creation. Yet we hear on the radio and read in the paper that the money supply has declined. Doesn't this prove you wrong?

A: No. When the monetary authorities refer to the money supply, they generally mean cash and bank deposits readily available for spending in the hands of the non-bank public. This is the so-called "M1." Note quotation 35. If you have $1,000 in cash, and deposit it in the bank, it forms part of the bank's vault cash, and is no longer counted as part of the money supply, since it is no longer in the hands of the non-bank public. Or if you reduce your bank deposit by writing a check with which you purchase some long-term savings device, that also reduces the "money supply," since the money is no longer readily available for spending. In fact, there is a penalty for early withdrawal. The monetary powers are so anxious for you to take your money from the marketplace in this way that they'll give you a free toaster, or even a TV, if you'll buy one of their long-term deposit certificates. The total "amount" of "money," however, never declines, short of a deflationary exchange, which is an acknowledgment by the government that things have gotten out of hand.

Q: Despite what the founding fathers may have said or desired, hasn't Congress made our present monetary system legal? How can you say it's unconstitutional?

A: Congress can make no law which violates the Constitution. Any attempt on its part to do so is null and void, and without force from its inception. The Constitution is to be interpreted as meaning just what it says; and the Constitution , or any law, must also be interpreted in light of the intention of the law-giver. If the founding fathers clearly intended to "crush paper money," as the records of the debates at the Constitutional Convention indicate, then we cannot twist their words to indicate just the opposite. In general, we probably have very many unconstitutional laws. The important thing to realize is that whether a law is constitutional or not is of very little importance--until it is challenged. For example: you can post a "keep off the grass" sign on your lawn, but if people regularly walk on your grass and you ignore it, you might as well not have the sign. If the government regularly violates the Constitution and gets away with it, don't blame the government. The Constitution regards your fundamental human rights as God-given, and establishes the government as the agency which guarantees and protects your free exercise of those rights. If your rights are subsequently challenged or denied, it is up to you to complain. Your "rights" mean nothing if you are unwilling to fight for them. When it is the government itself which threatens your rights, you are admittedly in a difficult spot, but you can at least complain! Do not allow your silence to indicate to the government that you approve of, or are indifferent to, its unlawful behavior.

Q: If the monetary situation is as bad as you say, why hasn't the whole thing collapsed long ago? It seems to be going strong despite your gloomy prognostications.

A: I admit to the gloomy outlook, and am myself surprised that the whole thing hasn't blown up years ago. But I think it's also probably true that the monetary situation has, in fact, collapsed, and you just haven't realized it yet. The economy can collapse with a whimper, rather than a bang, you know. Foreigners are much more aware of the situation. They don't want our pieces of paper. They prefer gold. In fact, they preferred it so much that President Nixon had to "close the gold window" in 1971 to prevent the total withdrawal of our nation's gold store, if indeed there is any. (I'm not questioning the existence of gold at Fort Knox, but only whether or not our government owns it.) The Arabs sold oil for gold, and accepted our paper when it was freely convertible (by them, not for us Americans) into gold. When that ceased in 1971, they had to get the gold on the open market, and to obtain as much gold per barrel of oil as they had previously gotten, they had to roughly quadruple the "price" of the oil in terms of "dollars." Did they raise the price of oil? Most people think so, and blame them for our economic plight. but they were simply trading their oil for gold, and wanted as much gold after 1971 as before. Why not? Wasn't the oil the same after 1971 as before? It was the "dollar" which had changed, a fact which most people at home failed to realize, probably because they accept the word "dollar" without so much as questioning its definition.

Q: I just can't share your concern about the "control" which you claim is exercised by the money creators. I am getting along just fine, thank you; and to my knowledge have never been coerced or tricked into doing anything by the money powers.

A: Good for you! I assume that if you are in business, you operate that business as you see fit, unregulated and unlicensed. In hiring and firing, you can discriminate (discriminate means to choose) according to your own criteria. You don't have to support a school system you don't use nor buy seat belts that you don't intend to use. And so on ad infinitum. Remember that if the money creators stop their creating, all commerce and industry stop dead. This gives them a great deal of clout, to put it mildly. I suggest that the truth of this can be seen from the fact that there are so many issues which seem to have only one side--the so-called "establishment" side.

Bussing for school integration, for example, is rarely if ever spoken of except in glowing terms by government and media spokesmen, although the majority of the people, I believe, find it simply preposterous. Fluoride was once marketed as an insecticide, but now most of us are compelled to ingest it via drinking water. The same establishment which approves of this waxes indignant that some people might wish to voluntarily consume laetrile. The courts have declared that your minor daughter can obtain an abortion without informing you, but she cannot have her ears pierced without your consent. These examples could be multiplied many times over. To me they indicate that there are powerful forces at work in this country working for certain causes and against others, and logic, fairness, morality, and even the law itself, be damned if they stand in the way. Refer to quotations 22, 23, 14, 13, 12, 9, and 8.

Q: You gave us some hints that might be useful in pressuring government to give us honest money, but it seems unlikely that they will be effective. In the meantime, what can we do to protect ourselves?

A: I have refrained from making suggestions regarding individual survival, because circumstances vary so much. A retired person, for example, may need the interest earned by his savings. Frankly, retired folks are caught in an almost hopeless situation. Those who can still afford it, and those who are still working and can live comfortably on their incomes, should avoid savings accounts of any sort and translate those numbers into tangible liquid assets. Silver and gold are preeminently suitable. Real estate, diamonds, objets d'art, may also be good, depending upon your expertise in these areas. However, they are neither so portable nor so "liquid" as precious metals. The important thing is to minimize your holds of "money." See quotations 32 and 36. The ideal situation would be to borrow a million dollars and buy precious metals with it the day before the currency collapses, or is exchanged for another one (deflationary exchange). Timing, in other words, is important. However, better lose the interest by withdrawing from savings five years too soon, than one day too late.

Q: Your complaint of the lack of definition of the word "dollar" seems to me far-fetched. Everyone knows what a dollar is! If they can't give a precise definition, it certainly doesn't seem to make any difference. Who, if anyone, is hurt by this supposed lack of a definition?

A: I guess you might say that the purpose of this book is to convince you that you are hurt, and don't even realize it. As to your contention that everyone knows what a dollar is, you are simply mistaken. Ask a few people! Ask your banker. And consider this regulation of the Internal Revenue Service, which is a branch of the treasury department. I refer to IRS regulation 78-360, which declares that if you receive income in the form of silver coins of the United States, they are to valued, for tax purposes, at their current "market value." Since the current "price" of a dollar of silver is about ten bucks, this means that if you should inherit your uncle's collection of 100 silver dollars, you must declare an income, from that inheritance, of 1,000 dollars. Now just a minute! What is a dollar anyway, that one of them is ten? If you inherited 100 acres of land, would you affirm that you have gotten 1000? If you had inherited 100 vintage automobiles, would you admit to having received 1000? If we measure monetary worth in "dollars," then how can one "dollar" be worth ten? The regulation goes on to say that if you use the silver coins to pay the tax, they will be received by the government at their face value. Thus, if you use the silver dollar (worth ten "dollars!") to pay the tax, you are paying--one dollar! In other words, according to Uncle Sam, the self-same coin is simultaneously ten (when you receive it) and one (when the government receives it)! If you are in the fifty percent tax bracket, you would pay five dollars tax on receipt, as income, of a single dollar of silver, worth ten "dollars." If you chose to pay the tax with silver, it would require five silver dollars, therefore, to pay the tax on one silver dollar! It is obvious from this ludicrous regulation that the government itself cannot--or will not--define "dollar."

And who is hurt by this lack of definition? Maybe you will sell a home at some time in your life. Many people do. If you bought the home in 1967 or earlier, you paid for it in dollars of silver, because our money was silver until mid-1968. Suppose you paid $30,000 for the home in 1967 and sold it last year for $120,000. The $120,000 you received in payment equals about $12,000 in silver. Thus, in terms of the same units you paid for the house, you sold it for a 60% loss. (Isn't it only fair to measure buying and selling prices in terms of the same monetary units?) But you will declare, won't you, that you made a "profit" of $90,000 on the deal. You'll pay a tax on that "profit." Now is that being hurt or isn't it? And the hurt is possible precisely because the "dollars" you received for the house were altogether different from the ones you paid for it--a confusion which could only exist when there is no definition of the word "dollar."

Or perhaps you will sell some stock which you purchased many years ago. Will the "dollars" received by of the same utility as the ones paid? The "dollars" paid would have bought X gallons of milk, or Y pounds of beef. Will the "dollars" received buy as much? If not, you can hardly consider the sale to be profitable, even if the selling "price" exceeds, as a number, the "price" originally paid.

Far from being academic quibbling, the question, "What is the precise definition of 'dollar'?" is the most important question you can ask at this critical moment in our country's history. If you do not ask it, or do not understand its importance, you will suffer the consequences and never know the cause of your suffering. Honest money is that which can be seen, weighed, measured. The dollar quantity of it is easily stipulated. Money that cannot be weighted or measured is like the emperor's new clothes--a snow job, or perhaps we should say a confidence game. But it's a game you can only lose.

Ask the right questions! Demand answers. Is is so incredible, after all, that the government be required to define its official money of account? Doesn't it expect you to swear that you've received it when you have an "income?"

If knowing that you are working for counterfeit, you say nothing, you deserve the funny money. But it won't be so funny when you're up to your ears in it, and it won't buy anything. Wake up! It's waist-high already!

## Chapter Twenty - Money Annihilation

We have spoken so often of money creation that it is only proper that we give some consideration to its corollary, money annihilation. To create is to make from nothing; to annihilate is to reduce to nothing.

The Federal Reserve System purchases government securities with funds which do not exist until created by the Fed. The Boston Federal Reserve Bank publishes an interesting booklet which describes this process. The booklet points out that commercial banks have their own accounts with the Fed, but there is no bank in which the Fed has an account. Therefore, when the Federal Reserve buys a government bond, it does so by writing a check on a non-existent account in a nonexistent bank. In other words, money creation. But wait a minute! If the Fed has no bank account anywhere, what happens to checks made payable to it?

Other Federal Reserve publications--such as one from the New York Fed--explain that by making loans and investments, the Federal Reserve Bank can create reserve dollars for our banking system, and by selling investments, or having their loans repaid, the Fed banks can "extinguish" (their word) reserve dollars. In other words, checks payable to the Fed do not transfer the numbers to the Fed's account, for there is no such account. The numbers are annihilated! They simply cease to exist. They are subtracted from the account of the check-writer, and re-appear nowhere. What can be more logical? If modern "money" can come into existence at the stroke of a pen, it can as easily go out of existence with the application of an eraser!

Even so, money annihilation is a concept that many find hard to accept. Because we are all familiar with forgery and counterfeiting, we can understand money creation simply by realizing that certain privileged individual are exempt from punishment for these activities. But money annihilation is a foreign, even repugnant, idea. The non-bank public can only acquire money by working for it, or perhaps inheriting it from someone else who worked for it. It seems bizarre that these hard-earned dollars, when paid as taxes, should go out of existence, once tendered by Uncle Sam to his principle creditor, the Federal Reserve System. You have likely read that the average taxpayer works until mid-spring to earn enough to pay his taxes. What can we conclude but that a large percentage of that activity is for naught? True, a creditor can do what he wishes with his money, but if you spent one third of your working life, year after year, to pay a debt, only to learn that your payment is tossed into the fire by your creditor, mightn't you feel that there is something profoundly wrong somewhere? Is there any sort of parity between the effort you expend in earning the numbers, and their eventual disposition? Do you perhaps feel foolish at having worked so hard to obtain numbers that are so casually "extinguished?" Hard come, easy go!

Maybe you understand that modern money comes into existence out of thin air, as numbers representing nothing but a "liability" of the lending bank, which numbers in fact obligate or burden the bank in no way. Perhaps you feel that such numbers, though created at no cost to the creator, gain some sort of worth by virtue of the labor you put forth to earn them. Can you maintain that heartening fiction in the face of the fact of money annihilation?

Scripture tells us that the laborer is worthy of his hire. The "hire" which the laborer received was something tangible and measurable. (One of the evangelists refers to it as "meat.") All who owned it prior to the laborer worked to receive it, as did the individual who first produced it. The Christian concept of the dignity of labor is based, therefore, upon the fact of--and the justice of--payment. In today's pagan society, the hire of the laborer is utterly intangible, being numbers upon a paycheck which represent no specific quantity of any stated material. They come into existence with the stroke of a pen (as a loan) and when repaid are snuffed out with equal ease. To say that the modern laborer is worthy of this hire is to make a mockery of this labors, and to a considerable extent, therefore, his life.

This book has been written in the hope that productive men and women will read it and decide that their lives' work is worth more than such numbers, which can be "extinguished" by their issuers when it is judged by them expedient to do so, whether repaid or not. For those who are content to exchange their work for no pay, and who find nothing degrading or immoral in the practice, it is not necessary to do anything. If you are willing to exchange your work for no thing, you can be sure that that is exactly what the present system has to offer.

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