

Transition to an Honest Monetary System

By

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It's been ten years since I began the Foundation for the Advancement of Monetary Education (www.FAME.org) and what I call, with input from James Ewart, the author of *Money*, "The Fight for Honest Monetary Weights and Measures." Although many tens of thousands have downloaded our materials, my lecturing all over the U.S. and in some other parts of the world, hundreds of radio broadcasts as well as a weekly television program in New York City, there is no groundswell, nor even the genesis of interest on the part of the "powers that be," to move the U.S. toward an honest monetary system.

Because there is no longer any market-based self-correcting mechanism, i.e., what in the sciences is called a "negative feedback loop," on increasing financial leverage, our monetary system will absolutely blow up. That is, there is no longer any market mechanism to constrain the ever-increasing amount of money that our banking system is creating out of nothing. We will approach the time when the "dollar" may lose most or all of its purchasing power. There is virtually no preparation for this kind of catastrophe, notwithstanding that for the past few years the prospect of a worldwide financial meltdown has been mentioned by high government officials such as President Clinton, former Secretary of the Treasury Rubin, and many others.

Absent a market-based self-correcting mechanism on increasing financial leverage, there will be no soft landing nor orderly transition without first enduring the horrors of a collapse of the "dollar." (Note: the reason I put the word "dollar" in quotation marks is because it no longer has a statutory definition, and because there is no longer any link to the dollar referred to in our *Constitution*.) Monetary fraud is so pervasive, the malfeasance so entrenched, the academy along with our so-called "elected representatives" so co-opted, nothing less than a coalition of Nelson Mandela (one of the few living politicians who has recognized moral authority) along with a group of past presidents might give people even pause to consider the impending disaster. Sad to say, the chance of such a coalition is nil.

On the legal side, despite the heroic efforts of FAME Foundation Scholar Dr. Edwin Vieira, in his magnificent *Pieces of Eight*, proving, not "beyond a reasonable doubt," but beyond doubt, that our present monetary system is not in accordance with the supreme law of our land, the *Constitution*, i.e., that it is unlawful for the U.S. to have irredeemable legal tender fiat paper-ticket money, mostly on account of the legal dictum *stare decisis*, i.e., "to stand by decided cases," there will be no redress from the courts. Irredeemable-paper-ticket-fiat-token money was not intended by the Founding Fathers. Indeed, at the Constitutional Convention, they voted against it.

For those who understand the issue, the best use of resources at this time is to formulate a plan that will mitigate the damage, and hopefully, maintain our form of government. In other countries, e.g., Brazil, Argentina, and Mexico, when their national currencies collapsed, they somehow muddled along and "recovered," although the hardship for ordinary people was appalling, and in almost all cases there was a regime change.

In every case, they had an alternative currency: the "dollar." When the "dollar" collapses, for Americans there is no alternate currency, and there will possibly be bedlam. To combat that chaos, there will be, I predict, a series of Executive Orders that will, in effect, create martial law. On account of the "emergency," it is probable that the last vestiges of our *Constitution* will be

abandoned, who knows for how long, if not forever. (For a foreshadowing of what may be in store, see “Emergency Powers Statutes,” Senate Report 93-549: “Under the powers delegated by these statutes, the President may: *seize property; organize and control the means of production; seize commodities; assign military forces abroad; institute martial law; seize and control all transportation and communication; regulate the operation of private enterprise; restrict travel; and, in a plethora of particular ways, control the lives of all American citizens.*” [Emphasis added.] Thus, we need to have at least the semblance of an alternate currency in place before the collapse.

With this in mind, it is proposed that legislation be enacted to distribute to all holders of U.S. Social Security cards, at no cost, on a per capita basis, the gold being held by the U.S. Treasury (approximately 260 million ounces). It is further proposed that: (1) The gold be minted into coins, each weighing 25 grams, with no link to the “dollar”; (2) One side of the coin to have the Great Seal or some other suitable design, and the reverse side the image of President Ronald Reagan along with the weight of the coin; and, (3) Willful tampering with the coins or the distribution process to be a federal felony with a severe penalty.

The reason I propose the image of President Reagan is twofold. First, President Reagan was the last high official to demonstrate at least some knowledge about monetary issues, e.g., it was he who impaneled the Gold Commission circa 1982 to study the possibility of returning to a gold standard. After reading through the proceedings, thanks to the efforts of FAME Foundation Scholar Reg Howe and his partner Bob Landis in xeroxing the proceedings and placing them on the Internet, it is clear that there was never a chance to have an honest monetary system at that time. Second, and perhaps more important, with the passing of President Reagan, there is possibly support in Congress to commemorate him with a gold coin.

Another prospect for distributing U.S. Treasury gold is that older people should get extra. The theory is that parents will support their children, young people can still work, but seniors who cannot work will be most vulnerable. Therefore, they need to be taken care of first. So, perhaps a condition for distribution might be that those below the age of 18 get nothing, those 18-40 get one coin each, those between 40-50 get two coins each, those 50-60 get four coins each, and those over 60 get eight coins each. (Someone will have to do the demographic analysis to make sure there is enough gold to go around.)

Ordinary people who will, in effect, be getting a gift will support this legislation. From President Bush’s point of view, distributing the gold will help the “economy.” Congressman Dr. Ron Paul (14th District Texas) has been informed about the merits of such legislation. If you agree, please write him as well as other members of Congress. This may be the last good opportunity to help win the “The Fight for Honest Monetary Weights and Measures.”

Free Coinage of Gold and Silver

The following is excerpted with slight modification from the *Coinage Act of 1792*, Section 14:

“And be it further enacted, That it shall be lawful for any person or persons to bring to the U.S. mint gold or silver bullion, in order to their being coined; and that the bullion so brought shall be there assayed and coined as speedily as may be after the receipt thereof, and that free of expense to the person or persons by whom the same shall have been brought. And as soon as the said bullion shall have been coined, the person or persons by whom the same shall have been delivered, shall upon demand receive in lieu thereof coins of the same species of bullion which shall have been so delivered, weight for weight, of the pure gold or silver therein contained: Provided nevertheless, that it shall be at the mutual option of the party or parties bringing such bullion, and of the director of the said mint, to make an immediate exchange of coins for standard bullion, with a deduction of one half percent from the weight of the pure

gold contained in the said bullion, as an indemnification to the mint for the time which will necessarily be required for coining the said bullion, and for the advance which shall have been so made in coins. And it shall be the duty of the Secretary of the Treasury to furnish the said mint from time to time whenever the state of the treasury will admit thereof, with such sums as may be necessary for effecting the said exchanges, to be replaced as speedily as may be out of the coins which shall have been made of the bullion for which the monies so furnished shall have been exchanged; and the said deduction of one half percent shall constitute a fund towards defraying the expenses of the said mint.”

The benefit of “free coinage” is that if the country requires more currency, it will be produced either by mining new gold/silver or by melting that which already exists. One of the compelling reasons why the free market chooses some weight of gold or silver as the unit of account is that gold and silver are the most plentiful commodities as compared to the amounts produced yearly from mines. In fact, gold and silver are the *only* commodities for which there is more than one year’s worth of production above ground that can easily be brought to market. In the case of gold, there is more than a fifty-year supply. As a result, pricing arrangements in terms of gold or silver will not be materially affected by new mine production or if mines cease operations.

A Constitutional amendment to redefine the U.S. unit of account

Today, the “dollar” is thought to be anything the Congress wants it to be. As Dr. Edwin Vieira has pointed out in his *Pieces of Eight*, this flies in the face of the 7th Amendment, which guarantees a trial by jury for any controversy in excess of \$20, and in the *Constitution* Section 9 Clause 1, which allowed the Congress, prior to year 1808, to impose a tax on the importation of slaves in an amount not to exceed \$10. If it were true that the *Constitution* allows Congress to define the dollar as anything the Congress wants it to be, then these provisions in the *Constitution* would be meaningless. Thus, it is clear that the constitutional dollar must mean something specific. In fact, it means the Spanish Milled Dollar. This fact is further evidenced by the *Coinage Act of 1792* that defined the dollar as 371.25 grains of silver, the silver content of the Spanish Milled Dollar.

Because, as a practical matter, there is no returning to such a silver dollar, the unit of account, as well as the 7th Amendment, needs to be redefined. Further, and most important, since the “dollar” is no longer defined, as Mr. Greenspan has pointed out, it cannot be managed or “regulated.” Congress needs to form a commission to define the unit of account. Then, the *Constitution* needs to be amended to incorporate that definition.

Discussion

Since gold has been officially “demonetized,” both at home and internationally (see Article 4-2b in the IMF’s *Articles of Agreement*), there is no longer any reason for the U.S. government to hold gold. Further, the gold that the U.S. and other countries have on deposit with the IMF should be returned forthwith for distribution as well. The source of U.S. Treasury gold was that it was mostly confiscated from U.S. citizens by president Franklin Roosevelt in 1933. This tragic error, which was compounded by president Nixon in 1971 when he caused the U.S. to default on its sovereign promise to redeem “dollars” from foreign central banks at the rate of one ounce of gold for \$35, decoupled our money from anything real and, in effect, left the value of our money in limbo. Returning Treasury gold to U.S. citizens on a per capita basis is fair, rather than selling it, because, if sold, those who are in charge of, and have easy access to, money created out of nothing, will have a great advantage over ordinary people. Most important, by distributing gold as widely as possible, when the U.S. “dollar” collapses, there will at least be a small safety net for ordinary people. Without such a safety net, there could be chaos.

Supposedly the U.S. still possesses 260 million ounces of gold (in Fort Knox and elsewhere). Then, at approximately 31 grams per troy ounce, this adds to about 8,000 million gold grams.

Assuming U.S. population to be approximately 300 million, then, on a per capita basis, each person would be entitled to about 25 grams of gold.

Another alternative is that the gold be minted into coins of weights being 5, 10, 25, 50, 100, and 1000 grams, and denominated in grams. These coins would not be legal tender, and there would be no stated link to the irredeemable-paper-ticket-fiat "dollar." Then, at some date certain, the U.S. government would distribute certificates to holders of Social Security cards, which would be redeemable for a 25-gram coin. While the certificates may be endorsed to others, there would be no bearer certificates in order to help preclude another fiat money, i.e., the certificates themselves should not function as money or a money substitute.

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