

ANNEX A

Supplementary and Dissenting Views

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1. Additional Views of Senator Christopher J. Dodd.
2. Supplementary Views of Mr. Lewis Lehrman and Congressman Ronald Paul and qualified endorsement of Mr. Arthur Costamagna.
3. Dissenting Views of Congressmen Henry S. Reuss and Chalmers P. Wylie.

Appendix to Dissenting Views of Congressman
Chalmers P. Wylie

4. Additional Dissenting Views of Congressman Henry S. Reuss.

Additional Views of Senator Christopher J. Dodd

The Gold Commission majority has discharged its responsibility to "conduct a study to assess and make recommendations with regard to the policy of the U.S. Government concerning the role of gold in the domestic and international monetary systems" by rejecting most proposals to adopt a classical gold standard or otherwise enhance the monetary role of gold, particularly in a manner that could lead to adoption of a classical gold standard. Commission records indicate that the monetary policy implications of adopting these proposals range from irrelevant to catastrophic.

I wish to associate myself with the views, expressed by Congressmen Henry S. Reuss and Chalmers P. Wylie, regarding the Gold Commission's majority recommendation that the Treasury Department be authorized to mint a "gold bullion coin" exempt from capital gains and sales taxation. Increased speculation in gold, at the expense of investment in productive assets, is clearly contrary to our economic and financial interests. Furthermore, the states would find that, through federal action, they were deprived of an important source of sales tax revenue at a time when the federal government is shifting substantial program responsibilities and costs to the states. On this matter, I join with the Gold Commission minority in opposing Treasury issue of such gold bullion coins.

While I have reservations about the Gold Commission's jurisdiction over monetary policy questions not directly related to the role of gold, I would note that improved definition, measurement and control of the money supply are important issues which cannot be separated from the larger goals of long-term price stability and economic growth. Accordingly, I urge that Congress proceed with the utmost caution should it consider proposals for multi-currency systems, whether or not they involve gold.

Supplementary Views of Mr. Lewis Lehrman and Congressman Ronald Paul
and qualified endorsement of Mr. Arthur Costamagna

AN ALTERNATIVE COURSE :

MINORITY REPORT

of

THE UNITED STATES GOLD COMMISSION

to

THE HOUSE OF REPRESENTATIVES and to THE SENATE

March 31, 1982

As members of the United States Gold Commission, we all subscribe to the broad principles outlined in this Report. Each of us might disagree on details or might have phrased a sentence or paragraph differently, but such disagreements are insignificant compared to the overriding importance of presenting to the Congress an alternative course, a course charted toward a sound monetary system based on gold.

Lewis Lehrman

Ronald Paul

Qualified Endorsement

While I generally endorse the broad principles presented in this Report, I believe their implementation should be delayed until the new fiscal and monetary programs of the Reagan Administration and the recommendations of the Gold Commission in its majority report are given the opportunity to succeed or fail. Should the programs recommended in the majority report fail to pass Congress within the next two years, I would endorse the plan for monetary reform presented herein.

Arthur Costamagna

TABLE OF CONTENTS

INTRODUCCIÓN	11
CHAPTER 1 The Present Monetary Crisis	15
CHAPTER 2 A History of Money and Banking in the United States before the Twentieth Century	37
CHAPTER 3 A History of Money and Banking in the United States during the Twentieth Century	177
CHAPTER 4 The Case for Monetary Freedom	210
CHAPTER 5 Real Money: The Case for the Gold Standard	223
CHAPTER 6 The Transition to Monetary Freedom	255
CHAPTER 7 The Next Ten Years	279
APPENDIX	286

INTRODUCTION

The United States is now in the most serious recession since the 1930's. The most staid and sober magazines and newspapers are writing openly about the possibility of depression. Sectors of the economy have already entered the depression stage; more are threatening to follow. The number of personal and business failures more than doubled from 1971 to 1981, and the early figures for 1982 indicate that failures are up fifty percent over 1981. Interest rates remain near record highs; unemployment has reached nine percent and is moving upward. The only sign of improvement is a slower rate of increase--but still an increase--in the cost-of-living. Annualized increases in the Consumer Price Index are now down near the levels that prompted President Nixon to impose price and wage controls in 1971.

How did the economy get into such a poor condition? Can it be blamed on the Reagan Administration's new policies, as some would like to do? Or is there a more fundamental reason for our present crisis?

It is the conclusion of the signers of this report that there is a more fundamental reason. Our present crisis has not developed in the past year; it has been growing for at least a decade. When President Nixon imposed price and wage controls on August 15, 1971, he also, ironically enough, severed the last link between the dollar and gold. The process begun in 1913 with the formation of the Federal Reserve System, accelerated by President Franklin Roosevelt through a confiscation of privately owned gold and a devaluation of the dollar, nearly completed in the 1960's by

the withdrawing of silver certificates from circulation and the end of silver coinage, was finally completed when the international convertibility of the dollar into gold was ended in 1971.

The entire process is a catalogue of broken promises and outright theft on the part of the federal government as it sought to substitute a managed, irredeemable paper money system for a gold standard. For the past ten years we have had a monetary system unique in our national history: no circulating silver or gold coinage, but a government monopoly of politically-managed paper money. The present crisis is a result of this fundamental change in our monetary arrangements, and it will not--indeed cannot--be ended permanently unless fundamental reforms are made.

Our ten year experiment with paper money has failed; it is time that the Congress recognize that failure. Congress has violated both the principles of sound economics and the requirements of our supreme law, the Constitution.

That Constitution forbids that anything except gold and silver coin should be made a tender in payment of debt--yet Congress has made inconvertible paper a legal tender. Economics requires a recognition that there is no such thing as a free lunch, but Congress has institutionalized the money creating powers of the Federal Reserve in its efforts to perform the miracle of turning stones into bread.

Chapter One of this report presents an economic overview of the last ten years, a decade of paper money. Chapters Two and Three detail the process by which we arrived at our present state. The fourth chapter presents the case for monetary freedom; Chapter Five argues the case for a gold standard, and Chapter Six outlines the specific reforms that will be needed to correct the blunders of the past. Finally, Chapter Seven

will offer two views of the next ten years, a decade with gold and a decade without.

In 1982 Congress faces a crisis and an opportunity. We hope the arguments presented here are persuasive, and the Congress acts in a timely fashion to avert an economic calamity. For too long the federal government has been playing with monopoly money; we must move forward to a real money system, gold.

CHAPTER ONE

THE PRESENT MONETARY CRISIS

In 1784 in the debate over the money issue, Thomas Jefferson said: "If we determine that a dollar shall be our unit, we must then say with precision what a dollar is." Our founding fathers followed that advice and in 1792 the dollar was defined as $371\frac{4}{16}$ grains of silver. From 1792 until August 15, 1971 the dollar was defined as a precise weight of either silver or gold. Since 1971, the dollar has had no definition (officially the definition was not legally rejected until 1976); the advice of Thomas Jefferson has been rejected entirely. For more than ten years the dollar has been nothing more than a piece of paper with government ink on it.

More and more Americans have come to recognize this, and a loss of confidence in the currency has paralleled this recognition. The monetary authorities say it is unnecessary to have a precise definition of the dollar, claiming: "A dollar is whatever it will buy." This being the case, and the fact that the dollar buys less every day, and approximately one-third of what it bought in 1971, the dollar today is undefinable and its value is relative. It should be obvious that this loss of definition of what the monetary unit is, is directly related to the financial and economic problems we face today.

If the dollar served as the unit of account for a single South American nation, such as Chile or Brazil, the significance of this change from a precise definition to no definition would be less. However, since World War II the dollar has been the international currency of account, used throughout the world, and held as a reserve currency by most major western nations. Even though this was done unwisely, it worked temporarily up until 1971 when

the definition of the dollar was changed.

Until 1971 a "dollar" was $\frac{1}{35}$ of an ounce of gold, and all nations that held the dollar as a reserve were assured that their dollars could be redeemed for $\frac{1}{35}$ of an ounce of gold--even if American citizens were denied that same right. However, the failure of the U.S. government over many decades (Congress, the Federal Reserve and the Administration) to issue only dollars that could be redeemed, led to a massive inflation of the money supply for various political reasons. This forced the United States to default on its convertibility pledge and the dollar became only something the government claimed it was. Residual trust and blind faith have allowed the dollar to serve since 1971 as money, but with ever increasing difficulty. Understanding Jefferson's advice about a precise definition of the dollar, and analysing the problems of the last decade, during which time we have had no definition of the dollar, are crucial in our attempt to pave the way for a sound, honest and reliable monetary system.

From 1792 to 1971 we had an imperfect money and banking system, as will be shown in Chapters two and three. But during that time the dollar was always related to gold in one way or another. (It may be argued that the exception was the greenback era during the Civil War, but even then gold circulated and was used to some degree.) Even with its obvious imperfections, the gold dollar worked rather well compared to the past ten years. Though the Depression of the 1930's was ushered in by government meddling in the economy and irresponsible money management, the gold dollar per se survived, even though debased by 41%. Today the dollar is troubled by a general lack of confidence. The market is anticipating that a steady depreciation will continue, thus prompting high interest rates. The purchasing power of the dollar as compared to gold has dramatically decreased over the past decade. By historic analysis, it is clear that 1971 was a significant and unique year in

